

LIGHTPATH TECHNOLOGIES INC  
Form 10-Q  
November 08, 2012

UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**S QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 000-27548**

**LIGHTPATH TECHNOLOGIES, INC.**

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(Exact name of registrant as specified in its charter)

**DELAWARE**                      **86-0708398**  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

<http://www.lightpath.com>

2603 Challenger Tech Ct. Suite 100

**Orlando, Florida 32826**

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(Address of principal executive offices)

(ZIP Code)

**(407) 382-4003**

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(Registrant's telephone number, including area code)

N/A

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(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 and 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 S NO £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the proceeding 12 months (or such shorter period that the registrant was required to submit and post such files).

YES S NO £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  S

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES  NO  S

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

11,801,684 shares of common stock, Class A, \$.01 par value, outstanding as of November 8, 2012.

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**Item 1. Financial Statements**

## LIGHTPATH TECHNOLOGIES, INC.

## Consolidated Balance Sheets

	<b>(Unaudited)</b>	
	<b>September</b>	<b>June 30,</b>
	<b>30,</b>	<b>2012</b>
<b>Assets</b>	<b>2012</b>	<b>2012</b>
Current assets:		
Cash and cash equivalents	\$2,161,729	\$2,354,087
Trade accounts receivable, net of allowance of \$6,596 and \$18,214	2,082,146	2,133,079
Inventories, net	1,601,001	1,513,384
Other receivables	246,021	41,000
Prepaid interest expense	72,500	7,250
Prepaid expenses and other assets	297,185	201,459
Total current assets	6,460,582	6,250,259
Property and equipment, net	1,890,897	1,920,950
Intangible assets, net	60,048	68,265
Debt costs, net	3,016	3,882
Other assets	27,737	27,737
Total assets	\$8,442,280	\$8,271,093
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$1,170,915	\$1,129,708
Accrued liabilities	110,611	183,910
Accrued payroll and benefits	486,880	386,234
Deferred revenue	—	37,750
8% convertible debentures to related parties	1,012,500	—
8% convertible debentures, net of debt discount	75,000	—
Capital lease obligation, current portion	3,602	3,602
Total current liabilities	2,859,508	1,741,204
Capital lease obligation, less current portion	6,003	6,903
Deferred rent	333,121	345,726
Derivative liability, warrant	991,512	1,087,296
8% convertible debentures to related parties	—	1,012,500
8% convertible debentures	—	75,000
Total liabilities	4,190,144	4,268,629

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Stockholders' equity:

Preferred stock: Series D, \$.01 par value, voting; 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock: Class A, \$.01 par value, voting; 40,000,000 shares authorized; 11,801,684 and 11,711,952 shares issued and outstanding, respectively	118,017	117,120
Additional paid-in capital	208,560,927	208,410,216
Accumulated other comprehensive income	85,101	88,258
Accumulated deficit	(204,511,909 )	(204,613,130)
Total stockholders' equity	4,252,136	4,002,464
Total liabilities and stockholders' equity	\$8,442,280	\$8,271,093

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

**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statements of Operations and Comprehensive Income

**(Unaudited)**

	Three Months ended September 30,	
	2012	2011
Product sales, net	\$2,891,054	\$2,733,125
Cost of sales	1,713,742	1,650,501
Gross margin	1,177,312	1,082,624
Operating expenses:		
Selling, general and administrative	982,455	995,621
New product development	212,457	287,719
Amortization of intangibles	8,217	8,217
Loss on disposal of property and equipment	702	—
Total costs and expenses	1,203,831	1,291,557
Operating loss	(26,519 )	(208,933 )
Other income (expense):		
Interest expense	(30,440 )	(23,420 )
Interest expense - debt costs	(866 )	(800 )
Change in fair value of derivative warrant	95,784	—
Other income, net	63,262	34,706
Total other expense, net	127,740	10,486
Net income (loss)	\$101,221	\$(198,447 )
Income (loss) per common share (basic)	\$0.01	(0.02 )
Number of shares used in per share calculation (basic)	11,771,902	9,746,107
Income (Loss) per common share (diluted)	\$0.01	\$(0.02 )
Number of shares used in per share calculation (diluted)	12,698,704	9,746,107
Foreign currency translation adjustment	(3,157 )	11,856
Comprehensive income (loss)	\$98,064	(186,591 )

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



**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statement of Stockholders' Equity

Three Months ended September 30, 2012

**(Unaudited)**

	Class A Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at June 30, 2012	11,711,952	\$117,120	\$208,410,216	\$ 88,258	\$(204,613,130)	\$4,002,464
Issuance of common stock for:						
Employee stock purchase plan	5,261	53	3,741	—	—	3,794
Interest payment on convertible debentures	84,471	844	86,156	—	—	87,000
Stock based compensation on stock options and restricted stock units	—	—	60,814	—	—	60,814
Net income	—	—	—	—	101,221	101,221
Foreign currency translation adjustment	—	—	—	(3,157 )	—	(3,157 )
Balance at September 30, 2012	11,801,684	\$118,017	\$208,560,927	\$ 85,101	\$(204,511,909)	\$4,252,136

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

**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statements of Cash Flows

**(Unaudited)**

	Three Months ended September 30,	
	2012	2011
Cash flows from operating activities		
Net income (loss)	\$ 101,221	\$(198,447)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	208,637	245,438
Interest from amortization of debt costs	866	800
Loss on disposal of property and equipment	702	—
Stock based compensation	60,814	64,546
Change in provision for doubtful accounts receivable	(623 )	—
Change in fair value of warrant liability	(95,784 )	—
Deferred rent	(12,605 )	(28,657 )
Changes in operating assets and liabilities:		
Trade accounts receivables	51,556	(236,935)
Other receivables	(205,021 )	30,943
Inventories	(87,617 )	(195,552)
Prepaid expenses and other assets	(73,976 )	2,746
Accounts payable and accrued liabilities	68,554	432,467
Deferred revenue	(37,750 )	—
Net cash provided by (used in) operating activities	(21,026 )	117,349
Cash flows from investing activities		
Purchase of property and equipment	(171,069 )	(347,228)
Net cash used in investing activities	(171,069 )	(347,228)
Cash flows from financing activities		
Proceeds from sale of common stock from employee stock purchase plan	3,794	7,871
Deferred costs associated with equity financing	—	(25,000 )
Payments on capital lease obligation	(900 )	—
Net cash provided by financing activities	2,894	(17,129 )
Effect of exchange rate on cash and cash equivalents	(3,157 )	11,856

