

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

FORM 10-Q

(Mark one):

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

For the quarterly period ended December 31, 1998

OR

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

For the transition period from _____ to

Commission File Number: 0-22175

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

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

22-2746503
(IRS Employer Identification No.)

394 Elizabeth Avenue
Somerset, NJ 08873
(Address of principal executive offices) (zip code)

(732) 271-9090
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: No:

As of February 1, 1999 there were 9,426,030 shares of the registrant's no par value common stock outstanding.

Part I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

<TABLE>
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EMCORE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended December 31,	
	1998	1997
<S>	<C>	<C>
Revenue.....	\$10,125	\$12,357
Cost of sales.....	6,016	6,376
Gross profit.....	\$4,109	\$5,981
Operating expenses:		
Selling, general and administrative.....	\$3,143	\$3,003
Goodwill amortization.....	284	71
Research and development:		
One-time acquired in-process.....		29,294

Recurring.....	5,924	2,836
Total operating expenses.....	\$9,351	\$35,204
Operating loss.....	(\$5,242)	(\$29,223)
Other expense:		
Stated interest expense, net.....	\$230	\$70
Imputed warrant interest expense, non-cash.....	316	96
Equity in net loss of an unconsolidated affiliate.....	276	-
Total other expense.....	\$822	\$166
Net loss.....	(\$6,064)	(\$29,389)
Per share data:		
Net loss per basic share.....	(\$0.65)	(\$4.15)
Net loss per diluted share.....	(\$0.65)	(\$4.15)
Shares used in per share data calculations.....	9,390	7,075

</TABLE>

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

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EMCORE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(In Thousands, except share data)

	At December 31, 1998	At September 30, 1998
	(unaudited)	
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents.....	\$ 1,780	\$ 4,456
Restricted cash.....	-	62
Accounts receivable, net of allowance for doubtful accounts of \$580 and \$611 at December 31, 1998 and September 30, 1998, respectively.....	4,553	7,438
Accounts receivable, related party.....	2,517	500
Inventories, net.....	12,483	12,445
Other current assets.....	290	208
Total current assets.....	21,623	25,109
Property, plant and equipment, net.....	40,554	36,210
Goodwill.....	2,174	2,457
Investments in unconsolidated affiliate.....	5,615	292
Other assets, net.....	1,670	2,090
Total assets.....	\$ 71,636	\$ 66,158
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable - related party.....	\$ -	\$ 7,000
Accounts payable.....	9,129	12,023
Accrued expenses.....	3,554	4,197
Advanced billings.....	5,303	3,180
Capital lease obligations - current.....	702	673
Other current liabilities.....	142	53
Total current liabilities.....	18,830	27,126
Bank loans.....	15,950	17,950
Subordinated notes, net.....	7,904	7,809
Capital lease obligation, net of current portion.....	596	755
Other liabilities.....	568	-

Total liabilities.....	43,849	53,640
Mandatorily redeemable, convertible preferred stock, 1,550,000 shares issued and outstanding at December 31, 1998 (redeemable at maturity for \$21,700).....	21,242	-
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.0001 par value, 5,882,353 shares authorized; no shares outstanding.....	-	-
Common stock, no par value, 23,529,411 shares authorized, 9,403,504 shares issued and outstanding December 31, 1998, 9,375,952 shares issued and outstanding at September 30, 1998.	87,576	87,443
Accumulated deficit.....	(73,364)	(67,258)
Notes receivable from warrant issuances and stock sales.....	(7,667)	(7,667)
Total shareholders' equity.....	6,545	12,518
Total shareholders' equity and mandatorily redeemable, convertible preferred stock.....	27,787	12,518
Total liabilities, shareholders' equity and mandatorily redeemable, convertible preferred stock.....	\$ 71,636	\$ 66,158

</TABLE>

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

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EMCORE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Three Months Ended December 31,	
	1998	1997
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net loss.....	\$ (6,064)	\$ (29,389)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Acquired in-process research and development, non-cash.....	-	29,294
Depreciation and amortization.....	1,931	1,601
Provision for doubtful accounts.....	60	10
Provision for inventory valuation.....	30	30
Detachable warrant accretion and debt issuance cost amortization.....	313	97
Equity in net loss of an unconsolidated affiliate.....	276	-
Deferred gain on sales to an unconsolidated affiliate.....	711	-
Compensatory stock issuances.....	93	88
Change in assets and liabilities:		
Accounts receivable - trade.....	2,825	691
Accounts receivable - related party.....	(2,017)	500
Inventories.....	(68)	(1,876)
Other current assets.....	(83)	(340)
Other assets.....	184	(93)
Accounts payable.....	(2,894)	2,851
Accrued expenses.....	(643)	(1,546)
Advanced billings.....	2,123	(806)
Other current liabilities.....	(53)	(93)
Total adjustments.....	2,788	30,408
Net cash (used for) provided by operating activities.....	(3,276)	1,019
INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment.....	(5,972)	(1,627)
Acquisition, cash acquired.....	-	193
Investment in unconsolidated affiliate.....	(5,600)	-
Funding of restricted cash.....	63	63

Net cash used for investing activities.....	(11,509)	(1,371)
FINANCING ACTIVITIES:		
Proceeds from private placement offering, net of \$500 issue costs.....	21,200	-
(Payments) proceeds on short-term notes payable, related party, net.....	(7,000)	-
Payments on bank loan.....	(2,000)	-
Payments on capital lease obligations.....	(129)	(50)
Net proceeds from stock options exercise.....	38	38
Proceeds from exercise of stock warrants.....	-	12
Net cash provided by financing activities.....	12,109	-
Net decrease in cash and cash equivalents.....	(2,676)	(352)
Cash and cash equivalents, beginning.....	4,456	3,653
Cash and cash equivalents, ending.....	\$ 1,780	\$ 3,301

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest.....	\$334	\$ 275
=====		

</TABLE>

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

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EMCORE CORPORATION
STATEMENT OF STOCKHOLDERS' EQUITY
for the years ended September 30, 1996 through 1998 and the three months ended December 31, 1998
(In Thousands)

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Shareholders' Notes Receivable	Total Shareholder Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1996	2,994	\$18,978	\$ (18,158)	\$ (298)	\$522
Issuance of common stock purchase warrants..		3,601			3,601
Issuance of common stock from initial public offering, net of issuance costs of \$3,110.....	2,875	22,765			22,765
Issuance of common stock on exercise of warrants.....	94	384			384
Stock option exercise.....	35	54			54
Redemption of notes receivable from shareholders.....				32	32
Forgiveness of note receivable from shareholder.....				57	57
Compensatory stock issuances.....	2	35			35
Net loss.....			(5,620)		(5,620)

Balance at September 30, 1997.....	6,000	\$45,817	\$ (23,778)	\$ (209)	\$21,830
Issuance of common stock purchase warrants..		1,310			1,310
Issuance of common stock and common stock purchase warrants in exchange for notes receivable	1,828	7,458		\$ (7,458)	-
Issuance of common stock and common stock purchase options and warrants in connection with the acquisition of MODE.	1,462	32,329			32,329
Stock option exercise.....	36	83			83
Stock purchase warrant exercise.....	6	23			23
Issuance of common stock on exercise of warrants in exchange for subordinated notes of sub-debt.....	18	72			72
Compensatory stock issuances.....	26	351			351
Net loss.....			(43,481)		(43,481)

Balance at September 30, 1998	9,376	\$87,443	\$ (67,258)	\$ (7,667)	\$12,518
Warrant exercise by conversion of sub-debt..	1	2			2
Compensatory stock issuances.....	8	93			93

Stock option exercise.....	19	38			38
Preferred stock dividends.....			(36)		(36)
Accretion of redeemable preferred stock issue cost.....			(6)		(6)
Net loss.....			(6,064)		(6,064)

Balance at December 31, 1998 (unaudited)	9,404	\$87,576	\$ (73,364)	\$ (7,667)	\$6,545
=====					

</TABLE>

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

EMCORE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of EMCORE Corporation (the "Company") reflect all adjustments considered necessary by management to present fairly the Company's consolidated financial position as of December 31, 1998 and December 31, 1997, and the consolidated results of operations and the consolidated cash flows for the periods ended December 31, 1998 and December 31, 1997. All adjustments reflected in the accompanying unaudited condensed consolidated financial statements are of a normal recurring nature unless otherwise noted. Prior period balances have been reclassified to conform with the current period financial statement presentation. The results of operations for the three months ended December 31, 1998 are not necessarily indicative of the results for the fiscal year ending September 30, 1999 or any future interim period.

NOTE 2. Preferred Stock Private Placement

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

NOTE 3. Related Party Transactions

In February 1998, the Company and a subsidiary of Uniroyal Technology Corporation formed Uniroyal Optoelectronics LLC, a joint venture, to manufacture, sell and distribute HB LED wafers and package-ready devices. The joint venture commenced operations in July 1998. 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 Company's initial investment in this venture amounted to \$490,000. In November 1998, the Company invested an additional \$5.0 million into this venture. During the quarter ended December 31, 1998, the Company sold two compound semiconductor production systems to the 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 production systems purchased by the joint venture. For the three months and the year ended December 31, 1998 and September 30, 1998, respectively, the Company recognized 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 quarter ended December 31, 1998, sales made through Hakuto amounted to approximately \$3.1 million.

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 Company's \$5.0 million short-term 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.

EMCORE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. Joint Ventures

In November 1998, the Company entered into a 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.

NOTE 5. Inventories

The components of inventories consisted of the following (in thousands):

	As of December 31, 1998	As of September 30, 1998
	-----	-----
Raw materials.....	\$10,694	\$11,346
Work-in-process.....	1,768	1,092
Finished goods.....	21	7
	-----	-----
Total.....	\$12,483	\$12,445
	=====	=====

EMCORE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. Earnings Per Share

The Company accounts for earnings per share under the provision of Statement of Financial Accounting Standards No. 128 "Earnings per share" ("SFAS No. 128"). For the quarter ended December 31, 1998, basic and diluted earnings per share calculated pursuant to SFAS No. 128 has been restated 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 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 earnings per share calculations for the three-month periods ending December 31, 1998 and 1997, respectively.

	Three Months Ended December 31,	
	1998	1997
Net loss.....	(\$6,064)	(\$29,389)
Preferred stock dividends.....	(36)	-
	-----	-
Periodic accretion of preferred stock to redemption value.....	(6)	-
	-----	-----
Net loss available to common shareholders.....	(\$6,106)	(\$29,389)
	=====	=====
Earnings per common share - basic.....	(\$0.65)	(\$4.15)
	=====	=====
Earnings per common share - diluted.....	(\$0.65)	(\$4.15)
	=====	=====
Common shares - basic	9,390	7,075
Effect of dilutive securities:		
Stock options and warrants.....	-	-
Preferred stocks.....	-	-
	-----	-----
Common shares - diluted	9,390	7,075
	=====	=====

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

EMCORE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. Subsequent Events

Joint Venture:

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 General Electric 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.

Debt Facilities:

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% at both December 31, 1998 and September 30, 1998). As of September 30, 1998 the Company had \$9,950,000 outstanding under this facility. In December 1998, the Company repaid \$2.0 million of its obligation, resulting in an outstanding balance at December 31, 1998 of approximately \$8.0 million. In January 1999, the Company borrowed the remaining balance of \$2,050,000 available under the 1997 Agreement.

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 Company's \$5.0 million short-term 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.

On February 1, 1999, the Company entered into a \$5.0 million short-term note (the "Note") with First Union National Bank. 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.

ITEM 2.

