FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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ORTEL CORP/DE/

CIK:**928878**| IRS No.: **953494360** | State of Incorp.:**DE** | Fiscal Year End: **0430**
Type: **10-Q/A** | Act: **34** | File No.: **000-24914** | Film No.: **99573378**
SIC: **3663** Radio & tv broadcasting & communications equipment

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SECURITES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q/A
Amendment no. 1

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

For the quarterly period ended January 31, 1999

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

For the transition period from ____________ to ____________

Commission File No. 0-22598

ORTEL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	95-3494360
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S.Employer Identification No.)

2015 West Chestnut Street, Alhambra, California 91803-1542
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (626) 281-3636

not applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 X No

As of January 31, 1999, there were 11,916,119 shares of the registrant's $.001 par value Common Stock outstanding.

ORTEL CORPORATION

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

ORTEL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

<TABLE>
<CAPTION>

	January 31, 1999	April 30, 1998
ASSETS	(unaudited)	(audited & reclassified)
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 9,742	$12,656
Short-term investments	16,618	16,012
Accounts receivable (net)	12,807	12,819
Other receivables	1,945	1,415
Inventories	11,862	10,492
Income tax receivables	861	71
Deferred tax assets	2,911	2,775
Prepaid and other current assets	1,213	1,281
Current assets, discontinued operations	-	936
Total current assets	57,959	58,457
Property, equipment and improvements (net)	18,505	19,492
Intangible assets	2,238	2,581
Other assets	9,563	8,802
Long-term assets, discontinued operations	-	1,009
Total assets	$88,265	$90,341
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	5,044	3,685
Accrued payroll and related costs	2,627	2,899
Other accrued liabilities	2,578	2,538
Income taxes payable	--	172
Accrued liabilities, discontinued operations	1,895	-
Total current liabilities	12,144	9,294
Deferred income	172	400
Deferred income taxes	-	1,598
Minority interest	226	265
Stockholders' equity:		
Preferred stock, $.001 par value; authorized 5,000,000 shares, none issued and outstanding	-	-
Common stock, $.001 par value; authorized 25,000,000 shares, 11,916,119 And 11,499,743 issued and outstanding at January 31, 1999 and April 30, 1998, respectively	12	12
Additional paid-in capital	54,886	53,101
Retained earnings	21,907	27,449
Loans receivable	(702)	(1,460)
Accumulated other comprehensive income (loss)	(380)	(318)
Net stockholders' equity	75,723	78,784
Total liabilities and stockholders' equity	$88,265	$90,341

</TABLE>

Note: Certain amounts related to discontinued operations have been reclassified to conform to current year presentation. See accompanying notes to condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

ORTEL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended January 31,		Nine Months Ended January 31,	
	1999	1998	1999	1998
		Reclassified	Reclassified	Reclassified
<S>	<C>	<C>	<C>	<C>
Revenues	$16,915	$18,589	$55,124	$59,910
Cost of revenues	11,447	11,378	33,788	34,057
Gross profit	5,468	7,211	21,336	25,853
Operating expenses:				
Research and development	3,017	2,780	9,137	8,679
Sales and marketing	2,729	2,290	8,838	7,295
General and administrative	1,416	1,604	4,729	4,432
Total operating expenses	7,162	6,674	22,704	20,406
Operating income (loss)	(1,694)	537	(1,368)	5,447
Interest income (net)	212	367	901	991
Other non-operating income (expense)	73	(111)	236	(180)
Income (loss) from continuing ops before income taxes	(1,409)	793	(231)	6,258
Provision (credit) for income taxes	(289)	188	(46)	1,656
Income (loss) from continuing operations	$(1,120)	$ 605	$ (185)	$ 4,602
Loss from discontinued operations, net of tax	--	(234)	(1,438)	(825)
Loss from disposal of discontinued operations, net of tax	--	-	(3,919)	-
Net income (loss)	$(1,120)	$ 371	$(5,542)	$ 3,777
Net Income (loss) per share:				
Basic				
Income (loss) from continuing operations	$ (.09)	$ .05	$ (.02	$ .40
Loss from discontinued operations	$ --	$ (.02)	$ (.45)	$ (.07)
Net income (loss)	$ (.09)	$ .03	$ (.47)	$ .33
Diluted				
Income (loss) from continuing operations	$ (.09)	$ .05	$ (.02)	$ .36
Loss from discontinued operations	$ --	$ (.02)	$ (.45)	$ (.06)
Net income (loss)	$ (.09)	$ .03	$ (.47)	$ .30
Shares used in per share computations:				
Basic	11,920	11,684	11,844	11,611
Diluted	11,920	12,654	11,844	12,736

</TABLE>

Note: Certain amounts related to discontinued operations have been reclassified to conform to current year presentation. See accompanying notes to condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