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Decrease in cash and cash equivalents	(192,358 )	(235,152)
Cash and cash equivalents, beginning of period	2,354,087	928,900
Cash and cash equivalents, end of period	\$2,161,729	\$693,748
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$1,380	\$—
Income taxes paid	1,736	1,755
Supplemental disclosure of non-cash investing & financing activities:		
Accrued deferred costs associated with equity financing	—	32,139
Prepaid interest on convertible debentures through the issuance of common stock	87,000	87,000

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

## Notes to Financial Statements

### 1. Basis of Presentation

References in this document to “the Company”, “LightPath”, “we”, “us”, or “our” are intended to mean LightPath Technologies Inc., individually, or as the context requires, collectively with its subsidiaries on a consolidated basis.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the requirements of Article 8 of Regulation S-X promulgated under the Securities and Exchange Act of 1934 and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and related notes, included in its Form 10-K for the fiscal year ended June 30, 2012, filed with the Securities and Exchange Commission (the “SEC”). Unless otherwise stated, references to particular years or quarters refer to the Company’s fiscal years ended in June and the associated quarters of those fiscal years.

These consolidated financial statements are unaudited, but include all adjustments, including normal recurring adjustments, which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results that may be expected for the year as a whole.

#### History:

LightPath was incorporated in Delaware in 1992 to pursue a strategy of supplying hardware to the telecommunications industry. In April 2000, the Company acquired Horizon Photonics, Inc. (“Horizon”), and in September 2000 the Company acquired Geltech, Inc. (“Geltech”). During fiscal 2003, in response to sales declines in the telecommunications industry, the operations of Horizon in California and LightPath in New Mexico were consolidated into the former Geltech facility in Orlando, Florida. In November 2005, the Company formed LightPath Optical Instrumentation (Shanghai) Co., Ltd. (“LPOI”), a wholly-owned manufacturing subsidiary located in Jiading, People’s Republic of China. LPOI’s manufacturing operations are housed in a 16,000 square foot facility located in the Jiading Industrial Zone near Shanghai. This plant increased LightPath’s overall production capacity and enabled it to compete for larger production volumes of optical components and assemblies, and strengthened our partnerships within the Asia/Pacific region.

The Company is engaged in the production of precision molded aspherical lenses, infrared molded lenses, GRADIUM® glass lenses, collimators and isolator optics used in various markets, including industrial, medical,

defense, test & measurement and telecommunications.

**Liquidity:**

In 2006, the Company implemented a cash conservation strategy by reducing its operating costs, which included restructuring its manufacturing operations. However, cash flow and cash management continue to be primary concerns of the Company. Cash provided by (used in) operations was approximately \$406,000 and \$95,000 during fiscal years ended 2012 and 2011, respectively. During the three months ended September 30, 2012, cash used in operations was approximately (\$21,000) primarily due to an increase in other receivables related to the Raytheon Vision Systems (“Raytheon”) purchase order.

At September 30, 2012, we had a book cash balance of approximately \$2.16 million. For the three months ended September 30, 2012, our cash balance decreased by \$192,000 compared to a decrease of \$235,000 in the same period of the prior fiscal year. This decrease in our cash balance for the first three months of fiscal 2013 was primarily due to investment capital expenditures for cost reduction equipment used in our anti-reflective coating process, equipment for the infrared product line capacity and tooling for new lenses.

Management believes that cash flow from operations will improve during the rest of fiscal 2013 based upon the current booking rate combined with recent quote activity and the existing 12-month backlog. We are also continuing to seek opportunities to reduce costs and manage cash usage. We believe we can continue to achieve additional cost reductions by continuing the transition of precision molded optics lenses to less expensive glass, increasing tooling life, increasing operator yields and production efficiencies, and installing an anti-reflective coating process in our Shanghai facility.

## 2. Significant Accounting Policies

**Consolidated financial statements** include the accounts of the Company, and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

**Cash and cash equivalents** consist of cash in the bank and temporary investments with maturities of 90 days or less when purchased.

**Allowance for accounts receivable**, is calculated by taking 100% of the total of invoices that are over 90 days past due from the due date and 10% of the total of invoices that are over 60 days past due from the due date. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial condition. Recovery of bad debt amounts previously written off is recorded as a reduction of bad debt expense in the period the payment is collected. If the Company's actual collection experience changes, revisions to its allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

**Inventories**, which consist principally of raw materials, work-in-process and finished lenses, isolators, collimators and assemblies are stated at the lower of cost or market, on a first-in, first-out basis. Inventory costs include materials, labor and manufacturing overhead. Acquisition of goods from our vendors has a purchase burden added to cover customs, shipping and handling costs. Fixed costs related to excess manufacturing capacity have been expensed. We look at the following criteria for parts to consider for the inventory reserve: items that have not been sold in two years or that have not been purchased in two years or of which we have more than a two-year supply. These items as identified are reserved at 100%, as well as reserving 50% for other items deemed to be slow moving within the last twelve months and reserving 25% for items deemed to have low material usage within the last six months. The parts identified are adjusted for recent order and quote activity to determine the final inventory reserve.