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

Cautionary Statement Identifying Important Factors That Could Cause the Company's Actual Results to Differ From Those Projected in Forward Looking Statements:

In connection with the safe harbor provisions of the Private Securities Litigation Perform Act of 1995, readers of this document are advised that it contains both statements of historical facts and forward looking statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements that reflect current expectations or beliefs of EMCORE Corporation concerning future results and events. The words "expects," "intends," "believes," "anticipates," "likely," "will," and similar expressions identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results and events to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, statements about future financial performance of the Company and the effect of the acquisition of MicroOptical Devises, Inc. ("MODE") on the Company's business, the uncertainty of additional funding; continued acceptance of the Company's MOCVD technologies, as well as the market success of optical VCSEL technologies; the Company's ability to achieve and implement the planned enhancements of products and services on a timely and cost effective basis and customer acceptance of those product introductions; product obsolescence due to advances in technology and shifts in market demand; competition and resulting price pressures; business conditions; economic and stock market conditions, particularly in the U.S., Europe and Japan, and their impact on sales of the Company's products and services; risks associated with foreign operations, including currency and political risks; and such other risk factors as may have been or may be included from time to time in the Company's reports filed with the Securities and Exchange Commission.

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.

- o In 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 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.
- o 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.
- o 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.
- o 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.
- o 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 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.
- o In February 1998 EMCORE and a subsidiary of Uniroyal Technology Corporation formed Uniroyal Optoelectronics LLC, a joint venture, to manufacture, sell and distribute HB LED wafers and package-ready devices. The joint venture commenced operations in July 1998.

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.

To expand its technology base into the data communications and telecommunications markets, on December 5, 1997, EMCORE acquired MODE in a stock transaction accounted for under the purchase method of accounting for a purchase price of \$32.8 million. EMCORE's acquisition of MicroOptical Devices, Inc. (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. As part of this acquisition, EMCORE incurred a one-time in-process research and development write-off of \$29.3 million which is reflected in EMCORE's audited financial statements elsewhere in this prospectus. 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.

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:

REVENUES The Company'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 quarter 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, the Company sold for approximately \$3.0 million two compound semiconductor production systems to a joint venture in which it has a 49% minority interest. The Company eliminated \$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 joint 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 direct result of the decrease in overall revenues.

GOODWILL AMORTIZATION The Company 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, the Company 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, the Company recognized a \$29.3 million one-time non-cash charge for acquired in-process research and development relating to the Company's December 5, 1997 purchase of MODE. For the three-months ended December 31, 1997 and 1998, the Company 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, the Company expects to continue to invest a significant amount of its resources in research and development.

OPERATING LOSS The Company 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, the Company'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 the Company's new Albuquerque, New Mexico facility.

OTHER EXPENSE During fiscal 1996, the Company issued detachable warrants along with subordinated notes to certain of its existing shareholders. In fiscal 1997, the Company also issued detachable warrants in return for a \$10.0 million demand note facility (the "Facility") guarantee by the Chairman of the Board of the Company, who provided collateral for the Facility. The Company subsequently assigned a value to these detachable warrants issued using the Black-Scholes Option Pricing Model. The Company 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. The consequent expense of these warrant accretion amounts is charged to "Imputed warrant interest, non-cash" and amount to approximately \$96,000 and \$316,000 for the three months ended December 31, 1997 and December 31, 1998, respectively. In June 1998, the Company issued 284,684 warrants to its Chairman and its Chief Executive Officer for providing a guarantee in connection with the 1998 Agreement, an 18 month credit facility with First Union National Bank. The Company subsequently assigned a value to these detachable warrants using the Black-Scholes Option Pricing Model. As a result, the Company will record imputed warrant interest, non-cash of approximately \$1.3 million over the life of the credit facility.

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, the Company was earning interest income on its initial public offering proceeds.

NET LOSS The Company reported net loss of \$6.1 million for the quarter ended December 31, 1998, as compared to a \$29.4 million loss for the quarter ended December 31, 1997. For the quarter ended December 31, 1997, 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.

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 the Company's net losses, and decrease in accounts payable; which was partially offset by the Company'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 the Company'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, the Company entered into a \$10.0 million loan agreement with First Union National Bank (the "1997 Agreement"). The 1997 Agreement bears interest at the rate of prime plus 50 basis points (8.0% at both December 31, 1998 and September 30, 1998). As of September 30, 1998 the Company had \$9,950,000 outstanding under this facility. In December 1998, the Company repaid \$2.0 million of its obligations, resulting in an outstanding balance at December 31, 1998 of approximately \$8.0 million. In January 1999, the Company borrowed the remaining balance of \$2,050,000 available under the Company's 1997 Agreement.

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 any public offering of EMCORE's common stock, subject to a minimum offering size requirement. On January 27, 1999 EMCORE borrowed \$3.0 million from

its Chairman, Thomas J. Russell. The loan bears interest at 8% per annum. On February 1, 1999 EMCORE entered into a \$5.0 million short term note (the "Note") with First Union National Bank. The loan from Thomas J. Russell was repaid from borrowings under the Note. The Note is due and payable in May 1999. The Note bears interest at the rate equal to one-month LIBOR plus three-quarters of one percent per annum.

EMCORE believes that its current liquidity, together with available credit facilities (including the Chairman's commitment), should be sufficient to meet its cash needs for working capital through fiscal 2000. However, if the available credit facilities, 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 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.

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

YEAR 2000:

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 its 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 such testing is completed and such 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 such expenses will be material, such 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 business, results of operations and financial condition, without taking into account EMCORE 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 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 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

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

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits:

10.1 - Transaction Agreement, dated January 26, 1999, by and between the Company and General Electric Company. Confidential Treatment has been requested by the Company with respect to portions of this document. Such portions are indicated by "****."

27 - Financial Data Schedule

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the quarter ended December 31, 1998.

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

EMCORE CORPORATION

Date: February 4, 1999 By: /s/ Reuben F. Richards, Jr.

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

Date: February 4, 1999 By: /s/ Thomas G. Werthan

Thomas G. Werthan
Vice President, Finance and Administration

EXHIBIT INDEX

Exhibit -----	Description -----
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has been requested by the Company
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TRANSACTION AGREEMENT

This Transaction Agreement (this "Agreement") is made this 20th day of January, 1999, between General Electric Company, a New York corporation ("GE"), acting through GE Lighting ("GEL") having offices at 1975 Noble Rd., Cleveland, OH 44112 and Emcore Corporation, a New Jersey corporation ("Emcore") having offices at 294 Elizabeth Ave., Somerset, NJ 08873. GEL and Emcore are herein singly referred to as a "Member" and collectively as the "Members".

A. GEL has phosphor and packaging technology, applications engineering and sales and distribution and product management skills, and Emcore has LED and MOCVD design, process and manufacturing technologies and compound semiconductor product development capabilities.

B. GEL and Emcore agree that there is a significant opportunity for LED Products in the general, specialty and automotive lighting markets and have agreed to work with each other to develop, manufacture, market and sell color and "white" light emitting LED Products to these markets.

C. Prior to entering into this Agreement, GE has caused to be formed a limited liability company under the name of GELcore, LLC (the "Company") under the laws of the State of Delaware on October 16, 1998 by the filing of a Certificate of Formation (as amended on November 5, 1998) with the Secretary of State of the State of Delaware.

D. The parties propose to conduct the business operations of the Company as set forth in, and subject to the terms and conditions contained in, this Agreement and the LLC Agreement and Ancillary Agreements referred to below.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements set forth in this Agreement, GEL and Emcore agree as follows:

ARTICLE 1 DEFINITIONS

Section 1.01 Definitions. Defined terms used in this Agreement shall have the meanings specified in this Agreement or in Exhibit A.

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ARTICLE 2 PURPOSE; TERM

Section 2.01 Purpose. The Company has been formed pursuant to the Act and the Certificate of Formation, and the LLC Agreement is to be entered into by the Members in the form attached to this Agreement as Exhibit B, for the purpose of combining their complementary skills, resources and efforts to (i) design and develop White Light LED Products, (ii) source, manufacture or have manufactured and market and sell White Light LED Products in the general, specialty and automotive lighting markets worldwide, (iii) design and develop new color *** LED Products utilizing existing technologies, (iv) source, manufacture or have manufactured and market and sell such new color and other color *** LED Products in the general, specialty and automotive lighting markets worldwide, and (v) design, develop, source, manufacture or have manufactured for use by the Company, but not for individual resale, package ready LED devices.

Section 2.02 Term. The Company, as constituted in the Certificate of Formation and the LLC Agreement, shall remain in existence in perpetuity unless earlier dissolved or terminated pursuant to law or the provisions of this Agreement or the LLC Agreement.

Section 2.03 No State Law Partnership; Liability to Third Parties. The

Members intend that the Company not be a partnership (including, without limitation, a limited partnership), and that no Member be a partner or joint venturer of any other Member, for any purposes other than federal and state tax purposes, and that neither the Certificate of Formation, this Agreement, nor the LLC Agreement nor any of the Ancillary Agreements be construed otherwise. No Member shall be liable for the debts, obligations or liabilities of the Company, including under a judgment, decree or order of a court.

Section 2.04 LLC Agreement. This Agreement sets forth the agreement between the parties hereto regarding the covenants to be performed and the conditions to be fulfilled prior to or at the Closing (as defined in Section 4.01) and certain other agreements between the parties regarding the operation and governance of the Company and its business after the Closing. At the Closing, the parties shall execute and deliver the LLC Agreement, certain of the provisions of which shall be substantially the same as certain of the provisions of this Agreement, and which shall contain certain other provisions relating to the Company, including without limitation provisions relating to the Capital Accounts of the Members and distributions by the Company to its Members.

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ARTICLE 3 CAPITAL CONTRIBUTIONS

Section 3.01 Initial Contributions. (a)(i) Upon and subject to the conditions in section 4.03 of this Agreement being fulfilled or waived, GE and Emcore shall each be obligated to make an initial cash contribution to the capital of the Company of *** and ***, respectively, such that the respective initial Capital Accounts of GE and Emcore will equal 51% and 49% of the total capital of the Company. The initial Membership Interests of GE and Emcore will be 51% and 49%, respectively. GE shall contribute *** and Emcore shall contribute *** of its initial capital contribution at the Closing, and the balance of their respective initial capital contributions shall be made in one or more installments promptly after the Company, acting through its President, has submitted and has gained approval of an Annual Operating Plan that indicates that such balance is to be made; provided, however, that notice for such contribution of such balance shall not be given prior to *** following the Closing Date (as hereinafter defined).

(ii) GE shall make a convertible loan to Emcore in the original principal amount of \$7,800,000, the proceeds of which shall be used by Emcore to make its initial capital contribution referred to in subsection 3.01(a)(i) above (the "GE Loan"). The GE Loan shall be evidenced by a mutually acceptable definitive loan agreement to be executed and delivered by GE and Emcore on or before the Closing Date (the "GE Loan Agreement"). The GE Loan Agreement shall contain (A) customary representations and warranties on the part of Emcore, (B) customary affirmative and negative covenants relating to Emcore and its business and (C) the general terms set forth on Schedule 3.01(a)(ii) attached hereto.

(b)(i) In the event that Emcore fails to contribute all or a portion of the balance of its initial capital contribution at the times required and as described in section 3.01(a) above, GE shall have the right (but not the obligation) to increase its contribution to the extent that Emcore failed to contribute the balance of its initial capital contribution (any such increase in contribution shall be referred to as a "MI Increase"). Upon completion of any such capital contribution, and subject to subsection 3.01(b)(ii) below, the Membership Interests of the Members shall be adjusted to reflect their respective actual capital contributions to the Company as of such date; provided, however, that for purposes of the Required Interest for Supermajority Transactions under section 7.03 hereof, prior to the expiration of the option period in subsection 3.01(b)(ii) below, Emcore's Membership Interest shall not be deemed to have fallen below 34% of the outstanding Membership Interests as a result of any failure by Emcore to contribute all or a portion of the balance of its initial capital contribution at the times and as described in section 3.01(a) above.