ORTEL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

<TABLE>
<CAPTION>

	Nine Months Ended	
	January 31, 1999	January 31, 1998
Cash flows from operating activities:		Reclassified
<S>	<C>	<C>
Net income (loss)	$(5,542)	$ 3,777
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,773	4,321
Gain on disposal of equipment	12	2
Increase (decrease) in minority interest in subsidiaries	(38)	(12)
Compensation expense related to Photon stock options	80	81
Anticipated costs of discontinued operations	2,961	-
Changes in operating assets & liabilities (net of effects of acquisitions):		
Receivables	(716)	(1,426)
Inventories	(1,687)	2,346
Deferred tax assets	(136)	(57)
Prepaid and other assets	736	(169)
Intangible assets	-	(74)
Accounts payable	1,359	(1,375)
Accrued payroll and related costs	(273)	(1,529)
Other accrued liabilities	40	(716)
Deferred income	(401)	(14)
Deferred income taxes	(446)	27
Income taxes payable	(503)	(1,331)
Net cash provided by operating activities	219	3,851
Cash flows from investing activities:		
Capital expenditures	(3,427)	(4,845)
Investment in subsidiaries and affiliates (net of cash acquired)	(1,500)	(5,437)
Short-term investments	(606)	(1,770)
Net cash (used in) investing activities	(5,533)	(12,052)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	1,776	889
Proceeds from repayment of stockholder loans	775	88
Net cash provided by financing activities	2,551	977
Effect of exchange rates	(151)	(110)
Net increase (decrease) in cash and equivalents	(2,914)	(7,334)
Cash and cash equivalents, beginning of period	12,656	18,865
Cash and cash equivalents, end of period	$ 9,742	$ 11,531
Supplemental disclosure of cash flow information:		
Cash paid during the period for		
Interest	$ 36	$ 8
Income taxes	$ 780	$ 2,557
Supplemental disclosure of non-cash financing activities:		
Loans to related parties for stock option exercises	$ ---	$ 231

</TABLE>

Note: Certain amounts related to discontinued operations have been reclassified to conform to current year presentation. See accompanying notes to condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

ORTEL CORPORATION
Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company without audit (except for the balance sheet information as of April 30, 1998 which was derived from audited consolidated financial statements) and, in the opinion of management, contain all adjustments necessary to present fairly the consolidated financial position at January 31, 1999, and the condensed consolidated results of operations for the nine-month periods ended January 31, 1999 and January 31, 1998, and the condensed consolidated cash flows for the nine-month periods ended January 31, 1999, and January 31, 1998 in accordance with generally accepted accounting principles.

Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission, although the Company believes that the disclosures in the consolidated financial statements are adequate to ensure the information presented is not misleading.

The results of operations for the nine-month period ended January 31, 1999 are not necessarily indicative of the results to be expected for the entire fiscal year and should be read in conjunction with a discussion of risk factors in the Company's annual report for the fiscal year ended April 30, 1998.

2. Per Share Information

Net income (loss) per share is based on the weighted average common and common equivalent shares outstanding for each period including common shares issuable upon the exercise of stock options.

Common equivalent shares are excluded from the computation if the effect is anti-dilutive.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	1999	1998	1999	1998
Shares used in per share computations:				
Basic	11,920	11,684	11,844	11,611
Stock Options	--	970	--	1,125
Diluted	11,920	12,654	11,844	12,736

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

ORTEL CORPORATION
Notes to Condensed Consolidated Financial Statements (continued)

3. Income Taxes

Income taxes for the respective periods were computed using the effective tax rate estimated to be applicable for the fiscal year, which is subject to ongoing review and evaluation by management.

4. Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist of the following (in thousands):

	January 31, 1999	April 30, 1998
	(unaudited)	(audited)
Raw materials	$ 5,687	$ 4,641
Work-in-process	4,817	4,886
Finished goods	1,358	965
Total inventories	$11,862	$10,492

5. Cash Equivalents

Cash equivalents (defined as marketable securities with original maturities of 90 days or less which can be liquidated in a manner that is equivalent to cash) were $7.6 million and $7.8 million as of January 31, 1999 and April 30, 1998, respectively, and short-term investments (marketable securities with maturities of more than 90 days) were $16.6 million and $16.0 million as of

January 31, 1999, and April 30, 1998, respectively.

Under Financial Accounting Standards Board Statement 115, the Company has classified its short-term investments as available-for-sale. Available-for-sale securities are stated at market value and unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of stockholders' equity until realized. A decline in the market value of the security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security. At January 31, 1999 and April 30, 1998, the Company's marketable investment securities consisted principally of highly liquid investments in tax-free municipal obligations with various maturity dates through June 15, 2001.