**Long-lived assets**, such as property, plant, and equipment, tooling and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

**Deferred revenue** relates to a \$1.1 million purchase order with Raytheon for which revenue is recognized on a percentage of completion basis. The Company is using the “cost-to-cost method” to allow it to measure progress toward completion based on the ratio of costs incurred to date to total estimated costs. The Company recorded in deferred revenue, or other receivables, in the accompanying consolidated balance sheet, based on the difference between the amounts invoiced on the project and the amount recognized into revenue or expenses incurred. As of September 30, 2012, the Company invoiced \$643,500 and recognized \$869,000 as revenue with the difference of \$225,500 recorded as other receivables. At September 30, 2012, we had \$0 in accounts receivable with respect to this purchase order, as reflected in the accompanying consolidated balance sheet. The project is expected to be completed by July 2013.

**Income taxes** are accounted for under the asset and liability method. Deferred income tax assets and liabilities are computed on the basis of differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based upon enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances have been established to reduce deferred tax assets to the amount expected to be realized.

The Company has not recognized a liability for uncertain tax positions. A reconciliation of the beginning and ending amount of unrecognized tax benefits or penalties has not been provided since there has been no unrecognized benefit or penalty. If there were an unrecognized tax benefit or penalty, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Company files U.S. Federal income tax returns, and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal, state, or local, or non-U.S. income tax examinations by tax authorities for years before 2005.

**Revenue** is recognized from product sales when products are shipped to the customer, provided that the Company has received a valid purchase order, the price is fixed, title has transferred, collection of the associated receivable is reasonably assured, and there are no remaining significant obligations. Revenues from product development agreements are recognized as milestones and are completed in accordance with the terms of the agreements and upon shipment of products, reports or designs to the customer. Invoiced amounts for sales or value-added taxes (VAT) are posted to the balance sheet and not included in revenue.

The Company recognized and recorded \$50,000 in license income in “other income, net” on the accompanying consolidated statement of operations and comprehensive income for the three months ended September 30, 2012. The transaction is being accounted for under the guidance of Accounting Standards Codification (“ASC”) 605-10, Revenue Recognition, in which all fees under the agreement are expected to be collectible in full, the licensing arrangement is exclusive and the term of the license extends beyond the remaining life of the patents.

**New product development** costs are expensed as incurred.

**Stock-based compensation** is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee’s requisite service period. We estimate the fair value of each restricted stock unit or stock option as of the date of grant using the Black-Scholes-Merton pricing model. Most awards granted under our Amended and Restated Omnibus Incentive Plan vest ratably over two to four years and generally have four to ten-year contract lives. The volatility rate is based on historical trends in common stock closing prices and the expected term was determined based primarily on historical experience of previously outstanding awards. The interest rate used is the U.S. Treasury interest rate for constant maturities. The likelihood of meeting targets for option grants that are performance based are evaluated each quarter. If it is determined that meeting the targets is probable then the compensation expense will be amortized over the remaining vesting period.

**Management makes estimates** and assumptions during the preparation of the Company’s consolidated financial statements that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes available, which in turn could impact the amounts reported and disclosed herein.

**Financial instruments.** The Company accounts for financial instruments in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”), which provides a framework for measuring fair value and expands



required disclosure about fair value measurements of assets and liabilities. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable.

Level 3 - Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2012. The Company uses the market approach to measure fair value for its Level 1 financial assets and liabilities, which include cash equivalents of \$1.5 million at September 30, 2012. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments which include cash, trade receivables, accounts payable and accrued liabilities. Fair values were

assumed to approximate carrying values for these financial instruments since they are short term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand.

The Company values its warrant liabilities based on open-form option pricing models which, based on the relevant inputs, render the fair value measurement at Level 3. The Company bases its estimates of fair value for warrant liabilities on the amount it would pay a third-party market participant to transfer the liability and incorporates inputs such as equity prices, historical and implied volatilities, dividend rates and prices of convertible securities issued by comparable companies maximizing the use of observable inputs when available.

The Company does not have any other financial or non-financial assets or liabilities that would be characterized as Level 2 or Level 3 instruments.

**Derivative financial instruments.** The Company accounts for derivative instruments in accordance with FASB ASC 815, *Derivatives and Hedging* (“ASC 815”), which requires additional disclosures about the Company’s objectives and strategies for using derivative instruments, how the derivative instruments and related hedged items are accounted for, and how the derivative instruments and related hedging items affect the financial statements.

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risk. Terms of convertible debt instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract, and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results.

Freestanding warrants issued by the Company in connection with the issuance or sale of debt and equity instruments are considered to be derivative instruments. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required to be classified as equity or as a derivative liability.

**Comprehensive income (loss)** of the Company is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) has two components, net income (loss) and other comprehensive income (loss), and is included on the statement of operations and comprehensive income. Our other comprehensive income (loss) consists of the foreign currency translation adjustment.

**Business segments** are required to be reported by the Company. As the Company only operates in principally one business segment, no additional reporting is required.

**Recent accounting pronouncements-** The Company has implemented all new accounting pronouncements issued by Financial Accounting Standards Board (“FASB”) and the Securities and Exchange Commission (the “SEC”) that are in effect and that may impact its financial statements, and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

### 3. Inventories

The components of inventories include the following:

	(unaudited)	
	September 30, 2012	June 30, 2012
Raw materials	\$592,712	\$578,089
Work in process	517,346	485,429
Finished goods	583,023	522,281
Reserve for obsolescence	(92,080 )	(72,415 )
	\$1,601,001	\$1,513,384

## 4. Property and Equipment

Property and equipment are summarized as follows:

	Estimated Life (Years)	(unaudited) September 30, 2012	June 30, 2012
Manufacturing equipment	5 - 10	\$3,462,871	\$3,400,004
Computer equipment and software	3 - 5	247,101	249,478
Furniture and fixtures	5	83,992	86,358
Leasehold improvements	5 - 7	797,219	797,219
Construction in progress		271,821	237,800
Tooling	1 - 5	630,106	880,261
Total property and equipment		5,493,110	5,651,120
Less accumulated depreciation and amortization		3,602,213	3,730,170
Total property and equipment, net		\$1,890,897	\$1,920,950