(ii) GE agrees that in the event that it receives a MI Increase as provided in subsection 3.01(b)(i) above, Emcore shall have the option to purchase all or a part of that MI Increase for

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cash at a price equal to the amount contributed by GE for such MI Increase or portion thereof, plus interest at a then prevailing market rate reflecting the nature of the investment. Emcore must exercise the option by delivering written notice to GE at least thirty (30) days prior to the first anniversary date of the capital contribution giving rise to the MI Increase. Any such option notice shall set a date for the consummation of the transaction, which date shall be no later than thirty (30) days after the date of the option notice. In the event that Emcore fails to timely exercise the option and consummate the purchase of the MI Increase or portion thereof indicated in the option notice, the option shall expire and be of no force or effect and the Membership Interests shall remain as adjusted pursuant to subsection 3.01(b)(i) above. Neither Emcore's failure to contribute all or any portion of the balance of its initial capital contribution at the times required and as described in section 3.01(a) above nor Emcore's failure to timely exercise the option and consummate the purchase of the MI Increase or portion thereof indicated in the option notice shall constitute a breach of this Agreement by Emcore.

(iii) Upon the purchase by Emcore of a MI Increase or portion thereof from GE, the Membership Interests of the Members shall be adjusted to reflect such purchase (excluding any interest paid as provided in subsection 3.01(b)(ii) above).

Section 3.02 Additional Capital. (a) Any increase in the capital of the Company shall constitute a Supermajority Transaction. Both Members shall be entitled to participate in any capital increase pro rata in proportion to their respective then existing Membership Interests. In the event that either Member fails to so participate in a capital increase, the other Member shall have the right (but not the obligation) to increase its participation to the extent that the other Member failed to participate. Upon completion of any such capital increase, the Membership Interests of the Members shall be adjusted to reflect their respective actual participations therein. The Members agree that it is their present intent to not increase the capital of the Company beyond the initial *** before ***.

(b) In the event that further capital is required by the Company in order to meet any obligation or pay any liability of the Company, the Company, subject to section 7.03, may borrow such required capital from any Person or entity, including any Member or any Affiliate of a Member, on such commercially reasonable terms as the Committee may determine; provided, that the Company shall offer to the Members the opportunity to lend or otherwise provide such funds (other than as capital contributions) on such commercially reasonable terms, pro rata in proportion to their respective Membership Interests, or otherwise as may be agreed to.

(c) In the event that the Members approve an increase in capital as provided in section 3.02(a) of this Agreement and to the extent Emcore in good faith determines that it has insufficient resources to permit it to contribute the full amount of its proportionate share of such increase, GEL shall assist Emcore in raising capital to participate in such increase to the extent of Emcore's insufficiency of resources which assistance will include, but not be limited to (i) representing Emcore to GE Capital for an equity investment or an asset backed loan by GE

Capital or (ii) making a short-term non-recourse loan to Emcore (a "Short-Term Loan"), the term of which shall not exceed twelve months, beginning on the date that all or any portion of the additional capital raised by the Company is initially invested or used by the Company, on commercially reasonable terms, including a market rate of interest that reflects the nature of the investment or use of funds by the Company. Each Short-Term Loan shall be secured by a pledge of Emcore's Membership Interest pursuant to the Pledge and Security Agreement in the form of Exhibit C hereto (a "Pledge Agreement"). In the event that Emcore is unable to repay to GEL all unpaid principal and interest on a Short-Term Loan when due, then the Membership Interests of the Members shall be adjusted so that such unpaid principal and interest of such loan will be treated under section 3.02(a) of this Agreement as a capital increase in which Emcore failed to participate and with respect to which GEL increased its participation to the extent of such failure by Emcore.

Section 3.03 Return of Contributions. No Member is entitled to the return of any part of its Capital Contributions or to interest in respect of either its Capital Account or its Capital Contributions. An unreturned Capital Contribution is not a liability of the Company or of any Member.

Section 3.04 Warrants. On the Closing Date, Emcore shall issue to GE warrants to purchase Emcore common stock, no par value, on the terms and conditions set forth on Schedule 3.04 hereto (the "Emcore Warrants"). The Emcore Warrants shall be evidenced by a mutually acceptable definitive warrant agreement to be executed and delivered by GE and Emcore on the Closing Date (the "Emcore Warrant Agreement"). The Emcore Warrant Agreement shall contain (A) customary representations and warranties on the part of Emcore, (B) customary affirmative and negative covenants relating to Emcore and its business and (C) the general terms set forth on Schedule 3.04 hereto.

ARTICLE 4
CLOSING; TRANSACTIONS

Section 4.01 Closing. The closing (the "Closing") shall take place at the offices of Baker & Hostetler LLP, Cleveland, Ohio, on February 26, 1999, or on such other day or at such other place as GE and Emcore may agree (the "Closing Date"). The Closing will occur at 10:00 A.M. on the Closing Date.

Section 4.02 Transactions. (a) On or prior to the Closing Date and subject to the conditions set forth in section 4.03(a) and (b) having been fulfilled or waived by GEL and Emcore, GE and Emcore will execute and deliver the LLC Agreement and the other Ancillary Agreements will be executed and delivered by the parties thereto.

(b) At the Closing, and subject to the LLC Agreement and the other Ancillary Agreements having been executed and delivered and each of the conditions set forth in section 4.03 (d) and (e) having been fulfilled or waived by GE or Emcore (as applicable); the initial capital contributions of the parties will be made as contemplated by section 3.01 of this Agreement by

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wire transfers to the operating account of the Company, and the Membership Interests listed in the LLC Agreement shall be recorded to reflect such capital contributions.

Section 4.03 Conditions. The conditions are as follows:

(a) a term sheet for the UOE Supply Agreement shall have been agreed to and delivered by the parties thereto;

(b) the GE Loan Agreement shall have been executed and delivered by Emcore and GE and Emcore shall have received the proceeds of the GE Loan as referred to in section 3.01(a)(ii) of this Agreement;

(c) GE shall be reasonably satisfied with its legal due diligence review of Emcore as it relates to the issuance of the Emcore Warrants, the Emcore Warrant Agreement shall have been executed and delivered by Emcore and GE, GE shall have received the Emcore Warrants to be issued thereunder and GE shall have received a reasonably satisfactory legal opinion from White & Case with respect to the Warrant Agreement;

(d) no injunction or order of any court or administrative agency of competent jurisdiction will be in effect, and no statute, rule or regulation of any Governmental Authority will have been promulgated or enacted which restricts, prohibits or prevents the consummation of the Contemplated Transactions;

(e) the representations and warranties of each party contained in the Transaction Documents shall be accurate at and as of the Closing Date in all material respects as if made at and as of such date and each party shall have received a certificate signed by an authorized representative of the other party to the foregoing effect;

(f) Nothing *** shall prohibit Emcore from performing its obligations under this Agreement or any other Transaction Document.

If this Agreement is terminated by a party because one or more of the conditions outlined above have not been satisfied on or before the Closing Date, no party hereto shall have any liability or further obligation to the other party to this Agreement.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

Section 5.01 Representations and Warranties. Each of GE and Emcore represents and warrants to the other, as of the date of this Agreement and as of the Closing Date, as set forth in Exhibit D.

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ARTICLE 6
COMPANY OPERATIONS

Section 6.01 Business Scope; NIST. (a) The business of the Company will be to (i) design and develop White Light LED Products, (ii) source, manufacture or have manufactured and market and sell White Light LED Products in the general, specialty and automotive lighting markets worldwide, (iii) design and develop new color *** LED Products utilizing existing technologies, (iv) source, manufacture or have manufactured and market and sell such new color and other color *** LED Products in the general, specialty and automotive lighting markets worldwide, and (v) design, develop, source, manufacture or have manufactured for use by the Company, but not for individual resale, package ready LED devices. The foregoing is a description of the "GELcore Business".

(b) In furtherance of its strategic objectives, the Company is involved in the NIST ATP Program with GE (acting through its Corporate Research and Development Department and GEL) and Widegap Technology LLC, and is a party to the related Technical Development Agreement and the Investment Rights Agreement and the Right of First Refusal and Warrant Agreement attached thereto.

Section 6.02 Strategic Business Plans; Annual Operating Plans. (a) The Members have preliminarily agreed on an initial three year Strategic Business Plan (a copy of which is attached to this Agreement as Exhibit E) for the initial phase of the Company's operations as contemplated by this Agreement. Each year, commencing in 1999, in conjunction with the preparation of an Annual Operating Plan referred to in (b) below, the Members will update the Strategic Business Plan (which will be mutually agreed to) to reflect the strategic plan for the Company for the next succeeding three year period.

(b) (i) At least sixty (60) days before the end of each Fiscal Year of the Company, the President shall prepare and present to the Committee for consideration and approval an annual operating plan and budget (the "Annual Operating Plan") which shall implement and otherwise reflect the Strategic Business Plan and which shall include (A) projected revenues, employee compensation, costs and expenses related to the Company's operations and sales activities for the following fiscal year, including, without limitation, the transfer costs from GEL and Emcore for the goods, management, administrative, engineering and other services to be used in the design, development, manufacture, packaging and sale of LED Products and White Light LED Products, (B) expected pricing, service, product performance and quality levels and (C) expected sources of funding to support such operations and sales activities.

(ii) Each Annual Operating Plan for a calendar year prior to 2002 or any amendment or change to any such Annual Operating Plan shall be approved by both GEL and Emcore. GEL covenants that no Annual Operating Plan submitted by the President for the calendar year 2002 or

thereafter shall be inconsistent in any material respect with the Strategic Business Plan to which such Annual Operating Plan relates.

(c) Each Member shall cause its appointees to the Committee to support implementation of the Strategic Business Plan, and upon approval of the Annual Operating Plan by the Committee, the officers under the supervision of the Committee of the Company shall be responsible for and have full authority to implement the Annual Operating Plan.

Section 6.03 Intellectual Property; Product Development. In order to enable the Company to fulfill its business purpose and scope, GEL and Emcore will enter into the Intellectual Property License Agreement attached to this Agreement as Exhibit F-1 and the Product Development and Technology Assistance Agreement attached to this Agreement as Exhibit F-2, pursuant to which, among other things:

(a) The Preliminary Understandings of GEL and Emcore set forth in section 2 of the MOU will be implemented; and

(b) GEL, Emcore and the Company will license to each other their respective Intellectual Property (as defined in such License Agreement); and

(c) GE (through GEL and GE-CRD) and Emcore will provide certain product development technologies, processes, products, research, resources, services and assistance to the Company, and the Company will arrange for and fund engineering and manufacturing necessary to complete the Statement of Work attached to such Product Development Agreement.

Section 6.04 Supply and Distribution; GE Brand. As contemplated by the Strategic Business Plan and included in the Annual Operating Plans, the Company will source, manufacture or have manufactured Red, Amber/Orange, Green and Blue LED Products (and when developed, White Light LED Products) for marketing, distribution and sale under, inter alia, the GE Brand to its customers through channels and to markets determined by the Committee, all on terms and conditions to be agreed to by the Members. GEL agrees to make available to the Company GEL channels of distribution and to assist the Company in developing business relationships with other GE businesses. GEL and the Company will establish sales targets by distribution channel and GEL will use commercially reasonable efforts

to market and sell products of the Company to achieve those sales targets. All products marketed by the Company shall be branded with the GE brand or such other brand as the Company may determine. The terms and conditions of use of the GE brand shall be set forth in the GE Trademark and Trade Name License Agreement, in the form attached to this Agreement as Exhibit G.