ORTEL CORPORATION
Notes to Condensed Consolidated Financial Statements (continued)

6. Other Comprehensive Income

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," as of the first quarter of fiscal 1999. SFAS No. 130 establishes new rules for the reporting and display of comprehensive income and its components

The components of other comprehensive (loss) income, net of tax, are as follows (in thousands):

<TABLE>
<CAPTION>

	Three Months Ended January 31		Nine Months Ended January 31	
	1999	1998	1999	1998
		Reclassified	Reclassified	Reclassified
<S>	<C>	<C>	<C>	<C>
Net income (loss)......................	$(1,120)	$ 371	$(5,542)	$3,777
Change in unrealized gain (loss) on available-for-sale investments.........	(70)	--	(70)	(28)
Gain (loss) on foreign currency translation adjustments................	(103)	(221)	(120)	(87)
Total other comprehensive income (loss).	$(1,293)	$ 150	$(5,732)	$3,662

</TABLE>

Note: Certain amounts related to discontinued operations have been reclassified to conform to current year presentation.

Accumulated other comprehensive income (loss) presented on the accompanying consolidated balance sheets consists of the following (in thousands):

<TABLE>
<CAPTION>

	January 31, 1999	April 30, 1998
	(unaudited)	(audited)
<S>	<C>	<C>
Unrealized gains on available-for-sale investments...................	$ 112	$ 24
Foreign currency translation adjustments (loss).................	(492)	(342)
Total accumulated other comprehensive income (loss)........	$(380)	$(318)

</TABLE>

ORTEL CORPORATION
Notes to Condensed Consolidated Financial Statements (continued)

7. Discontinued Operations

The Company discontinued its 980 nm pump laser business in early November 1998. Certain amounts on the Balance Sheets and Statements of Operations related to discontinued operations have been reclassified to conform to current period presentation. See below for further discussion on the discontinuance.

All assets related to the discontinued business were written off including accounts receivable, inventory and fixed assets. The remaining liability of $1.9 million related to discontinued operations includes provisions for expected product warranty costs, purchase order cancellation charges and other expenses related to the discontinuance.

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

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial position and operating results during the periods included in the unaudited condensed consolidated financial statements included herein. The discussion in this section contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the Company's annual report for the year ended April 30, 1998.

Results of Operations

The following table sets forth the statements of operations as a percentage of revenues adjusted for the discontinued operations:

<TABLE>
<CAPTION>

	Three Months Ended January 31,		Nine Months Ended January 31,	
	1999	1998 Reclassified	1999 Reclassified	1998 Reclassified
<S>	<C>	<C>	<C>	<C>
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	67.7	61.2	61.3	56.8
Gross profit	32.3	38.8	38.7	43.2
Operating expenses:				
Research and development	17.8	15.0	16.6	14.5
Sales and marketing	16.1	12.3	16.0	12.2
General and administrative	8.4	8.6	8.6	7.4
Total operating expenses	42.3	35.9	41.2	34.1
Operating income (loss)	(10.0)	2.9	(2.5)	9.1
Interest income	1.3	2.0	1.6	1.7
Other income, net	.4	(.6)	.5	(.3)
Income (loss) from continuing operations before income taxes	(8.3)	4.3	(.4)	10.5
Provision (credit) for income taxes	(1.7)	1.0	.1	2.8
Income (loss) from continuing operations	(6.6)	3.3	(.3)	7.7
Loss from discontinued operations, net of tax	--	(1.3)	(2.6)	(1.4)
Loss from disposal of discontinued operations, net of tax	--	-	(7.1)	-

Net income (loss)	(6.6%)	2.0%	(10.0%)	6.3%

</TABLE>

Results of Operations (continued)

The following table highlights certain aspects of the Company's revenues for the three-month and nine-month periods ended January 31, 1999 and 1998 adjusted for the discontinued operation:

<TABLE>
<CAPTION>

	Three Months Ended January 31, 1999,		Nine Months Ended January 31,	
	1999	1998	1999	1998
		Reclassified	Reclassified	Reclassified
Revenues (thousands):				
<S>	<C>	<C>	<C>	<C>
Broadband products	$11,968	$11,262	$37,085	$36,588
Other products	4,947	7,327	18,039	23,322
Total	$16,915	$18,589	$55,124	$59,910
Geographic coverage (thousands):				
Domestic	$10,203	$10,052	$35,562	$29,419
International	6,712	8,537	19,562	30,491
Total	$16,915	$18,589	$55,124	$59,910
As a percent of revenues:				
Broadband products	70.8%	60.6%	67.3%	61.1%
Other products	29.2	39.4	32.7	38.9
Total	100.0%	100.0%	100.0%	100.0%
Geographic coverage:				
Domestic	60.3%	54.1%	64.5%	49.1%
International	39.7	45.9	35.5	50.9
Total	100.0%	100.0%	100.0%	100.0%

</TABLE>

Discontinued Operations

In early November 1998, the Company announced it would discontinue its 980 nm pump laser business. Sales of the 980 nm product began in the first quarter of fiscal year 1998 and totaled $1.4 million. Such revenue was below the Company's expectations due largely to rapid and continual price reductions in the marketplace. The necessary research and development costs, which would further differentiate Ortel's product, were not merited under these market conditions.