## 5. Intangible Assets

The following table discloses information regarding the carrying amounts and associated accumulated amortization for intangible assets:

	(unaudited)	
	September 30, 2012	June 30, 2012
Gross carrying amount	\$ 621,302	\$ 621,302
Accumulated amortization	(561,254 )	(553,037)
Net carrying amount	\$ 60,048	# \$ 68,265

Amortization expense related to intangible assets totaled approximately \$8,000 during both quarters ended September 30, 2012 and 2011. The net carrying amount will be amortized over the following schedule for the remainder of fiscal

2013 and each fiscal year thereafter:

2013	2014	2015	Total
24,651	32,868	2,529	60,048

## **6. Accounts Payable**

The accounts payable balance includes approximately \$51,300, and \$51,300 of related party transactions for board of directors' fees as of September 30, 2012 and June 30, 2012, respectively.

## **7. Compensatory Equity Incentive Plan and Other Equity Incentives**

**Share-Based Compensation Arrangements**—The Company's Amended and Restated Omnibus Incentive Plan (the "Plan") included several available forms of stock compensation of which incentive stock options and restricted stock awards have been granted to date.

The 2004 Employee Stock Purchase Plan (“ESPP”) permits employees to purchase shares of Class A common stock through payroll deductions, which may not exceed 15% of an employee’s compensation, at a price not less than 85% of the market value of the stock on specified dates (June 30 and December 31). In no event may any participant purchase more than \$25,000 worth of shares of Class A common stock in any calendar year and an employee may purchase no more than 4,000 shares on any purchase date within an offering period of 12 months and 2,000 shares on any purchase date within an offering period of six months. The discount on market value is included in selling, general and administrative expense in the accompanying statements of operations and was \$473 and \$806 for the quarters ended September 30, 2012 and 2011, respectively.

These two plans are summarized below:

	Award Shares Authorized	Award Shares Outstanding at September 30, 2012	Available for Issuance at September 30, 2012
Equity Compensation Arrangement Amended and Restated Omnibus Incentive Plan	1,715,625	1,132,814	137,418
Employee Stock Purchase Plan	200,000	—	114,763
	1,915,625	1,132,814	252,181

**Grant Date Fair Values and Underlying Assumptions; Contractual Terms**—The Company estimates the fair value of each stock option as of the date of grant using the Black-Scholes-Merton pricing model. The ESPP fair value is the amount of the discounted market value the employee obtains at the date of the purchase transaction.

The Company did not grant any stock options in the first quarter of fiscal 2013 or 2012.

Most options granted under the Plan vest ratably over two to four years and are generally exercisable for ten years. The assumed forfeiture rates used in calculating the fair value of options and restricted stock unit grants with both performance and service conditions were 20% and 0%, respectively, for the quarters ended September 30, 2012 and 2011. The volatility rate and expected term are based on seven-year historical trends in Class A common stock closing prices and actual forfeitures. The interest rate used is the U.S. Treasury interest rate for constant maturities.

**Information Regarding Current Share-Based Compensation Awards**—A summary of the activity for share-based compensation awards in the three months ended September 30, 2012 is presented below:



	Stock Options			Restricted Stock Units (RSUs)	
	Shares	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contract Life (YRS)	Shares	Weighted Average Remaining Contract Life (YRS)
June 30, 2012	576,393	\$ 2.61	6.4	594,700	1.0
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Cancelled	(38,279 )	2.41	7.5	—	—
September 30, 2012	538,114	\$ 2.35	6.2	594,700	0.9
Awards exercisable/ vested as of <b>September 30, 2012</b>	366,614	\$ 2.83	5.2	359,700	—
Awards unexercisable/ unvested as of <b>September 30, 2012</b>	171,500	\$ 2.14	8.3	235,000	0.9
	538,114			594,700	

The total intrinsic value of options outstanding and exercisable at September 30, 2012 and 2011 was \$0 and \$21,000, respectively.

The total intrinsic value of RSUs exercised during the quarter ended September 30, 2012 and 2011 was \$0 and \$0, respectively.

The total intrinsic value of RSUs outstanding and exercisable at September 30, 2012 and 2011 was \$352,542 and \$338,000, respectively.



The total fair value of RSUs vested during the quarter ended September 30, 2012 and 2011 was \$0 and \$0, respectively.

The total fair value of option shares vested during the quarter ended September 30, 2012 and 2011 was \$0, and \$18,000, respectively.

As of September 30, 2012, there was \$370,475 of total unrecognized compensation cost related to non-vested share-based compensation arrangements (including share options and restricted stock units) granted under the Plan.

The compensation cost is expected to be recognized as follows:

	Stock Options	Restricted Stock Share/ Units	Total
Remainder of the year ended June 30, 2013	\$72,846	\$ 101,885	\$ 174,731
Year ended June 30, 2014	71,589	81,133	152,722
Year ended June 30, 2015	24,144	15,494	39,638
Year ended June 30, 2016	3,384	—	3,384
	\$171,963	\$198,512	\$370,475

The table above does not include shares under the Company's ESPP, which has purchase settlement dates in the second and fourth fiscal quarters of each year. The Company's ESPP is not administered with a look-back option provision and, as a result, there is not a population of outstanding option grants during the employee contribution period.

Restricted stock unit awards vest immediately or from two to four years from the date of grant.