Section 6.05 Employees/Management/Engineering Personnel. The Company will employ such hourly and supervisory personnel as it may determine, with the terms of such employment, including pension and other benefit plans, to be determined by the Committee. In addition, GEL and Emcore will make available to the Company such other management and engineering personnel consistent with the Strategic Business Plan or as may be determined by the Committee to be desirable from time to time, pursuant to one or more Management Services Agreement(s) substantially in the form attached to this Agreement as Exhibit H which will set forth the responsibilities and the compensation and benefits cost of these management personnel to GEL and Emcore, which will be allocated to the Company.

Section 6.06 Facilities and Service. Office space and supporting utilities and services required by the Company may be provided by Emcore or GEL on terms and conditions to be agreed to by the Committee. Emcore and GEL may also provide administrative services including purchasing, employee relations, finance, systems, accounting and such other services as may be needed by the Company, pursuant to one or more Administrative Services Agreement(s) substantially in the form attached to this Agreement as Exhibit I, which agreement shall set forth the responsibilities for each of the personnel and services being provided and their cost allocation to the Company.

Section 6.07 Business Practices. The Members shall cause the Committee of Directors to adopt and cause the Company to follow a set of Company policies consistent with the GE Integrity Policies which policies shall include, without limitation, (a) ethical business practices (b) compliance with the antitrust laws, (c) avoiding conflicts of interest, (d) working with governmental agencies and (e) environmental protection, health and safety.

Section 6.08 Transactions Between the Company and the Members. Transactions between GEL or Emcore (or their respective Affiliates) and the Company shall be at arm's length and comply with applicable laws, including but not limited to those tax laws governing transfer pricing, and no material contract shall be entered into between GEL or Emcore (or their respective Affiliates) and the Company, without the prior consent of the uninterested Member, which consent shall not be unreasonably withheld.

Section 6.09 Books; Fiscal Year. (a) The Company shall maintain or cause to be maintained proper and complete books and records in which shall be entered fully and accurately all transactions and other matters relating to the Company's business in the detail and completeness customary and usual for businesses of the type engaged in by the Company. The Company's financial statements shall be kept on the accrual basis and in accordance with GAAP consistently applied. The Company's financial statements shall be audited annually by independent public accountants selected by the Committee. The fact that such independent public accountants may audit the financial statements of one or more of the Members or their Affiliates shall not disqualify such accountants from auditing the Company's financial statements.

(b) The fiscal year of the Company (the "Fiscal Year") shall be the calendar year (or such other 12-month period as the Committee may select) or, if applicable, that shorter period within the calendar year (or such other period) during which the Company had legal existence.

(c) The Company shall prepare and distribute to each Member unaudited quarterly financial statements, prepared in accordance with section 6.09(a) of this Agreement. Such quarterly financial statements shall be distributed to the Members within a time that will permit, and shall provide such information concerning the operations of the Company as may be required for, the Members to prepare and timely file with the Securities and Exchange Commission their quarterly financial statements.

(d) At a minimum, the Company shall keep at its principal executive office such books and records as may be required by the Delaware Limited Liability Company Act and such other books and records as are customary and usual for businesses of the type engaged in by the Company.

(e) Each Member or its duly authorized representatives shall have the right, during normal business hours and in accordance with the Delaware Limited Liability Company Act, to inspect and copy the Company's books and records at the requesting Member's expense.

ARTICLE 7 MANAGEMENT; CONDUCT OF BUSINESS

Section 7.01 Management by Members. (a) The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Members acting through the Committee. In managing the business and affairs of the Company and exercising

its power, the Members shall act through their appointees to the Committee as described in section 7.02 of this Agreement. Any Member who binds or obligates the Company for any debt or liability or causes the Company to act, except in accordance with the immediately preceding sentence, shall be liable to the Company for any such debt, liability or act. Decisions or actions taken by Members in accordance with this Agreement and the LLC Agreement (whether through the Committee or otherwise) shall constitute decisions or actions by the Company and shall be binding on the Company. The provisions of the LLC Agreement regarding the decisions or actions to be taken by Members shall be substantially the same as the corresponding provisions of this Agreement.

Section 7.02 The Committee. (a) The LLC Agreement provides for the establishment of the Committee and its operation. The Committee shall consist of five individuals, two appointed by each of GEL and Emcore and a fifth, who shall be the Company's President and who shall be selected in accordance with section 7.04(a) of this Agreement and treated for all purposes of this Agreement and the LLC Agreement as being appointed to the Committee by GEL. If at any time the Company does not have a President, GEL may designate the fifth appointee to the Committee, who shall serve until a President is appointed in accordance with section 7.04(a) of this Agreement. The appointees to the Committee shall serve at the pleasure and on behalf of the party that appointed them, until such appointee resigns or is removed by the appointing party. Appointees to the Committee need not be officers, directors or employees of a Member or the Company; provided, however, that if a Member's appointee is not an officer, director or employee of such Member, an Affiliate of such Member or the Company, the appointment of such individual shall be subject to the approval of the other Member, which approval shall not be unreasonably withheld. An appointee to the Committee may be removed, with or without cause, only by the appointing party.

(b) A majority of the authorized number of Committee appointees shall constitute a quorum for the transaction of business by the Committee, which majority shall, subject to the remaining provisions of this section 7.02(b), include at least one appointee of GEL, other than the President, and one appointee of Emcore. If a quorum is not present at the time and place appointed for any meeting of the Committee, a majority of those present may adjourn the meeting and reschedule a subsequent meeting of the Committee, which subsequent meeting shall be duly noticed to all Members and be no less than five (5) nor more than thirty (30) days from the date of the original meeting and if a quorum is not present at the time and place appointed for the subsequent meeting of the Committee solely by reason of the absence of the representatives of the Member that were not present at the adjourned meeting, then a majority of the authorized number of Committee appointees (including the President) shall constitute a quorum for the transaction of business by the Committee at such subsequent meeting.

(c) The Members shall act through their appointees to the Committee in the manner set forth below. The Committee shall have the authority to, and shall, conduct the affairs of the Company on behalf of the Members pursuant to, and in accordance with, the Strategic Business Plan and the Annual Operating Plans. Decisions by the Committee will require the affirmative vote of a majority of the total number of Members' appointees constituting the Committee, whether or not all appointees are present and without giving effect to any vacancies on the Committee.

(d) Each Member shall designate its representatives on the Committee to the other Member in writing, and such designation shall remain in effect until the revocation of such designation has been made in writing. Such writing will be signed by the chief executive officer of Emcore in the case of Emcore and by the chief executive officer of GEL.

Section 7.03 Supermajority Transactions. Notwithstanding the foregoing provisions of this Article 7 and subject to the proviso in the second sentence of Section 3.01(b)(i) hereof, the following actions (collectively, "Supermajority Transactions") shall require the consent of one or more Members having an aggregate of at least 67% of the Membership Interests of all Members (a "Required Interest"):

(i) except pursuant to sections 11.1(b) and (c) of the LLC Agreement, the liquidation or dissolution of the Company;

(ii) the merger or consolidation of the Company with or into any other Person if the interests of the Members are significantly affected thereby;

(iii) except for transfers permitted under Articles 8 and 10 of this Agreement, the authorization for issuance, sale or delivery or agreement or commitment to issue, sell or deliver (whether through the issuance or granting of options, warrants, convertible or exchangeable securities, commitments, subscriptions, rights to purchase or otherwise) any Membership Interests or any other equity securities of the Company, or the amendment to any of the terms of Membership Interests or such other securities;

(iv) the incurrence of any significant indebtedness of the Company for borrowed money;

(v) the incurrence of any Lien upon any significant portion of the

property, revenues or assets, whether now owned or hereafter acquired of the Company, except for (a) Liens in respect of property securing indebtedness described in paragraph (iv) above, (b) Liens for taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established, or (c) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent;

(vi) the acquisition of another Person or of assets (other than products, systems or services) by the Company if the cost of such acquisition or the effect thereof on the Company is significant;

(vii) the sale or other conveyance, or grant by the Company or any Subsidiary of any option, warrant or other similar right with respect to, all or any significant portion of the Company's assets (other than products, systems or services) to any Person;

(viii) except as specifically contemplated by this Agreement, the assignment, transfer or license by the Company of any Intellectual Property available to the Company to any Person;

(ix) any increase in the capital of the Company referred to in section 3.02 of this Agreement;

(x) the entry into any material contract between the Company on the one hand, and GEL, Emcore or any of their respective Affiliates, on the other hand, except as a result of a competitive bidding process or on terms substantially similar to, or more favorable to the Company than, those that could be entered into by the Company in similar transactions with unaffiliated third parties;

(xi) any amendment to any Ancillary Agreement between the Company and any Member;

(xii) the approval of any Annual Operating Plan for the calendar year 2002 or thereafter which is materially inconsistent with the applicable Strategic Business Plan, or the approval of any amendment or change to any such approved Annual Operating Plan, which change is materially inconsistent with the applicable Strategic Business Plan;

(xiii) the entry by the Company into any line or type of business that is not contemplated by section 6.01 of this Agreement;

(xiv) the commencement or settlement by the Company of any litigation or other proceeding with damages requested or to be paid; and

(xv) the filing of a petition by or on behalf of the Company, or any similar action, under any bankruptcy, insolvency, reorganization or similar law.

For purposes of paragraphs (iv) through (vii) above, prior to December 31, 2001, a transaction (whether an individual transaction or one of a series of directly related transactions) will be

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deemed "significant" ***. In the absence of the approval of a Required Interest on a matter arising in paragraphs (i) through (xv) for whatever reason, the provisions of sections 10.01 and, after five (5) years from the date of this Agreement, 10.02 shall apply.

Section 7.04 Officers. (a) The Company shall hire as its President, the manager of Marketing and Sales and the manager of Finance such individuals as may be designated from time to time by GEL, subject to the approval of Emcore, which approval shall not be unreasonably withheld. The Company shall hire as its manager of R&D and manager of Sourcing/Production such individuals as may be designated from time to time by Emcore, subject to the approval of GEL, which approval shall not be unreasonably withheld. The President shall be the chief operating officer of the Company. The President and other managers will be removed at the request of the designating Member with or without cause at any time.

(b) The Committee may appoint such other managers as it may determine from time to time. Except as otherwise agreed, each manager of the Company shall hold office at the pleasure of the Committee, and the Committee may remove any manager at any time, with or without cause. If appointed by the Committee, the managers shall have the duties assigned to them by the Committee. As used herein, the term "manager" shall not have the meaning ascribed thereto by the Act.

ARTICLE 8
MEMBERSHIP; DISPOSITIONS OF MEMBERSHIP INTERESTS

Section 8.01 Members. Emcore shall be admitted to the Company as a member of the Company effective as of the execution of the LLC Agreement. Each Member shall have their respective Membership Interest set forth on Exhibit A to the LLC Agreement, as the same may be increased or decreased as provided in this Agreement. Except as set forth in this Agreement and the LLC Agreement, a Member does not have the right or power to withdraw from the Company as a Member.

Section 8.02 Disposition of a Membership Interest. (a) Prohibition. No Membership Interest, or any right, title or interest in or to such Membership Interest, now or hereafter owned, held or acquired by any Member shall be Disposed of voluntarily, involuntarily, directly or indirectly, by operation of law, with or without consideration, or otherwise except in accordance with the provisions of this section 8.02. Any Disposition which does not comply with the provisions of this section 8.02 shall be void ab initio and the Company shall not give effect to such attempted Disposition in its records.