Discontinued Operations (continued)

For selected periods, the table below is a summary of the financial performance of this product line when segregated from continuing operations. Consolidated financial statements for the Company have been reclassified to remove the impact of the discontinued operation (in thousands):

<TABLE>
<CAPTION>

	Three Months Ended January 31		Nine Months Ended January 31	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Revenues..............................	$ ---	$ 180	$ 795	$ 658
Cost of revenues.....................	---	153	1,248	654
Gross profit......................	---	27	(453)	4
Operating expenses:				
Research and development...........	---	510	917	1,143
Sales and marketing................	---	40	428	128
General and administrative..........	-	-	-	-
Total operating expenses...........	---	550	1,345	1,271
Operating loss on discontinued operations...........................	---	(523)	(1,798)	(1,267)
Income tax on discontinued operations.	---	(289)	(360)	(442)
Net loss on discontinued operations..	---	(234)	(1,438)	(825)
Loss from disposal of discontinued operations, net of tax..............	---	-	(3,919)	-
Combined net loss on discontinued operations and loss from disposal of discontinued operations, net of tax..	$ ---	$ (234)	$(5,357)	$ (825)
Combined net loss per share on discontinued operations and loss from disposal of discontinued operations:				
Basic.............................	$ ---	$(.02)	$(.45)	$(.07)
Diluted...........................	$ ---	$(.02)	$(.45)	$(.06)
Shares used in per share computation:				
Basic.............................	11,920	11,684	11,844	11,611
Diluted...........................	11,920	12,654	11,844	12,736

</TABLE>

Discontinued Operations (continued)

In addition to the operating losses shown above, the Company has incurred or expects it will incur costs as a result of its exit from the market. These costs were recognized in the second quarter of this fiscal year and totaled $4.9 million before income tax and $3.9 million after tax. Significant items included in this write-off were expected product warranty costs, write-off of inventory, equipment and accounts receivable plus severance costs of the associated reduction in workforce.

Continuing Operations

Third Quarter ended January 31, 1999

The discussion that follows is based on continuing operations and is based on the reclassified Balance Sheets and Statements of Operations presented in this report.

Revenues

Revenues of $16.9 million for the third quarter ended January 31, 1999, decreased by 9.1% from $18.6 million in the comparable quarter of the previous year. This decrease was the result of total revenues from broadband products increasing 6.2% from $11.3 million in the prior year to $12.0 million in the current period while total revenues from all other products decreasing 32.5% from $7.3 million in the prior year to $4.9 million in the current period. The increase in broadband product sales is the result of a 20% increase in demand from international customers. The reduction in other product revenues compared to the prior year, reflects lower sales of the Company's wireless and satellite communications products. Wireless revenues continue to reflect the slow pace of deployment of repeater products by wireless PCS operators while the Company's satellite communications business is subject to quarterly fluctuations.

Sales to international customers totaled $6.7 million or 40% of revenues for the third quarter of fiscal 1999 compared to $8.5 million or 46% of revenues for the comparable quarter last year. The 21% decrease in sales to international customers was primarily the result of a large one-time wireless opportunity in Korea in the prior fiscal year

Gross Profit

Gross profit of $5.5 million for the third quarter ended January 31, 1999, was 32.3% of revenues compared to 38.8% in the prior year period. The lower gross margins in the current period reflect lower average pricing and a greater mix of products with lower margins.

Third Quarter ended January 31, 1999 (continued)

Research and Development

Research and development expense of $3.0 million for the third quarter ended January 31, 1999, increased $200,000 or 9% from $2.8 million in the comparable quarter last year and is in line with the Company's on-going investment in its fiber optics and wireless businesses. With lower total revenues compared to last year, research and development expense as a percent of revenue was 17.8% compared to 15.0% in the third quarter of the prior year.

Sales and Marketing

Sales and marketing expense of $2.7 million in the third quarter ended January 31, 1999, increased 19% or $400,000 from $2.3 million in the comparable quarter last year. The increase was primarily due to the addition of sales personnel in the U.S. and Asia. With lower revenues, sales and marketing expense as a percent of revenue was 16.1% compared to 12.3% in the third quarter of the prior year.

General and Administrative

General and administrative expenses of $1.4 million for the third quarter of fiscal 1999 decreased by $200,000 or 12% from $1.6 million in the comparable period last year and decreased as a percentage of revenues to 8.4% compared to 8.6% for the same quarter of fiscal 1998. The decrease compared to the prior year is the result of intentional cost reductions in discretionary spending.