The Company issues new shares of Class A common stock upon the exercise of stock options. The following table is a summary of the number and weighted average grant date fair values regarding the Company's unexercisable/unvested awards as of September 30, 2012 and changes during the three months then ended:

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Unexercisable/unvested awards	Stock Options Shares	RSU Shares	Total Shares	Weighted-Average Grant Date Fair Values (per share)
June 30, 2012	198,125	235,000	433,125	\$ 2.42
Granted	—	—	—	—
Vested	(5,000 )	—	(5,000 )	2.93
Cancelled/Issued/Forfeited	(21,625 )	—	(21,625 )	2.19
September 30, 2012	171,500	235,000	406,500	\$ 2.06

**Financial Statement Effects and Presentation**—The following table shows total stock-based compensation expense for the three months ended September 30, 2012 and 2011 included in the consolidated statements of operations:

	(unaudited) Three months ended September 30, 2012	(unaudited) Three months ended September 30, 2011
Stock options	13,523	22,575
RSU	47,291	41,971
Total	60,814	64,546

The amounts above were included in:

General & administrative	63,141	59,841
Cost of sales	(4,350 )	2,125
New product development	2,023	2,580
	60,814	64,546

## 8. Income (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the weighted-average number of shares of Class A common stock outstanding, during each period presented. Diluted earnings per share is computed similarly to basic earnings per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue shares of Class A common stock were exercised or converted into shares of Class A common stock. The computation for basic and diluted loss per share are described in the following table:

	(unaudited) Three months ended September 30, 2012		2011
Net income (loss)	\$ 101,221	\$ (198,447 )	
Weighted average common shares outstanding:			
Basic	11,771,902	9,746,107	
Effect of dilutive securities:			
Restricted stock units	594,700	—	
Common stock warrants	332,102	—	
Diluted	12,698,704	9,746,107	
Earnings (Loss) per common share:			
Basic	\$0.01	\$(0.02 )	
Diluted	\$0.01	\$(0.02 )	

Excluded from computation:

Options to purchase common stock	583,109	500,233
Restricted stock units	—	434,700
Common stock warrants	3,709,669	2,364,492
Convertible debentures	706,169	706,169
	4,998,947	4,005,594

## 9. Foreign Operations

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the balance sheet date, and revenues and expenses are translated at average rates of exchange for the three month periods. Gains or losses on the translation of the financial statements of a non-U.S. operation, where the functional currency is other than the U.S. dollar, the Renminbi (“RMB”), are reflected as a separate component of equity. The foreign exchange translation adjustment reflects net gains of approximately \$3,000 for the three months ended September 30, 2012 and a loss of approximately \$12,000 for the three months ended September 30, 2011. The Company, as of September 30, 2012, had approximately \$4.6 million in assets and \$3.6 million in net assets located at LPOI’s Shanghai facility. The Company transferred equipment from the Orlando facility to LPOI’s Shanghai facility, and purchased and transferred equipment to the LPOI’s Shanghai facility, during each fiscal year since 2006 through 2011.

## 10. Convertible Debentures

On August 1, 2008, we executed a Securities Purchase Agreement with twenty-four institutional and private investors with respect to the private placement of 8% senior convertible debentures (the “Debentures”). The Debentures are secured by substantially all of our previously unencumbered assets pursuant to a Security Agreement and are guaranteed by our wholly-owned subsidiaries, Geltech and LPOI pursuant to a Subsidiary Guarantee. The sale of the Debentures generated gross proceeds of approximately \$2.9 million and net proceeds of \$2.7 million. We used the funds to provide working capital for our operations. Among the investors were Steven Brueck, J. James Gaynor, Louis Leeburg, Robert Ripp, Gary Silverman and James Magos, all of whom were directors or officers of LightPath as of August 1, 2008. Mr. Magos resigned effective September 2, 2008.

Interest of \$39,053 was due on October 1, 2008 and was prepaid by the Company on August 1, 2008 by issuing 27,893 shares of Class A common stock in payment of such interest based upon the closing price of \$1.40 per share (the “October Interest Shares”). The interest accruing on the Debentures from October 1, 2008 to August 1, 2011 was prepaid by issuing Class A common stock in December 2008.

Investors also received warrants to purchase up to 950,974 shares of our common stock (the “Warrants”). The Warrants are exercisable for a period of five years beginning on August 1, 2008 with 65% of the Warrants, exercisable for 618,133 shares, priced at \$1.68 per share and the remaining 35% of the Warrants, exercisable for 332,841 shares, priced at \$1.89 per share.

Investors who participated in our July 2007 offering were offered an incentive to invest in the debenture offering. Four investors from the July 2007 offering participated in the debenture offering and as a result we reduced the exercise price of the warrants they received in the July 2007 offering from \$5.50 per share to \$2.61 per share. The

reduced exercise price lowered potential proceeds on the exercise of the warrants from the July 2007 offering by \$119,212 to \$107,663. Additionally, such investors were issued an aggregate of 73,228 shares of common stock (the "Incentive Shares"), valued at \$75,131.

We paid a commission to the exclusive placement agent for the offering, First Montauk Securities Corp. ("First Montauk"), in an amount equal to \$216,570 plus costs and expenses. We also issued to First Montauk and its designees warrants to purchase an aggregate of 190,195 shares of our Class A common stock at an exercise price equal to \$1.68 per share. The warrants were valued at \$194,057 using the Black-Scholes-Merton pricing model and were recorded as debt costs. The warrants are exercisable for a period of five years beginning on August 1, 2008. In addition, the exercise price of 50% of the warrants previously issued to First Montauk and its designees at the closing of the July 2007 offering was reduced from \$5.50 to \$2.61 per share. This reduced warrant exercise price lowered potential proceeds on the exercise of the warrants issued to First Montauk from the July 2007 offering by \$115,600 to \$104,400.