(b) Affiliates; Sale of Business. Any Member may Dispose of all (but not less than all) of its right, title and interest in and to a Membership Interest as follows:

(i) to an Affiliate of such Member;

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(ii) by GE to the purchaser, directly or indirectly, of GEL (or substantially all of the assets of GEL); or

(iii) by Emcore to the purchaser, directly or indirectly, of Emcore (or substantially all of the assets of Emcore);

provided, however, that any Disposition pursuant to items (ii) or (iii) of this clause (b) shall be made in compliance with the requirements of clauses (d) and (e), below.

GEL and Emcore shall remain responsible for the performance of this Agreement and the LLC Agreement by each Affiliate of such party to which a Membership Interest is transferred pursuant to this section 8.02(b). If any Affiliate to which a Membership Interest is transferred pursuant to this section 8.02 ceases to be an Affiliate of the Member from which it acquired such Membership Interest, such Person shall promptly reconvey such Membership Interest to such transferring Member (unless such Person ceases to be such an Affiliate in connection with a transfer otherwise permitted by this section 8.02).

(c) Duty of First Offer After Five Years. Following the expiration of the five-year period commencing on the date hereof (the "Restricted Period"), either Member (the "Disposing Member") may determine to Dispose of its entire Membership Interest (the "Negotiated Interest") to a Person that is not an Affiliate, as follows. The Disposing Member shall in good faith negotiate exclusively with the other Member for a period of 60 days (the "Negotiation Period") with a view to Disposing of the Negotiated Interest to the other Member. If no agreement can be reached by the end of the 60-day period on a purchase price satisfactory to both Members, then either Member shall have the right to require that *** of the Negotiated Interest be determined, which value shall become the purchase price for that Interest. If after *** of the Negotiated Interest has been determined the non-Disposing Member declines to purchase the Negotiated Interest, the Disposing Member shall be free to Dispose of all, but not less than all, of the Negotiated Interest so long as the terms on which the Disposing Member determines to Dispose of the Negotiated Interest are not materially less favorable to the Disposing Member than the terms rejected by the Disposing Member during the Negotiation Period; provided, that if the Disposition of such Negotiated Interest has not been consummated prior to the end of the 180-day period following the end of the Negotiation Period (subject to any extension necessary to comply with any applicable regulatory requirement), such Disposition may not occur and the disposing Member and the Negotiated Interest shall again be subject to this section 8.02(c).

(d) Option to Purchase. (i) If during the Restricted Period or thereafter, (1) Emcore becomes subject to a Disposition (by merger, sale of stock or substantially all of the assets thereof or otherwise), including its interest in the Company, or (2) GE proposes to Dispose, directly or indirectly, of GEL (by merger, sale of stock or substantially all of the assets thereof or otherwise), including its interest in the Company, (any such business, a "Subject Business") then the Member that is the subject of a proposed Disposition, (the "Transferring Member") shall provide prompt

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written notice (the "Transfer Notice") to the other Member (the "Offeree Member"). The Transfer Notice shall identify the Person with which such transaction is proposed to be consummated and all other material terms of the proposed transaction, including, if and to the extent applicable, the consideration to be paid for (or specifically allocable to) such Membership Interest, and, in the case of an offer in which the consideration payable for the Offered Interest consists in whole or in part of consideration other than cash, such information relating to such other consideration as is reasonably necessary for the other Member to be informed of all material facts relating to such consideration.

(ii) The Offeree Member shall have the right and option, for a period of 60 days after the date the Transfer Notice and all other information required to be provided to the Offeree Member has been received by the Offeree Member (the "Notice Period"), to deliver a notice to the Transferring Member (the "Purchase Notice") of the Offeree Member's intention to purchase the Membership Interest of the Transferring Member (the "Offered Interest"). The purchase price to be paid by the Offeree Member to the Transferring Member for the Offered Interest shall be cash in an amount equal to *** of that interest. Notwithstanding the preceding two sentences, if the consideration to be paid for such Offered Interest is wholly or partially non-cash consideration, then the Offeree Member shall pay cash in lieu of the non-cash consideration, in an amount equal to *** thereof, such amount to be determined by good faith negotiations between the parties (and, in the absence of agreement, using a procedure similar to that used to determine *** of an Interest in the Company). Delivery of the Purchase Notice by the Offeree Member shall constitute an irrevocable election by the Offeree Member to purchase the Offered Interest for the consideration and on the other terms and conditions set forth above.

(iii) The transfer of the Offered Interest to the Offeree Member shall be consummated as soon as practicable following the giving of the Purchase Notice by the Offeree Member, but in no event more than 30 days thereafter (subject to any extension necessary to comply with any applicable regulatory requirement). If at the end of the Notice Period the Offeree Member shall not have given a Purchase Notice with respect to the Offered Interest, the Offeree Member will be deemed to have waived its rights under this section 8.02(d) with respect to the Disposition contemplated by the Transfer Notice. If the Offeree Member rejects the Transfer Notice, or is deemed to have waived its rights as set forth in the preceding sentence, the Transferring Member shall have the right, for a period of 180 days following such rejection or waiver (subject to any extension necessary to comply with any applicable regulatory requirement), to dispose of the Subject Business or all, but not less than all, of the Offered Interest, as the case may be, to the proposed transferee identified in the Transfer Notice and, if the proposed transaction is a transfer of a Membership Interest, on terms no more favorable to the proposed transferee than are set forth in the Transfer Notice. If, at the end of the 180-day period following the rejection or waiver (subject to any extension necessary to comply with any applicable regulatory requirement), the Transferring Member has not completed the sale of the Subject Business or Offered Interest, as the case may be, such Disposition may not occur and the Transferring Member and the Offered Interest shall again be subject to the restrictions contained in this section 8.02(d).

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(e) Status as a Member. Upon execution of a counterpart of this Agreement and compliance with the other applicable requirements of this section 8.02, the transferee shall be deemed a "Member" for the purposes of and a party to this Agreement, and shall have the rights and be subject to the obligations of a Member hereunder and a party hereto with respect to the Membership Interest held by such transferee.

(f) Costs. The Member effecting a Disposition and any Person admitted as a Substitute Member in connection therewith shall pay, or reimburse the Company for, all reasonable costs incurred by the Company in connection with the Disposition (including, without limitation, any legal fees incurred in connection with the consideration of the implications thereof under applicable securities laws, the Code and other laws) on or before the tenth day after the receipt by that Person of the Company's invoice for the amount due.

ARTICLE 9
ADDITIONAL COVENANTS

Section 9.01 Public Announcements, Etc. The parties shall consult with each other before issuing any press release or making any public statement with

respect to this Agreement, the Company and its Business, any other agreement or relationship between the parties and the Company or the organization of the Company and, except as may be required by Applicable Law or any national or international securities exchange (in which case the other party hereto shall have the prior right, to the extent permitted by Applicable Law, to review and comment on such statements), will not issue any such press release or make any such public statement without the consent of both parties. Notwithstanding the foregoing, no provision of this Agreement shall relieve Emcore or GE from any of its obligations under section 9.02.

Section 9.02 Confidentiality. Each party agrees that the terms and conditions of this Agreement shall be deemed Confidential Information and, as such, shall be subject to the provisions of the Confidentiality Agreement, of even date herewith, between GE, Emcore and the Company.

Section 9.03 Establishment of Competitive Business. (a) Subject to subsection (b) below, neither GE nor Emcore shall, for so long as it is a Member of the Company, engage on its own behalf in the business of, or own, have an ownership interest in, manage, operate, join or control, or participate in, alone or with any Person, the ownership, management, operation or control of or be connected in any manner relating to the GELcore Business Field with any business, firm, corporation or other entity which engages in the business of (i) designing, developing, sourcing, manufacturing or having manufactured White Light LED Products for marketing or sale in the general, specialty or automotive lighting markets, (ii) designing and developing color *** LED Products for marketing or sale in the general, specialty or automotive

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lighting markets, or (iii) sourcing, manufacturing or having manufactured color *** LED Products for marketing or sale in the general, specialty or automotive lighting markets.

(b) The provisions of Section 9.03(a) shall not apply to:

(i) in the case of Emcore, the beneficial ownership (as such term is defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities of a corporation which shall constitute in the aggregate five percent (5%) or less of the total number of such securities outstanding on a fully diluted basis;

(ii) in the case of those GE divisions or GE Affiliates that engage primarily in the Financial Services Business, any (x) Financial Services Business, (y) any investment activity by any pension or retirement fund or program operated by or for the benefit of GE or its Affiliates so long as such investment does not include the making available to the entity in which such investment is made the GEL channels of distribution or the GE Intellectual Property licensed to the Company, or (z) any business activity which would otherwise violate the foregoing restrictions which is acquired from or carried on by any entity (an "Acquired Company") which is acquired by, combined with, or otherwise becomes an Affiliate of GE after the date hereof, provided that, within one hundred and eighty (180) days after the purchase or other acquisition of the Acquired Company, such party disposes of the relevant portion of the Acquired Company's business or causes such Acquired Company to comply with the foregoing restrictions;

(iii) in the case of GE (excluding GEL) or any of its Affiliates, (x) any activity that results or is intended to result in LED Products being incorporated in products ("End Products") as components together with other elements that add significant value to the value of the End Products and which End Products are not being sold in the general, specialty or automotive lighting markets, and (y) selling third party LED Products as replacement units if required by customers;

(iv) in the case of GE but subject to GE's obligations under Section 6.04, the sourcing, marketing or selling of White Light LED Products or color LED Products by GE Supply; and

(v) in the case of GE and Emcore and their respective Affiliates, the supply of non-LED Products (including the design and development of such non-LED Products) to any Person whether or not such Person engages in the business of designing, developing, sourcing, manufacturing, having manufactured, marketing or selling White Light LED Products or color LED Products; provided, however, that no such supplier shall be paid or compensated other than for the sale of said non-LED Products and for the design and development of said non-LED Products.

Section 9.04 Amendments to Uniroyal Agreement. Without the prior written consent of GE (which consent may be granted or withheld in the sole and absolute discretion of GE),

Emcore shall not enter into any new, further, or other amendments to the Uniroyal Agreement or take any action with respect to the Uniroyal Agreement that (i) would conflict with or adversely impact Emcore's ability to fully and completely perform any or all of its obligations hereunder (including, without limitation, its obligations under Section 9.03 hereof) or under any Ancillary Agreement, or (ii) is likely to result, or does result, in the breach by Emcore of any (A) term or condition of this Agreement or any Ancillary Agreement, (B) undertaking or covenant of Emcore contained in this Agreement or any Ancillary Agreement or (C) warranty or representation of Emcore hereunder.

ARTICLE 10
DISPUTE RESOLUTION; TERMINATION

Section 10.01 Dispute Resolution; Resolution of Deadlock. (a) If at any time there shall exist any dispute between the parties relating to the approval of any Supermajority Transaction, the Members shall negotiate in good faith for a period of thirty (30) days in an effort to resolve the dispute. If such negotiations are not successful, either party shall have the right and option to notify the other party that the provisions of this section 10.01 and, after five (5) years from the date hereof, section 10.02 of this Agreement shall be invoked (the "Dispute Notice"). If a Dispute Notice is given and if requested by either party within 10 days thereafter, the parties shall submit the matter in dispute to the chief executive officer of GEL and the chief executive officer of Emcore for their review and resolution in such manner as they deem necessary or appropriate. The Committee will be bound by any resolution reached by the officers to whom such matter is submitted. The provisions of this section 10.01 and section 10.02 below and hereafter referred to as the "Dispute Resolution Mechanism").