Other Non-Operating Income (Expense)

Interest income, net of interest expense, of $212,000 for the third quarter of fiscal 1999 decreased by $155,000 from the comparable period last year primarily due to lower average cash balances. Other net income of $73,000 for the third quarter compares to a loss of $111,000 in the comparable quarter last year and represents a more favorable impact of foreign currency translation.

Nine Months ended January 31, 1999

Revenues

Revenues of $55.1 million for the nine months ended January 31, 1999 decreased by $4.8 million or 8% from $59.9 million in the comparable period of the previous year. Total revenues from broadband products at $37.1 million were equivalent to the comparable period of the previous year. Revenues of $18.0 million from the sale of wireless, satellite communications and other product applications decreased by $5.3 million or 23% compared to the prior year period.

Sales to international customers totaled $19.6 million or 36% of revenues for the nine months of fiscal 1999 compared to $30.5 million or approximately 51% of revenues for the comparable period last year. As in the third quarter, the 36% decrease in sales to international customers was primarily concentrated in Asia as various countries in that region continue to suffer from the effects of a down turn in their economy. Almost half of the decrease relates to a one-time multi-million dollar wireless sale in the prior fiscal year.

Gross Profit

Gross profit of $21.3 million for the nine months of fiscal 1999 represented 38.7% of revenues compared to 43.2% in the comparable period last year. The decrease in gross margin compared to the prior year is primarily the result of lower sales volume in conjunction with lower average prices.

Research and Development

Research and development expenses of $9.1 million for the nine months of fiscal 1999 increased by $400,000 or 5% from $8.7 million in the comparable period last year and is in line with the Company's on-going investments in its fiber optics and wireless businesses. With lower revenues compared to the prior year period, Research and Development expense as a percent of revenue increased to 16.6% compared to 14.5% in the comparable period last year.

Sales and Marketing

Sales and marketing expenses of $8.8 million for the nine months of fiscal 1999 increased by $1.5 million or 21% from $7.3 million for the comparable period last year. With an 8% reduction in revenues, sales and marketing expenses as a percentage of revenues increased to 16% from 12.2% for the comparable period of fiscal 1998. The increase in spending compared to the prior year is primarily additional hiring and relocation costs associated with enhancing the Company's worldwide sales organization, including opening sales offices in Singapore and Beijing.

Nine Months ended January 31, 1999 (continued)

General and Administrative

General and administrative expenses of $4.7 million for the nine months of fiscal 1999 increased by $300,000 or 7% compared to $4.4 million for the comparable period last year and increased as a percentage of revenues to 8.6% from 7.4% for the same period. The increase is primarily third-party administrative expenses in support of expanding business in Asia.

Other Non-Operating Income (Expense)

Interest income, net of interest expense, of $901,000 for the nine months of 1999 decreased by $90,000 from the comparable period last year primarily due to lower average cash balances. Other non-operating income of $236,000 for the nine months compares to a loss of $180,000 in the comparable period last year and is primarily due to favorable changes in foreign currency during this period of time.

Liquidity and Capital Resources

At January 31, 1999, the Company had working capital of $45.8 million, including $9.7 million in cash and cash equivalents and $16.6 million in short-term investments. For the nine-month period ended January 31, 1999, the Company's operating activities generated $219,000 in cash. Cash from operating activities includes net loss of $5.5 million partially offset by non-funded future costs related to discontinued operations of almost $3.0 million. Depreciation and amortization of $4.8 million offset the operating loss significantly. Trade accounts receivable and inventory increased by $716,000 and $1.7 million, respectively, which was partially offset by a decrease in prepaid and other assets of $736,000. Increases in accounts payable of $1.4 million were offset by decreases in deferred income and income taxes payable. The Company increased its investment in Tellium, Inc. by $1.5 million in the current quarter to a total of $6.5 million. Net proceeds from issuance of common stock of $1.8 million includes the repurchase of 28,600 shares of its common stock at a cost of $249,000 during the third quarter.

The Company considers cash flow from operations and available sources of liquidity to be adequate to meet business requirements in the foreseeable future, including planned capital expenditure programs, working capital requirements, and any Year 2000 remediation plans.

Year 2000

Assessment

The Company engaged outside consultants to perform an initial assessment and provide the Company with guidance in the assessment phase. An internal committee was formed to specifically address all Y2K issues.

All hardware and software connected to the Company's primary computer network (information technology) has been inventoried and remediation is in process. A small number of older model personal computers will be replaced because they cannot be made Y2K compliant. An upgrade of the Company's primary business software is scheduled to be implemented before June 30, 1999.

The committee also conducted an inventory covering approximately 95% all non-infomation technology systems used in the U.S. operations and remediation has begun. The balance of the U.S. inventory and all international locations are expected to be inventoried and in remediation by March 31, 1999. It may be necessary to continue to contract with third parties during remediation.