The Warrants and the Incentive Shares issued to the debenture holders were valued at issuance at \$790,830 and recorded as a discount on the debt. The Incentive Shares were valued using the fair market value of the Company's Class A common stock on the date of issuance. The Warrants were valued using the Black-Scholes-Merton valuation model using assumptions similar to those used to value the Company's stock options and RSUs. In addition, a beneficial conversion feature associated with the Debentures was valued at the date of issuance at \$600,635 and was recorded as a discount on the debt. The total debt discount of \$1,391,465 was amortized using the effective interest method over the original 36-month term of the Debentures and was subsequently adjusted for the extension of the maturity date of the Debentures as discussed below.

We also incurred debt issuance costs associated with the issuance of the Debentures of \$554,308 which were amortized over the original 36-month term using the effective interest method, adjusted for accelerated conversions of the Debentures and the extension of the maturity date of the Debentures as discussed below. The costs were for broker commissions, legal and

accounting fees, filing fees and \$194,057 representing the fair value of the 190,195 warrants shares issued to First Montauk. We used the Black-Scholes-Merton model to determine fair value of the warrants issued to First Montauk. For the years ended June 30, 2012 and 2011, \$3,298 and \$118,977, respectively of the debt issuance costs were amortized through interest expense on the consolidated statement of operations and comprehensive income.

On December 31, 2008, the Debentures were amended to allow debenture holders to convert 25% of their Debentures into shares of Class A common stock. As a result, \$732,250 of the Debentures were converted into 475,496 shares of Class A common stock. As an inducement to partially convert the Debentures, we issued additional warrants (valued at \$215,975 using the Black-Scholes-Merton method and recorded as interest expense) and prepaid the interest of \$453,995 on the unconverted portion of the Debentures through the original maturity date of August 1, 2011, which resulted in the issuance of 589,614 shares of Class A common stock. The interest payment of \$58,580 for the quarter ended December 31, 2008 resulted in the issuance of 76,078 shares of Class A common stock. As a result of the Debenture conversion, \$304,382 of debt discount was written off to interest expense.

During the year ended June 30, 2011, the Company's debt obligations were reduced by \$832,500 through the conversions of certain of the Debentures into shares of Class A common stock. Costs associated with the conversion of these Debentures were \$6,749, which reduced the proceeds recognized. These transactions increased interest expense by \$101,300 for the year ending June 30, 2011, reflecting debt issue costs, prepaid interest and discount on the debt that were written off as a result of the debt conversions of certain of the Debentures into shares of Class A common stock.

On March 30, 2011, debenture holders holding approximately 98.71% of the outstanding principal amount of the Debentures consented to an amendment to extend the maturity date of the Debentures from August 1, 2011 to August 1, 2013, at which time the Debentures that have not been converted into shares of Class A common stock will be due and payable in full. The one debenture holder electing not to participate in the extension was paid all amounts due under the Debenture held by such holder, or \$14,250, in April 2011. Pursuant to the terms of the amendment, interest was prepaid in Class A common stock on August 1, 2011 for the period from August 1, 2011 through July 31, 2012 and on August 1, 2012 for the period from August 1, 2012 through maturity. The extension of the maturity date of the Debentures was determined to be substantial and therefore triggered "debt extinguishment" accounting under ASC 470-50-40. The Debentures are hybrid financial instruments that blend characteristics of both debt and equity securities. The Debentures embody settlement alternatives to the holder providing for either redemption of principal and interest in cash (forward component) or conversion into Class A common stock (embedded conversion feature).

As a result of the debt extinguishment accounting, \$63,692 of the unamortized debt discount and \$25,372 of unamortized debt issuance costs were written off to loss on extinguishment of debt. The calculated fair value of the amended Debentures as of March 30, 2011, the time of the extension, was \$1,706,919, and included \$924,844 for the forward component and \$782,075 for the embedded conversion feature. The forward component was valued using the present value of discounted cash flows arising from the contractual principal and interest payment terms and the embedded conversion feature was valued using a Monte Carlo simulations method. The fair value of the amended Debentures exceeded the carrying value of the Debentures just prior to the amendment date by \$619,419 which



represents a premium. Approximately 93% of the Debentures are held by related parties and as such \$576,700 of the premium was considered a capital contribution and was not included in the loss on extinguishment and therefore had no impact on additional paid in capital. The remaining \$42,719 of the premium was associated with Debentures to non-related parties and thus was recorded to loss on extinguishment of debt and additional paid in capital.

For the year ended June 30, 2012 and 2011, \$0 and \$316,693, respectively, of the amortized debt discount was amortized through interest expense on the consolidated statement of operations and comprehensive income. The unamortized debt discount was \$0 as of June 30, 2012 and 2011.

Total principal outstanding on the Debentures and the principal amount outstanding specifically to directors, officers and stockholders owning at least 10% of the Company's securities under the Debentures was \$1,087,500 and \$1,012,500, respectively at September 30, 2012 and at June 30, 2012.

We can force the debenture holders to convert the Debentures into shares of our Class A common stock if our stock price exceeds \$5.00 per share. A forced conversion of the Debentures would include a 10% premium on the face amount. No payment of dividends may be made while the Debentures are outstanding.

## 11. Costs in Excess of Billings or Deferred Revenue

In January 2012, the Company received a purchase order for \$1.1 million from Raytheon. The purchase order is for development of low cost manufacturing processes for infrared optics and is in support of Raytheon's \$13.4 million Defense Advanced Research Projects Agency's (DARPA) Low Cost Thermal Imaging Manufacturing (LCTI-M) program. The goal of LCTI-M is to develop a wafer scale manufacturing process that will result in a camera on a chip, making thermal imagers affordable, accessible, and ubiquitous to every warfighter.

The Company is using the "cost-to-cost method" to allow it to measure progress toward completion based on the ratio of costs incurred to date to total estimated costs. The Company has recorded in deferred revenue on the accompanying consolidated balance sheet the difference between the amounts invoiced on the project and the amount recognized into revenue.