(b) If at any time there shall exist a material dispute between the Members (other than a dispute relating to a Supermajority Transaction) relating to the Company, its business or the other Member's commitment to such business and the Member raising such dispute claims in good faith that the same has or will have a material adverse impact on the performance of the Company, then the Member raising such dispute shall give written notice to the other Member specifying in reasonable detail the reason or reasons underlying such claim. If such a notice is given, the Member receiving the same shall have a period of sixty (60) days to resolve the matter referred to in such notice. If at the end of such 60-day period, the Member that sent the notice remains dissatisfied, based on its reasonable and good faith determination, with the resolution, then such Member may commence the Dispute Resolution Mechanism.

Section 10.02 Purchase and Sale of Option Interest. If at any time more than five years after the date of this Agreement, the subject matter of a dispute described in section 10.01(a) or 10.01(b) of this Agreement cannot be resolved pursuant to the procedures set forth in section 10.01 within thirty (30) days of the submission of such dispute to the applicable officers of the parties (or a decision not to submit), and if such 30-day period began to run after the date which is five (5) years after the date hereof, then GE shall be obligated to purchase from Emcore, and Emcore shall be obligated to sell to GE, the entire Membership Interest of Emcore as of the date

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the Dispute Notice is given (the "Option Interest") for a price equal to *** of Emcore's Membership Interest. The process for determining *** of the Option Interest shall be commenced promptly following such 30-day period. The closing of the purchase and sale of the Option Interest shall be consummated as soon as practicable following the determination of *** of the Option Interest, but in no event more than 30 days thereafter (subject to any extension necessary to comply with any applicable regulatory requirement). The purchase price shall be paid in cash at the closing. *** of Emcore's Membership Interest shall again be determined as of the dates which are twelve (12) months (the "12 Month ***") and twenty four (24) months (the "24 Month ***") after the date as of which *** is initially determined under section 10.02 of this Agreement. Promptly after the determination of (A) the 12 Month ***, GE shall pay to Emcore in cash an amount equal to the excess, if any, of such 12 Month *** over *** and (B) the 24 Month ***, GE shall pay to Emcore in cash an amount equal to the excess, if any, of such 24 Month *** over the greater of *** and the 12 Month ***.

Section 10.03 Termination. This Agreement shall automatically be terminated upon:

(a) the written consent of all Members; or

(b) the termination of the LLC Agreement; or

(c) the sale, exchange or other disposition (including on dissolution or liquidation of the Company) of all or substantially all of the assets of the Company; or

(d) at the election of the non-Disposing Member, the non-Transferring Member or GEL (as applicable), upon (i) the consummation of a transfer to a Member of the Negotiated Interest or the Offered Interest pursuant to section 8.02(c) or (d), (ii) the purchase and sale of the Option Interest pursuant to section 10.02 or (iii) the purchase and sale of Emcore's Membership Interest pursuant to section 10.04.

Section 10.04 Buyout Rights After Material Breach. (a) Following a final determination by a court that a party is in Material Breach, (i) if GEL is the non breaching Party, then GEL shall have the right (the "Call Right") to purchase Emcore's Membership Interest at the price and on the terms set forth below, and Emcore shall sell to GEL such interest, and (ii) if Emcore is the non breaching Party, then Emcore shall have the right (the "Put Right") to require GEL to purchase Emcore's Membership Interest at the price and on the terms set forth below, and GEL shall purchase such interest.

(b) The Call Right and the Put Right may only be exercised by the giving of written notice (the "Buy-out Notice") by the non breaching Party to the other Party within thirty (30) days after a final determination by a court that the other Party is in Material Breach. Delivery of the Buy-out Notice shall constitute an irrevocable election by the non breaching Party to exercise the Call Right or the Put Right, as the case may be at the purchase price determined below. The

THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH A *** AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

purchase and sale of Emcore's Membership Interest shall be consummated as soon as practicable following the determination of *** of that Interest, but in no event more than 30 days thereafter (subject to any extension necessary to comply with any applicable regulatory requirement). *** of Emcore's Membership Interest shall be determined as provided in the Definition of *** in this Agreement, with the Company being treated as a going concern immediately prior to the occurrence of the event that gave rise to the Material Breach referred to in subsection 10.04(a), above. The purchase price for Emcore's Membership Interest shall be paid in cash at the closing of the transaction and shall be equal to *** thereof.

(c) The Put Right and the Call Right in this section 10.04 are in addition to any other remedy that may be available to Emcore and GE, respectively, for a Material Breach, and if the provision the violation of which gave rise to the Material Breach is directly related to the licensing or use of Intellectual Property, the Parties agree that the non breaching Party shall be entitled to injunctive relief or specific performance of the terms thereof, in addition to any other remedy that may be available in equity.

Section 10.05 Effect of Termination. (a) At such time as any Member ceases to be a Member (either through transfer of its Membership Interest or otherwise) of the Company, such Member shall have such rights and be subject to such obligations as are expressly provided in the other terms of this Agreement and shall have those additional rights and be subject to those additional obligations as are expressly provided in the terms of the Ancillary Agreements. At such time as any Member ceases to be a Member (either through transfer of its Membership Interest or otherwise) of the Company, such Member shall no longer be bound by the terms of Section 9.03 hereof and, subject to its other obligations hereunder and under the Ancillary Agreements, shall be free to engage in any business (new or existing) or acquire an interest in or invest in any Person engaged in any business, including, without limitation, a business in competition with the Company.

(b) The provisions of sections 9.01, 9.02, 10.05 and 11.02 of this Agreement shall survive the termination of this Agreement.

ARTICLE 11
SURVIVAL OF REPRESENTATIONS AND WARRANTIES
AND
INDEMNIFICATION

Section 11.01 Survival of Representations and Warranties. Notwithstanding any investigation made by either GE or Emcore or the Company or such party's or the Company's representatives with respect to the representations or warranties of the other party, all representations and warranties of the parties contained in this Agreement and the LLC Agreement shall survive the Closing for a period of three years from and after such Closing after which time

no claim for breach of a representation or warranty or indemnification in respect thereof may be brought by any Member; provided, that the representations and warranties contained in item (g)(ii) of the Emcore representations and warranties on Exhibit D to this Agreement and in item (g)(ii) of the GE representations and warranties on Exhibit D to this Agreement shall survive such Closing indefinitely.

Section 11.02 Indemnifiable Claims. Subject to any limitations set forth in any Transaction Document (including section 11.01 above), GE and Emcore, as the case may be, hereby agree to indemnify each other and the Company (without duplication) and their respective Affiliates, and, to the extent actually indemnified by GE, Emcore, the Company or such Affiliate from time to time, their respective directors, officers, employees and agents against, and agree to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or related in any way to (i) any misrepresentation or breach of any representation or warranty made by GE or Emcore in this Agreement or the LLC Agreement or (ii) the breach or non-performance of any covenant or obligation required by this Agreement or the LLC Agreement to be performed or observed by GE or Emcore; provided, however, that neither GE nor Emcore shall be required to pay the first \$250,000 in aggregate amount of any Damages arising under clause (i) of this section 11.02.

Section 11.03 Procedures. (a) Notice. Each party to this Agreement agrees to give prompt notice to the other parties to this Agreement of the assertion of any claim, or the commencement of any suit, action or proceeding brought by a Person that is not a party to this Agreement ("Indemnified Claims") in respect of which GE, Emcore, the Company or their respective Affiliates, or their respective directors, officers, employees or agents seek indemnity under section 11.02, after such party becomes aware of the facts giving rise to such Indemnified Claim. The failure of any party to provide notice pursuant to this section 11.03(a) shall not constitute a waiver of that party's claims to indemnification pursuant to section 11.02 in the absence of material prejudice to the party that did not receive such notice. Any such notice to a party shall be accompanied by a copy of any papers theretofore served on the notifying party in connection with the Indemnified Claims.

(b) Defense and Settlement of Claims. (i) Assumption of Defense. Upon receipt of notice from a party seeking and entitled to indemnification (an "Indemnified Party") pursuant to this Agreement, the party or parties against whom indemnification is sought (an "Indemnifying Party") will, subject to the provisions of section 11.03(b)(ii), assume the defense and control of such Indemnified Claims but shall allow the Indemnified Party or Parties, a reasonable opportunity to participate in the defense thereof with its or their own counsel and at its or their own expense. The Indemnifying Party shall (A) select counsel, contractors and consultants of recognized standing and competence after consultation with the Indemnified Party or Parties, (B) take all steps necessary in the defense or settlement thereof and (C) at all times diligently and promptly pursue the resolution thereof. The Indemnified Party or Parties shall, and shall cause each of their respective Affiliates and their respective directors, members, officers, employees, and agents to, cooperate fully with the Indemnifying Party in the defense of any Indemnified Claim.

(ii) Settlement of Claims. The Indemnifying Party shall be authorized to consent to a settlement of, or the entry of any judgment arising from, any Indemnified Claims, without the consent of any Indemnified Party; provided, that the Indemnifying Party shall (A) pay or cause to be paid all amounts arising out of such settlement or judgment concurrently with the effectiveness thereof, (B) not encumber any of the assets of any Indemnified Party or agree to any restriction or condition that would apply to such Indemnified Party or to the conduct of that party's business, (C) obtain, as a condition of any settlement or other solution, a complete release of each Indemnified Party and (D) provide to the Indemnified Party notice of the proposed settlement prior to such settlement.

ARTICLE 12
MISCELLANEOUS

Section 12.01 Notices. All notices, requests and other communications to any party or to the Company hereunder shall be in writing (including facsimile, telex or similar writing) and shall be given as follows:

if to GE: GE Lighting
1975 Noble Rd.
Cleveland, OH 44112
Attention: President and Chief Executive Officer
Facsimile: (216) 266-8699

with a copy to: GE Lighting
1975 Noble Rd.
Cleveland, OH 44112

Attention: General Counsel
Facsimile: (216) 266-3856

if to Emcore: Emcore Corporation
394 Elizabeth Avenue
Somerset, NJ 08873
Attention: President
Facsimile: (732) 271-9686

with a copy to: White & Case LLP
1155 Avenue of the Americas
New York, NY 10036
Attention: Steven M. Betensky, Esq.
Facsimile: (212) 354-8113

if to the Company: GELcore, LLC
c/o GE Lighting
1975 Noble Rd.
Cleveland, OH 44112
Attention: President
Facsimile: (216) 266-2987

with copies to: GE Lighting
1975 Noble Rd.
Cleveland, OH 44112
Attention: General Counsel
Facsimile: (216) 266-3856

Emcore Corporation
294 Elizabeth Avenue
Somerset, NJ 08873
Attention: President
Facsimile: (732) 271-9686

or to such other address or facsimile number and with such other copies, as such party may hereafter specify by notice to the other parties. Each such notice, request or other communication shall be effective upon receipt, provided if this day of receipt is not a Business Day then it shall be deemed to have been received on the next succeeding Business Day.

Section 12.02 Amendments; No Waivers. (a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by GE and Emcore, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by either party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 12.03 Expenses. All costs and expenses incurred in connection with the Contemplated Transactions shall be paid by the party incurring such cost or expense, except as otherwise provided in any Transaction Document.

Section 12.04 Successors and Assigns. Prior to the Closing, neither party shall assign this Agreement or any of its rights in and to this Agreement. Subject to the preceding sentence, the provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective permitted successors and assigns.

Section 12.05 Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York (without regard to the choice of law provisions thereof).

Section 12.06 Illegality and Severability. If application of any one or more of the provisions of this Agreement shall be unlawful under applicable law and regulations, then the parties will attempt in good faith to make such alternative arrangements as may be legally permissible and which carry out as nearly as practicable the terms of this Agreement. Should any portion of this Agreement be deemed unenforceable by a court of competent jurisdiction, the remaining portion hereof shall remain unaffected and be interpreted as if such unenforceable portions were initially deleted.