The Company's products have been reviewed for Y2K compliance. Most of the Company's products do not contain any reference to a date nor do the products access or manipulate dates which may be available elsewhere in the customer's system. Approximately 85% of the Company's revenue are products with no Y2K implications. However, some products, primarily repeater products, do contain a date or reference a date. Such products serve a niche aspect of the Wireless marketplace and have represented less than 15% of the Company's revenues in the past two fiscal years. Remediation is in process and is expected to be complete by August 31, 1999.

The Company contacted key suppliers and has received responses from many of them indicating compliance. Key suppliers who have not yet responded and all other vendors will be contacted by April 30, 1999, and asked to provide compliance certificates

Costs

The Company's cost estimate for becoming Year 2000 compliant is not yet complete. Incremental spending for the nine-month period ended January 31, 1999, has been less than $150,000.

Risks

If all Year 2000 issues are not properly identified, or assessment, remediation and testing are not affected in a timely manner with respect to problems that are identified, there can be no assurance that the Year 2000 issue will not have a material adverse impact on the Company's results of operations or adversely affect the Company's relationships with customers, vendors or others. Additionally, there can be no assurance that the Year 2000 issues of other entities will not have a material adverse impact on the Company's systems or results of operations.

Contingency Plan

The Company has not yet completed a comprehensive analysis of the operational problems and costs that would be reasonably likely to result from the failure by the Company and certain third parties

to complete efforts necessary to achieve Year 2000 compliance on a timely basis. As a result, the Company has not developed a plan for dealing with the most reasonably likely worst case scenario.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits.

Reference is hereby made to the Exhibit Index commencing on page 20.

b. Shortly after the end of the second fiscal quarter, the Company announced the discontinuance of its 980 nm pump laser business. A report on Form 8-K discussing this fact was filed on November 12, 1998. A report on Form 8-K/A was filed on January 25, 1999 reporting pro forma Statements of Operations segregating discontinued operations for the six-months ended October 31, 1998 and fiscal year ended April 30, 1998. Also reported was a Balance Sheet for April 30, 1998 which segregated and reclassified amounts related to discontinued operations.

SIGNATURES

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

DATE: March 25, 1999

ORTEL CORPORATION
(Registrant)

By: /s/Wim H.J. Selders

Wim H.J. Selders,
President and Chief Executive Officer

By: /s/Roger Hay

Roger Hay
Vice President, Finance and Chief
Financial Officer

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Document Description	Page No.
3.1	Certificate of Incorporation.	(Note 1)
3.2	Bylaws of Ortel Corporation.	(Note 1)
4.1	Common Stock Purchase Agreement, dated March 26, 1990, between Sumitomo Cement Co., Ltd. and Ortel Corporation.	(Note 1)
4.2	Modification Agreement, dated 1985, between Ortel Corporation and certain investors.	(Note 1)
10.1	Lease, dated September 23, 1991, between Ortel Corporation and Rim Development Co.	(Note 1)
10.2	Lease, dated May 20, 1994, between Ortel Corporation and Wai Fong Un.	(Note 1)
10.3	Employment Agreement, dated September 14, 1990, between Ortel Corporation and Wim H.J. Selders.	(Note 1)
10.4	Employment Agreement, dated September 14, 1990, between Ortel Corporation and Israel Ury.	(Note 1)
10.5	Employment Agreement, dated September 14, 1990, between Ortel Corporation and Nadav Bar-Chaim.	(Note 1)
10.6	1981 Incentive Stock Option Plan of Ortel Corporation.	(Note 1)
10.7	1990 Stock Option Plan of Ortel Corporation.	(Note 1)
10.8	Form of Indemnification Agreement.	(Note 1)
10.9	Key Shareholders Agreement, dated as of March 26, 1990, among Wim H.J. Selders, Dr. Ury, Dr. Yariv, Dr. Bar-Chaim, Sumitomo Cement Co., Ltd., The Ury Family Trust and Ortel Corporation.	(Note 1)
10.10	Agreement Concerning Certain Financial and Business Arrangements, dated as of March 26, 1990 between Sumitomo Cement Co., Ltd. And Ortel Corporation.	(Note 1)
10.11	1994 Equity Participation Plan of Ortel Corporation.	(Note 1)
10.12	Severance Agreement, dated as of August 26, 1994, between Ortel Corporation and Stephen K. Workman.	(Note 1)
10.13	Stock Purchase Agreement dated March 12, 1996 between Hakan Samuelsson and Ortel Corporation.	(Note 2)
10.14	Loan Agreement, dated June 2, 1995 between Ortel Corporation and Bank of America.	(Note 3)
10.15	Amendment No. 2 dated September 9, 1997 to Loan Agreement dated June 2, 1995 between Ortel Corporation and Bank of America.	(Note 5)
10.16	Severance Agreement, dated December 1, 1997, between Ortel Corporation and Douglas H. Morais.	(Note 6)
10.17	Severance Agreement, dated March 6, 1998, between Ortel Corporation and Lyle B. Boarts	(Note 7)
10.18	Amendment No. 3 dated August 20, 1998 to Loan Agreement dated June 2, 1995 between Ortel Corporation and Bank of America NT & SA	(Note 8)
10.19	Severance Agreement dated November 6, 1998, between Ortel Corporation and William J. Moore	(Note 8)
10.20	Severance Agreement, dated November 9, 1998, between Ortel Corporation and George B. Holmes	(Note 8)
10.21	Amendment dated November 9, 1998 to Severance Agreement, dated August 26, 1994, between Ortel Corporation and Stephen K. Workman	(Note 8)
10.22	Amendment dated November 9, 1998 to Severance Agreement, dated March 6, 1998, between Ortel Corporation and Lyle B. Boarts.	(Note 8)
10.23	Severance Agreement dated March 5, 1999, between Ortel Corporation and Roger Hay.	
21.1	Subsidiaries of Ortel Corporation.	(Note 7)
23.1	Consent of KPMG Peat Marwick LLP.	(Note 7)
27.0	Financial Data Schedule	