As of September 30, 2012, the Company invoiced \$643,500 in milestone billings per the agreement, and recognized \$869,000 as revenue, including \$253,000 for the quarter ended September 30, 2012. The balance of \$225,500 is recorded as other receivables. The project is expected to be completed by July 2013. At September 30, 2012 we had \$0 in accounts receivable with respect to this purchase order, as reflected in the accompanying consolidated balance sheet.

## 12. Private Common Stock Placements

On June 11, 2012, we executed a Securities Purchase Agreement with nineteen institutional and private investors with respect to a private placement of an aggregate of 1,943,852 shares of our Class A common stock at \$1.02 per share and warrants to purchase 1,457,892 shares of our common stock at an exercise price of \$1.32 per share ("June 2012 Warrants"). The June 2012 Warrants are exercisable for a period of five years beginning on December 11, 2012. We received aggregate gross cash proceeds from the issuance of the Class A common stock (exclusive of proceeds from any future exercise of the June 2012 Warrants) in the amount \$1,982,727. We used the funds to provide working capital to support the continued growth of our business, with the primary uses of the funds anticipated to be for expansion of our infrared molding capacity and enhancement of our glass preparation processes and test and measurement capability. The funding will also support new product development and the acquisition of new equipment, also critical to the Company's growth plans.

The Company paid a commission to the exclusive placement agent for the offering, Meyer Associates, LP ("Meyer"), in an amount equal to \$198,300 plus costs and expenses. The Company also issued to Meyer and its designees warrants to purchase an aggregate of 194,385 shares of our Class A common stock at exercise price equal to \$1.32 per share, for a five-year term beginning December 11, 2012. Legal and other expenses to register the Class A common stock

were approximately \$187,641, reducing the proceeds of the offering.

The June 2012 Warrants issued in this placement were determined to be a derivative liability, see Note 13 to the Consolidated Financial Statements.

### **13. Derivative Financial Instruments**

The Company accounted for the June 2012 Warrants issued to investors under the June 11, 2012 Securities Purchase Agreement (see Note 12 above) in accordance with ASC 815-10, *Derivatives and Hedging* (ASC 815-10). ASC 815-10 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. This applies to any freestanding financial instrument or embedded feature that has all the characteristics of a derivative under ASC 815-10, including any freestanding financial instrument that is potentially settled in an entity's own stock.

Due to certain adjustments that may be made to the exercise price of the June 2012 Warrants, if the Company issues or sell shares of its common stock at a price which is less than the then current warrant exercise price, the June 2012 Warrants have been classified as a liability as opposed to equity in accordance with ASC 815-10 as it was determined that the June 2012 Warrants were not indexed to the Company's stock. As a result, the fair value of the June 2012 Warrants were remeasured on September 30, 2012 and will be remeasured at each subsequent financial reporting period. The change in fair value of the

June 2012 Warrants is recorded in the statement of operations and comprehensive income and is estimated using the Lattice option-pricing model using the following assumptions:

Inputs into Lattice model for warrants:	September 30, 2012	
Equivalent Volatility	96.92	%
Equivalent Interest Rate	0.33	%
Estimated stock price	\$ 0.8039	
Floor	\$ 1.1500	
Greater of estimated stock price or floor	\$ 1.1500	
Probability price < Strike	84.41	%
FV of put	\$ 1.0767	
Probability of Fundamental Transaction occurring	5	%

All warrants issued by the Company other than the above noted June 2012 Warrants are classified as equity.

The warrant liabilities are considered a recurring Level 3 fair value measurement, with a fair value of \$991,512 at September 30, 2012. The following table summarizes the activity of Level 3 inputs measured on a recurring basis for the quarter ended September 30, 2012:

	September 30, 2012
	Warrant Liability
July 1, 2012	1,087,296
Change in fair value of warrant liability	(95,784 )
September 30, 2012	991,512

#### 14. License of GRADIUM Intellectual Property

On September 19, 2012, the Company and Hubei New Hua Guang Information Materials Company, Ltd. (“NHG”) entered into an exclusive Intellectual Property License Agreement for the Company’s GRADIUM® glass products. The license agreement is for an initial term of five years, expiring on September 19, 2017. The term of the license agreement extends beyond the remaining life of the patents. Under the terms of the license agreement, the Company will receive \$150,000 in licensing fees, and royalties on product sales starting in the fourth year of the agreement. The transaction is being accounted for under the guidance of Accounting Standards Codification (“ASC”) 605-10, Revenue

Recognition which states, in part, revenue can be recognized when collection of the fee arrangement can be reasonably assured. The Company has determined that \$50,000 of the \$150,000 license fee under this arrangement, representing the first milestone payment, is reasonable assured of being collected as of September 30, 2012. The Company recognized the \$50,000 as other income in the quarter ended Septemeber 30, 2012.

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

*The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the LightPath Technologies, Inc. ("LightPath", the "Company" or "we"). All statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (the "Quarterly Report"), other than statements of historical facts, which address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as future capital expenditures, growth, product development, sales, business strategy and other similar matters are forward-looking statements. These forward-looking statements are based largely on our current expectations and assumptions and are subject to a number of risks and uncertainties, many of which are beyond our control. Actual results could differ materially from the forward-looking statements set forth herein as a result of a number of factors, including, but not limited to, limited cash resources and the need for additional financing, our dependence on a few key customers, our ability to transition our business into new markets, our ability to increase sales and manage and control costs and other risks described in our reports on file with the Securities and Exchange Commission ("SEC"). In light of these risks and uncertainties, all of the forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized. We undertake no obligation to update or revise any of the forward-looking statements contained herein.*

The discussions of our results as presented in this Quarterly Report include use of the terms "EBITDA" and "gross margin." EBITDA is discussed below. Gross margin is determined by deducting the cost of sales from operating revenue. Cost of sales includes manufacturing direct and indirect labor, materials, services, fixed costs for rent, utilities and depreciation, and variable overhead. Gross margin should not be considered an alternative to operating income or net income, which are determined in accordance with GAAP. We believe that gross margin, although a non-GAAP financial measure is useful and meaningful to investors as a basis for making investment decisions. It provides investors with information that demonstrates our cost structure and provides funds for our total costs and expenses. We use gross margin in measuring the performance of our business and have historically analyzed and reported gross margin information publicly. Other companies may calculate gross margin in a different manner.