Section 12.07 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures to such counterparts and to this Agreement were upon the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be as effective as delivery of a manually executed counterpart of this Agreement. This Agreement shall become effective when executed by GE and Emcore.

Section 12.08 Entire Agreement. This Agreement and the other Transaction Documents (and any other agreements contemplated hereby or thereby) constitute

the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter hereof or thereof (including, without limitation, the MOU). The Exhibits to this Agreement are and shall be deemed to be a part of this Agreement.

Section 12.09 Captions. The captions in this Agreement are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed by their respective authorized representatives on the day and year first above written.

GENERAL ELECTRIC COMPANY

By: /s/ David L. Calhoun

Name:
Title: President & CEO - GE Lighting

EMCORE CORPORATION

By: /s/ Reuben F. Richards, Jr.

Name:
Title: President & CEO

LIST OF EXHIBITS
AND SCHEDULES

Exhibits

Exhibit A	Definitions
Exhibit B	LLC Agreement
Exhibit C	Pledge and Security Agreement
Exhibit D	Representations and Warranties
Exhibit E	Strategic Business Plan
Exhibit F-1	Intellectual Property License Agreement
Exhibit F-2	Product Development and Technical Assistance Agreement
Exhibit G	GE Trademark and Trade Name Agreement
Exhibit H	Management Services Agreement
Exhibit I	Administrative Services Agreement
Exhibit J	UOE Supply Agreement (Agreed Term Sheet attached)

Schedules

Schedule 3.01(a) (ii)	Term Sheet for GE Loan
Schedule 3.04	Term Sheet for Emcore Warrants

EXHIBIT A

DEFINITIONS

The following terms, as used in any Transaction Document, unless otherwise specifically defined therein, have the following meanings:

Act: shall mean the Delaware Limited Liability Company Act, Del. Stat. Sections 18-101 to 18-1107, inclusive, as in effect from time to time in the State of Delaware.

Administrative Services Agreement: shall mean the Administrative Services Agreement referred to in section 6.06 of the Transaction Agreement.

Affiliate: of another person shall mean any person directly or indirectly controlling, controlled by, or under common control with, such other person.

Ancillary Agreements: shall mean, collectively, the Intellectual Property License Agreement, the Product Development and Technology Assistance Agreement, the GE Trademark and Tradename License Agreement, the Management Services Agreement, the Administrative Services Agreement, the Pledge and Security Agreement, the Distribution Agreement and the Limited Liability Company Agreement.

Applicable Law: shall mean, with respect to any Person, any domestic or foreign, federal, state or local statute, law, ordinance, rule, administrative action, regulation, order, writ, injunction, judgment, decree or other requirement of any Governmental Authority (including any Environmental Law) applicable to such Person or any of its Affiliates or any of their respective properties, assets, officers, directors, employees, consultants or agents (in connection with such officer's, director's, employee's, consultant's or agent's activities on behalf of such Person or any of its Affiliates).

Business Day: shall mean a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

Capital Account: "Capital Account" shall mean, as to a Member, the account established and maintained for such Member pursuant to Article VI of the LLC Agreement.

Capital Contribution: shall mean the amount in cash or the value of property contributed by each Member to the capital of the Company in exchange for such Member's interest in the Company.

Closing Date: shall mean the date of the Closing.

Committee: shall mean the Committee of the Company referred to in section 7.02 of the Transaction Agreement.

Company: shall mean GELcore, LLC a Delaware limited liability company.

Confidential Information: shall mean information provided by one party to one or more other parties and specifically designated by that party as "confidential" (either in writing at the time of disclosure to the receiving party or by written confirmation within ten (10) days after that party discloses such information to the receiving party), relating to the research, development, products, processes, trade secrets, business plans, customer, finances, and personnel data related to the business of such party (or its Affiliates, to the extent necessary and relevant). Confidential Information does not include any information (i) the receiving party knew before the disclosing party provided it; (ii) which has become publicly known through no wrongful act of the receiving party; (iii) which the receiving party developed independently, as evidenced by appropriate documentation; or (iv) which the receiving party becomes aware of from any third party not bound by nondisclosure obligations to the disclosing party and with the lawful right to disclose such information to the receiving party. Notwithstanding the foregoing, specific information will not be deemed to be within the foregoing exceptions merely because it is contained within more general information otherwise subject to such exceptions.

Contemplated Transactions: shall mean the transactions described in section 4.02 of the Transaction Agreement.

Damages: shall mean all assessments, losses, damages, costs, expenses, liabilities, judgments, awards, fines, sanctions, penalties, charges and amounts paid in settlement, including, without limitation, reasonable costs, fees and expenses of attorneys, experts, accountants, appraisers, consultants, witnesses, investigators and any other agents or representatives (with such amounts to be determined net of any resulting tax benefit and net of any refund or reimbursement of any portion of such amounts including, without limitation, reimbursement by way of third party insurance or third party indemnification) arising from or incurred in connection with any demand, claim, action, cause of action or proceeding.

Default Recovery Activities: shall mean the exercise of any rights or remedies in connection with any Financing, Leasing or Other Financial Services Activity (whether such rights or remedies arise under any agreement relating to such Financing, Leasing or Other Financial Services Activity, under applicable law or otherwise) or in connection with the purchase or sale of goods and services including, without limitation, any foreclosure, realization or repossession of any collateral or other security for any Financing (including the equity in any entity or business) or Other Financial Services Activities or any property subject to any Leasing.

Dispose, Disposing or Disposition: shall mean a sale, assignment, transfer,

exchange, mortgage, pledge, grant of a security interest, or other disposition or encumbrance (including, without limitation, by operation of law).

Distribution Agreement: shall mean the Distribution Agreement referred to in section 6.04 of the Transaction Agreement.

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Financial Services Business: shall mean the following activities (i) Financing, (ii) Leasing, (iii) Default Recovery Activities or (iv) Other Financial Services Activities.

Financing: shall mean the making, entering into, purchase of, or participation in (i) secured or unsecured loans, conditional sales agreements, debt instruments or transactions of a similar nature, (ii) non-voting equity investments, and (iii) voting equity investments which (a) do not result in the ownership of 20% or greater equity interest in the entity in which such investment is made by the person making such investment and its Affiliates in the aggregate together with the power to direct or cause the direction of the management and policies of the entity in which such investment is made or (b) do not result in the power to direct or cause the direction of the management and policies of the entity in which such investment is made and (c) do not include as a part of such investment the making available to the entity in which such investment is made any GE Intellectual Property that has been licensed to GELcore or GEL channels of distribution.

Fiscal Year: shall have the meaning set forth in section 6.09(b) of the Transaction Agreement.

Force Majeure Event: shall mean armed conflict or economic dislocation resulting therefrom; embargoes; inability to obtain labor, raw materials, or transportation through no fault whatsoever of the breaching party; labor difficulties through no fault whatsoever of the breaching party; civil disorders of any kind; action of any civil or military authorities (including priorities and allocations); fires, floods; and accidents through no fault whatsoever of the breaching party or other event beyond the reasonable control of the breaching party and without fault of the breaching party.

GAAP: shall mean generally accepted accounting principles from time to time in effect.

GE-CRD: shall mean the Corporate Research and Development Department of GE.

GE Integrity Policies: shall mean the corporate policy statements relating to compliance with law and other matters adopted and published (as the "Spirit" and the "Letter") in 1993 by GE, as amended and supplemented from time to time, or any successor policies adopted by GE.

GE Trademark and Trade Name Agreement: shall mean the GE Trademark and Trade Name Agreement referred to in section 6.04 of the Transaction Agreement.

GELcore Business: shall have the meaning assigned to such term in section 6.01 of the Transaction Agreement.

Governmental Authority: shall mean any foreign, federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, commission or

tribunal or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

Initial Members: shall mean GE, operating through GEL, and Emcore.

Intellectual Property: shall mean (a) patents and applications therefor and all reissues, continuations, continuations-in-part, revisions or reexaminations relative thereto; (b) copyrights and all renewals thereof; (c) trademarks, trade names, service marks, service names, trade dress, logos and corporate names, together with all goodwill associated therewith and including, without limitation, all translations, adaptations, combinations and derivations of each of the foregoing; (d) technology, know-how, processes, trade secrets, inventions (whether or not patentable and whether or not reduced to practice), proprietary data, formula, research and development data, and confidential information (including, without limitation, ideas, manufacturing, development and production techniques, drawings, specifications, designs, proposals, financial and accounting data, business and marketing plans, customer and supplier lists and

related information); (e) computer software (including both source and object code) and all related programming, systems, user and other documentation; (f) mask works; (g) all other intellectual property; and (h) all registrations and applications for registration for each of the foregoing.

Intellectual Property License Agreement: shall mean the Intellectual Property License Agreement referred to in section 6.03 of the Transaction Agreement.

Investment Rights Agreement and Right of First Refusal and Warrant Agreement: shall mean the Investment Rights Agreement and the Right of First Refusal and Warrant Agreement referred to in the Technical Development Agreement.

Leasing: shall mean the leasing, under operating leases, finance leases or rental agreements, of property, whether real, personal, tangible or intangible.

LED: shall mean a light emitting diode.

LED Products: shall mean products in the LED product development cycle beyond packaged ready dies, including, without limitation, packaged LED devices, lamps and lamp fixtures.

Lien: shall mean, with respect to any asset, any mortgage, lien, pledge, charge, security interest, restriction or encumbrance of any kind in respect of such asset.

LLC Agreement: shall mean the limited liability company agreement between GE and Emcore, in the form attached to the Transaction Agreement as Exhibit B.

Management Services Agreement: shall mean the Management Services Agreement referred to in section 6.05 of the Transaction Agreement.

Material Adverse Effect: shall mean, with respect to any event, occurrence or condition, or series of events, occurrences or conditions, a material adverse effect on the operations, property or financial condition of the affected business or entity taken as a whole.

Material Breach: shall mean the breach other than a breach arising out of a Force Majeure Event by GEL or Emcore, as the case may be, of the Transaction Agreement, the LLC Agreement or any Ancillary Agreement which breach, if not cured, would have a Material Adverse Effect on the Company or the non-breaching party. A Material Breach shall not exist for purposes of this definition unless the non-breaching party has given written notice of such breach to the breaching party and (a) the party in Material Breach fails to cure the subject default within 60 days of the receipt of such notice or (b) if such default cannot reasonably be cured within such 60-day period, (i) the party in Material Breach fails promptly to take and continue to take all reasonable steps to cure the default as promptly as practicable after receipt of such notice or (ii) at the end of such 60-day period it appears that the breaching party will not be able to cure the Material Breach within a commercially reasonable time (not to exceed an additional 60 days); provided, however, that if an Ancillary Agreement expressly provides for a cure period of a longer duration than 60 days, then such longer period shall apply for the purposes hereof.

Members: shall mean the Initial Members and any Person hereafter admitted to the Company as a member as provided in the LLC Agreement.

Membership Interest: shall mean the interest of a Member (expressed as a percentage) in the Company. Membership Interests will at all times reflect the respective contributions to capital made by GE and Emcore, but will not be affected by allocations of Profits and Losses or other changes in Members' Capital Accounts.

MOCVD: shall mean metal organic chemical vapor deposition.

MOU: shall mean the Memorandum of Understanding dated June 24, 1998 between GEL and Emcore.

NIST ATP Program: shall mean the jointly proposed development program entitled "Manufacturable Solid State Lighting Sources" submitted by Widegap Technology LLC and GE to National Institute of Standards and Technology.

OEM: shall mean original equipment manufacturers.