</TABLE>

<TABLE>

EXHIBIT INDEX (continued)

<S>	<C>
Note 1	Previously filed by the Registrant in Registration No. 33-79188 and incorporated by reference herein pursuant to Rule 12b-32 of the Exchange Act.
Note 2	Previously filed by the Registrant in its 8K filing dated March 26, 1996
Note 3	Previously filed by the Registrant in its 10-K filing for the year ended April 30, 1996
Note 4	Previously filed by the Registrant in its 10-K filing for the year-ended April 30, 1997.
Note 5	Previously filed by the Registrant in its 10-Q filing for the quarter ended October 31, 1997.
Note 6	Previously filed by the Registrant in its 10-Q filing for the quarter ended January 31, 1998.
Note 7	Previously filed by the Registrant in its 10-K filing for the year ended April 30, 1998.
Note 8	Previously filed by the Registrant in its 10-Q filing for the quarter ended October 31, 1998.

</TABLE>

Exhibit 10.23

CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement (the "Agreement") is made and entered into as of March 5, 1999 by and between ORTEL CORPORATION, a Delaware corporation ("Ortel"), and ROGER HAY, an individual ("Executive").

RECITALS

A. Executive is employed by Ortel as its Chief Financial Officer, and in such other executive capacity or capacities as the board of directors of Ortel may from time to time prescribe.

AGREEMENT

NOW THEREFORE, in consideration of the above Recitals and the covenants contained herein, Ortel and Executive agree as follows:

Section 1. Definition

For purposes of this Agreement, a "Change in Control" shall mean the occurrence of one or more of the following events: (i) a single person or entity or group of affiliated persons or entities (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 promulgated under the 1934 Act) of securities of Ortel representing 40% or more of the total number of votes that may cast for the election of directors of Ortel, or (ii) a merger or other business combination of Ortel with another person or entity is consummated, or all or substantially all of the assets of Ortel are sold to another person or entity, as a result of which merger, combination or sale the shareholders of Ortel immediately prior to the consummation of such transaction own, immediately after consummation of such transaction, equity securities possessing less than 70% of the voting power of the surviving or acquiring person or entity (or any person or entity in control of the surviving or acquiring person or entity, the equity securities of which are issued or transferred in such transaction), or (iii) as the result of or in connection with any tender or exchange offer for the purchase of securities of Ortel (other than an offer by Ortel for its securities), a merger, consolidation, sale of assets, contested election of directors of Ortel or any combination thereof, the persons who are directors of Ortel before such tender, exchange offer, merger, consolidation, sale, contested election or combination thereof cease to constitute a majority of the board of directors of Ortel or any successor to Ortel.

Section 2. Termination Payments

(a) In the event that Executive's employment with Ortel is terminated by Ortel within six months following a "Change in Control":

(i) Ortel shall continue to pay Executive, on a monthly basis, his basic salary as in effect immediately prior to the date of termination for the twenty-four month period commencing on the effective date of such termination.

(ii) Ortel shall continue to provide Executive all other benefits as in effect immediately prior to the date of termination, including but not limited to group health and life insurance benefits and an automobile allowance, for the twenty-four month period commencing on the effective date of such termination. Notwithstanding the foregoing, Ortel's obligations to provide these benefits to Executive shall cease upon and to the extent Executive acquires substantially similar benefits from an employer other than Ortel.

(iii) Notwithstanding any provisions of Ortel's 1994 Equity Participation Plan or other similar plans (collectively, "Option Plans"), all outstanding unvested stock options, if any, granted to Executive under any of the Option Plans (or options substituted therefor covering for stock of a successor corporation) shall be and become fully vested and exercisable as to all shares of stock covered thereby effective as of the date of such termination.