Other Financial Services Activities: shall mean the offering, sale, distribution or provision, directly or through any distribution system or channel, of any financial products, financial services, asset management services or products or services or products related or ancillary to any of the foregoing.

Person: shall mean an individual, a corporation, a partnership, a limited liability company, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Product Development and Technical Assistance Agreement: shall mean the Product Development and Technical Assistance Agreement referred to in section 6.03 of the Transaction Agreement.

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Required Interest: shall mean a Required Interest as defined in section 7.03 of the Transaction Agreement.

Strategic Business Plan: shall mean the three (3) year strategic operating and capital budget and business plan for the Company attached to the Transaction Agreement as Exhibit D, as it may be modified from time to time.

Subsidiary: shall mean any and all corporations, partnerships, joint ventures, limited liability companies, associations and other entities controlled by the Company directly or indirectly through one or more intermediaries.

Substitute Member: shall mean any Person not a Member of the Company (prior to the transfer of a Membership Interest to such Person) to whom a Membership Interest in the Company has been transferred and who has been admitted to the Company as a Member pursuant to and in accordance with the provisions of section 8.02(e) of the Transaction Agreement and the LLC Agreement.

Supermajority Transaction: shall mean a Supermajority Transaction as defined in section 7.03 of the Transaction Agreement.

Technical Development Agreement: shall mean the Technical Development Agreement between Widegap Technology, LLC, the Company, GEL and GE's Corporate Research & Development Department entered into in connection with the NIST ATP Program.

Transaction Documents: shall mean the Transaction Agreement, the LLC Agreement and the other Ancillary Agreements and any annexes, attachments or exhibits to the foregoing.

Uniroyal: shall be the collective reference to Uniroyal Technology Corporation and its wholly owned subsidiary, Uniroyal Optoelectronics, Inc. ("UOE"), Delaware corporations having their principal offices at 2 North Tamiami Trail, Sarasota, FL 34236.

Uniroyal Agreement: shall be the collective reference to the Amended and Restated Joint Venture Agreement dated November 30, 1998 among Emcore and Uniroyal, and the related license and development agreements referred to therein.

UOE Supply Agreement: shall mean the UOE Supply Agreement entered into between the Company and UOE, the Term Sheet for which is attached to the Transaction Agreement as Exhibit I.

White Light LED Products: shall mean LED Products for use in solid state lighting that ***.

EXHIBIT C

REPRESENTATIONS AND WARRANTIES

Capitalized terms used but not defined herein shall have the same meanings given to such terms in the Transaction Agreement to which this Exhibit C is attached.

Emcore hereby makes the following representations and warranties upon each of which Emcore acknowledges and agrees that GE is entitled to rely:

Organization.

Emcore is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey.

Authorization; No Conflicts.

Emcore has all requisite corporate power and authority to (i) enter into the Transaction Agreement, the LLC Agreement and the other Ancillary Agreements to which it is a party (collectively the "Emcore Transaction Documents"), (ii) perform its obligations under the Emcore Transaction Documents, and (iii)

consummate the transactions contemplated by the Emcore Transaction Documents. All necessary and appropriate corporate action has been taken by Emcore with respect to the execution, delivery and performance of the Emcore Transaction Documents and the Emcore Transaction Documents constitute the legal, valid and binding obligations of Emcore enforceable against Emcore in accordance with their respective terms. Neither the execution, delivery or performance nor the consummation by Emcore of the transactions contemplated by the Emcore Transaction Documents will conflict with any applicable federal, state or local law, rule, regulation, writ, decree or order to which Emcore is subject, nor will it conflict with or result in a default under any term, provision or covenant of any mortgage, indenture, contract, agreement (including, without limitation, the Amended and Restated Joint Venture Agreement between Uniroyal Technology Corporation and Emcore dated November 30, 1998 (the "Uniroyal Joint Venture"), and the Amended and Restated Technology License Agreement between Emcore and Uniroyal Technology Corporation, dated November 30, 1998), instrument or judgment applicable to Emcore.

Consents; Restrictive Documents or Laws.

Other than as listed on Schedule 1 hereto, no consent is required to be obtained by Emcore under any material agreement to which Emcore is a party in connection with the execution, delivery or performance of the Emcore Transaction Documents. Emcore is not a party to or bound under any (and to the best knowledge of Emcore there is no pending, proposed or threatened), regulation, certificate, mortgage, lien, lease, agreement, contract, instrument, law, order, judgment or decree, or any similar restriction not of general application which reasonably could be expected to adversely effect the consummation of the transactions contemplated by the Emcore Transaction Documents.

Governmental Authorization.

The execution, delivery and performance by Emcore of the Emcore Transaction Documents require no action by or in respect of, or consent or approval of, or filing with, any Governmental Authority.

Absence of Competing Business.

Emcore does not, either directly or indirectly, own of record or beneficially any shares or other equity interests in any corporation, partnership, limited partnership, limited liability company, limited liability partnership, joint venture, trust or other business entity that is involved, either directly or indirectly, in the GELcore Business.

Litigation.

There is no claim, litigation, action, suit, proceeding, investigation or inquiry, administrative or judicial, pending or, to the knowledge of Emcore, threatened against Emcore, at law or in equity, before any federal, state or local court or regulatory agency, or other governmental authority, which if adversely determined would have an adverse effect on Emcore's ability to perform any of its obligations under the Emcore Transaction Documents or upon the consummation of the transactions contemplated by the Emcore Transaction Documents.

Intellectual Property.

(i) Emcore is licensing to GELcore all of the Existing Emcore Intellectual Property (as defined in Intellectual Property License Agreement) relevant to the GELcore Business Field which Emcore owns and has the right to license or is licensed and has the right to sublicense.

THIS EXHIBIT HAS BEEN REDACTED AND IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST. REDACTED MATERIAL IS MARKED WITH A *** AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

(ii) Emcore is the owner, or has the right to license on behalf of the owner, of all right, title and interest in and to any or all such Existing Emcore Intellectual Property referred to in subsection (i) above. Subject to *** and the Uniroyal Agreement, Emcore is not bound by or a party to any other contracts, options, licenses, assignments, or agreements of any kind with respect to the Intellectual Property of any other person or entity, which would prevent, prohibit, or otherwise interfere with the ability of Emcore to meet its obligations to GELcore. Emcore is not bound by or a party to any other contracts, options, licenses, assignments, or agreements of any kind with respect to the Intellectual Property of any other person or entity, which would prevent, prohibit, or otherwise interfere with the ability of GELcore to utilize such Existing Emcore Intellectual Property in the manner contemplated by the Transaction Documents.

(iii) To Emcore's knowledge, there are no pending or threatened claims alleging, or potential claims that could reasonably be expected to be alleged, that any or all such Existing Emcore Intellectual Property infringes or conflicts with the Intellectual Property of others.

Year 2000 Compliance.

To the best of its knowledge and solely with respect to data entry controlled by those modules of any Emcore Intellectual Property that are or will be proprietary to Emcore (the "Emcore Proprietary Modules"), the Emcore Proprietary Modules are Year 2000 Compliant (as defined in the Intellectual Property License Agreement).

Complete Disclosure.

No representation or warranty made by Emcore in the Transaction Documents, and no exhibit, schedule, statement, certificate or other writing furnished to GE by or on behalf of Emcore pursuant to the Transaction Documents or in connection with the transactions contemplated by the Transaction Documents, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein and therein not misleading.

GE hereby makes the following representations and warranties upon each of which GE acknowledges and agrees that Emcore is entitled to rely:

Organization.

GE is a corporation duly organized, validly existing and in good standing under the laws of the State of New York.

Authorization; No Conflicts.

GE has all requisite corporate power and authority to (i) enter into the Transaction Agreement, the LLC Agreement and the other Ancillary Agreements to which it is a party (collectively, the "GE Transaction Documents"), (ii) perform its obligations under the GE Transaction Documents, and (iii) consummate the transactions contemplated by the GE Transaction Documents. All necessary and appropriate corporate action has been taken by GE with respect to the execution and delivery of the GE Transaction Documents and the GE Transaction Documents constitute the legal, valid and binding obligations of GE enforceable against GE in accordance with their respective terms. Neither the execution, delivery or performance nor the consummation by GE of the transactions contemplated by the GE Transaction Documents will conflict with any applicable federal, state or local law, rule, regulation, writ, decree or order to which GE is subject, nor will it conflict with or result in a default under any term, provision or covenant of any mortgage, indenture, contract, agreement, instrument or judgment applicable to GE.

Consents; Restrictive Documents or Laws.

No consent is required to be obtained by GE under any material agreement to which GE is a party in connection with the execution, delivery or performance of the GE Transaction Documents. GE is not a party to or bound under any (and to the best knowledge of GE there is no pending, proposed or threatened), regulation, certificate, mortgage, lien, lease, agreement, contract, instrument, law, vote, order, judgment or decree, or any similar restriction not of general application which reasonably could be expected to adversely effect the consummation of the transactions contemplated by the GE Transaction Documents.

Governmental Authorization.

The execution, delivery and performance by GE of the GE Transaction Documents require no action by or in respect of, or consent or approval of, or filing with, any Governmental Authority.

Absence of Competing Business.

Except for GELcore's interest in the Widegap Technology LLC, GE does not own of record or beneficially any shares or other equity interests in any corporation, partnership, limited partnership, limited liability company, limited liability partnership, joint venture, trust or other business entity that is involved, either directly or indirectly, in the GELcore Business; provided, however, that GE shall not be in breach of the foregoing representations (i) by reason of any record or beneficial ownership of securities or other equity interests arising out of any Financial Services Business of GE or any of its Affiliates, or (ii) by reason of any record or beneficial ownership of securities or other equity interests by any pension or retirement fund or program operated by or for the benefit of GE or any of its Affiliates.

Litigation.

There is no claim, litigation, action, suit, proceeding, investigation or inquiry, administrative or judicial, pending or, to the knowledge of GE, threatened against GE, at law or in equity, before any federal, state or local court or regulatory agency, or other governmental authority, which if adversely determined would have an adverse effect on GE's ability to perform any of its obligations under the GE Transaction Documents or upon the consummation of the

transactions contemplated by the GE Transaction Documents.

Intellectual Property.

(i) GE is licensing to GELcore all of the Existing GEL Intellectual Property (as defined in Intellectual Property License Agreement) relevant to the GELcore Business Field which GEL owns and has the right to license or is licensed and has the right to sublicense.

(ii) GE is the owner, or has the right to license on behalf of the owner, of all right, title and interest in and to any or all such Existing GEL Intellectual Property referred to in subsection (i) above. GE is not bound by or a party to any other contracts, options, licenses, assignments, or agreements of any kind with respect to the Intellectual Property of any other person or entity, which would prevent, prohibit, or otherwise interfere with the ability of (A) GEL to meet its obligations to GELcore or (B) GELcore to utilize such Existing GEL Intellectual Property in the manner contemplated by the Transaction Documents.

(iii) To GE's knowledge, there are no pending or threatened claims alleging, or potential claims that could reasonably be expected to be alleged, that any or all such Existing GEL Intellectual Property infringes or conflicts with the Intellectual Property of others.

Year 2000 Compliance.

To the best of its knowledge and solely with respect to data entry controlled by those modules of any GE Intellectual Property that are or will be proprietary to GE (the "GE Proprietary Modules"), the GE Proprietary Modules are Year 2000 Compliant (as defined in the Intellectual Property License Agreement).

Complete Disclosure.

No representation or warranty made by GE in the Transaction Documents, and no exhibit, schedule, statement, certificate or other writing furnished to Emcore by or on behalf of GE pursuant to the Transaction Documents or in connection with the transactions contemplated by the Transaction Documents, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein and therein not misleading.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF EMCORE CORPORATION FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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