(b) Executive may elect at any time prior to January 30 of the year following the year in which Executive's employment is terminated within six months of a Change in Control, to be paid a lump sum severance allowance, in lieu of the termination payments described in Section 2(a) above, in an amount equal to 85% of the aggregate amount of compensation remaining payment to Executive thereunder.Ortel shall pay such lump sum severance allowance to Executive within thirty (30) days following such election by Executive.

(c) For the purposes of Section 2(a), termination of Executive's employment by Ortel shall include termination of Executive's employment by Executive for Good Reason where "Good Reason" means the occurrence of any of the following circumstances:

(i) a substantial reduction in the responsibilities of Executive but not (x) a reduction based solely upon a change in reporting structure within Ortel, (y) reduction in Executive's title, (z) a transfer to another position which does not adversely affect Executive's responsibilities, or (w) a change in the Executive's status, position or duties within Ortel which change results solely by virtue of Ortel ceasing to be a public company or becoming a subsidiary or division of a larger corporation.

(ii) the relocation by Ortel of Executive's offices to a location outside of Los Angeles County or Orange County, California.

(iii) a reduction by Ortel in Executive's annual base salary as in effect on the date hereof or as the same being increased from time to time.

Section 3. No Obligation to Mitigate Damages
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In the event of a termination of Executive's employment within six months of a Change in Control, Executive shall have no obligation to mitigate damages by seeking other employment and will be entitled to continue to receive the payments and other benefits provided for in Section 2(a) and 2(b) of this Agreement.

Section 4. Assignment; Agreement to Survive Dissolution or Merger
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Subject to Executive's right to terminate his employment, this Agreement shall not be terminated by the voluntary or involuntary dissolution of Ortel or by any merger where Ortel is not the surviving or resulting corporation, or upon any transfer of all or substantially all of the business or assets of Ortel..In the event of any such merger or transfer, the provisions of this Agreement shall be binding on and shall inure to the benefit of the surviving entity or the entity to which such business or assets shall be transferred. This Agreement may not be assigned by Executive.

Section 5. Arbitration
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Except as provided in Section 6 hereof, any controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgment upon any proper award rendered by the arbitrators may be entered in any court having jurisdiction thereof.There shall be three arbitrators, one to be chosen directly by each party at will, and the third arbitrator to be selected by the two arbitrators so chosen. To the extent permitted by the Rules of the American Arbitration Association and not limited by Section 6 hereof, the selected arbitrators may grant equitable relief. If Ortel breaches its obligation under Section 2, it shall pay for all the costs of arbitration. Otherwise, each party shall pay the fees of the arbitrator selected by him and of his own attorneys, and the expenses of his witnesses and all other expenses connected with the presentation of his case, while the costs of the arbitration including the cost of the record or transcripts thereof, if any, administrative fees, and all other fees and costs shall be borne equally by the parties.Any arbitration shall be conducted in the County of either Orange or Los Angeles, State of California.

Section 6. Choice of Law
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The formation, construction and performance of this Agreement shall be in accordance with the laws of the State of California.

Section 7. Notices
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Any notice to Ortel required or permitted hereunder shall be given in writing, either by personal service or by registered or certified mail, postage prepaid, duly addressed to the President of Ortel at Ortel's then principal place of business. Any such notice to Executive shall be given in a like manner, and if mailed, shall be addressed to Executive at his residence. For the purpose of determining compliance with any time limit herein, a notice sent by mail shall be deemed given on the postmark date. Any other notice shall be deemed given upon receipt of the notice.

Section 8. Sole and Entire Agreement; Separability
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This Agreement constitutes the sole and entire existing agreement between the parties and completely and correctly expresses all of the rights and obligations of the parties. All prior agreements are completely superseded and revoked insofar as any such prior agreement might have given rise to any enforceable right. In the event any Section or portion thereof is declared illegal, the remainder of this Agreement shall remain in full force and effect.

Section 9. Waivers
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The waiver in any particular instance or series of instances of any term or condition of this Agreement or any breach hereof by either party shall not constitute a waiver of such term or condition or of any breach thereof in any other instance.

Section 10. Agreement
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This Agreement is subject to amendment only by subsequent written agreement between, and executed by, the parties hereto. Commencement or continuation of any custom or practice shall not constitute an amendment hereof or give additional rights to Executive or create additional obligations of Ortel with respect to matters covered by this Agreement

IN WITNESS WHEREOF, the parties have executed this Agreement at Alhambra, California.

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	ORTEL CORPORATION
/s/ Roger Hay	/s/ Lyle B. Boarts
	By:
--	--
Roger Hay	Lyle B. Boarts
	Vice President - Administration

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