### Overview

*Historical:* We are in the business of manufacturing optical components and higher level assemblies including precision molded glass aspheric optics, isolators, proprietary high performance fiber optic collimators, GRADIUM glass lenses and other optical materials used to produce products that manipulate light. All the products we produce enable lasers and imaging devices to function more effectively.

In November 2005, we formed LightPath Optical Instrumentation (Shanghai) Co., Ltd. ("LPOI"), a wholly-owned manufacturing subsidiary, located in Jiading, People's Republic of China. The manufacturing operations are housed in a 16,000 square foot facility located in the Jiading Industrial Zone near Shanghai. This plant has increased overall

production capacity and enabled us to compete for larger production volumes of optical components and assemblies, and strengthened our partnerships within the Asia/Pacific region.

In 2006, the Company implemented a cash conservation strategy by reducing its operating costs, which included restructuring its manufacturing operations. As we have implemented this new business strategy, the fundamentals of the Company have been improving each year. Although we achieved positive cash flow from operations, we were not profitable during fiscal 2012 or 2011. Cash provided by operations was \$406,000 for fiscal 2012 and \$95,000 during fiscal 2011. The improvements in cash flows from operations are as a result of the cash conservation strategy and the additional markets we are able to address due to our lower cost structure.

*How we operate:* We have continuing sales of two basic types: occasional sales via ad-hoc purchase orders of mostly standard product configurations (our “turns” business); and the more challenging and potentially more rewarding business of custom product development. In this latter type of business, we work with customers in the industrial, medical, defense and communications markets to help them determine optical specifications and even create certain optical designs for them, including complex multi-component designs that we call “engineered assemblies.” That is followed by “sampling” small numbers of the product for their test and evaluation. Thereafter, should the customer conclude that our specification or

design is the best solution to their product need, we negotiate and “win” a contract (sometimes called a “design win”) – whether of a “blanket purchase order” type or a supply agreement. The strategy is to create an annuity revenue stream that makes the best use of our production capacity as compared to the turns business, which is unpredictable and uneven. A key business objective is to convert as much of our business to the design win and annuity model as possible. We have several challenges in doing so:

Maintaining an optical design and new product sampling capability, including a high-quality and responsive optical design engineering staff.

Customers that incorporate products such as ours into higher volume, commercial applications, continuously work to reduce their expenses, which often leads them to larger or overseas lower-cost suppliers even if sacrificing quality.

Because of our limited cash resources and cash flow, we may not be able to support the supply requirements needed to service the demands in the market for high-volume, low-cost lenses, without arranging for additional capital expenditures.

Despite these challenges to obtaining more design win business, we nevertheless have been, and believe we can continue to be, successful in procuring this business because of our unique capabilities in optical design engineering. Additionally, we believe that we offer value to some customers as a secondary or backup source of supply in the United States should they be unwilling to commit all of their source of supply of a critical component to a foreign merchant production source. We also continue to have the proprietary GRADIUM lens glass technology to offer to certain laser markets.

*Our key indicators:*

Usually on a weekly basis, management reviews a number of performance indicators. Some of these indicators are qualitative and others are quantitative. These indicators change from time to time as the opportunities and challenges in the business change. They are mostly non-financial indicators such as units of shippable output by major product line, production yield rates by major product line and the output and yield data from significant intermediary manufacturing processes that support the production of the finished shippable product. These indicators can be used to calculate such other related indicators as fully yielded unit production per-shift, which varies by the particular product and our state of automation in production of that product at any given time. Higher unit production per shift means lower unit cost and therefore improved margins or improved ability to compete where desirable for price sensitive customer applications. The data from these reports is used to determine tactical operating actions and changes. We believe that our non-financial production indicators, such as those noted, are proprietary information.

Financial indicators that are usually reviewed at the same time include the major elements of the micro-level business cycle:



sales backlog;  
EBITDA;  
inventory levels; and  
accounts receivable levels and quality.

These indicators are similarly used to determine tactical operating actions and changes and are discussed in more detail below.

Sales Backlog – We believe that sales growth is our best indicator of success. Our best view into the efficacy of our sales efforts is in our “order book.” Our order book equates to sales “backlog.” Our backlog has a quantitative and a qualitative aspect: quantitatively, our backlog’s prospective dollar value and qualitatively, the percent of the backlog is scheduled by the customer for date-certain delivery. We define our “12-month backlog” as customer orders for delivery within one year which is reasonably likely to be fulfilled, including customer purchase orders and products to be provided under supply contracts if they meet the aforementioned criteria. Generally, a higher 12-month backlog is better for us.

At June 30, 2012, our 12-month backlog was approximately \$4.89 million. At September 30, 2012, our 12-month backlog increased by approximately \$1.26 million to \$5.46 million as compared to the same period last year. We have seen increased quote activity for our imaging lenses during the quarter ended September 30, 2012 compared to the same period last year. Bookings and quote activity have also increased for our industrial low-cost lenses in Asia. With the continuing diversification of our 12-month backlog we expect to show modest increases in revenue for the remaining quarters of 2013.

**EBITDA-** EBITDA is a non-GAAP financial measure used by management, lenders and certain investors as a supplemental measure in the evaluation of some aspects of a corporation's financial position and core operating performance. Investors sometimes use EBITDA as it allows for some level of comparability of profitability trends between those businesses differing as to capital structure and capital intensity by removing the impacts of depreciation, amortization and interest expense. EBITDA also does not include changes in major working capital items such as receivables, inventory and payables, which can also indicate a significant need for, or source of, cash. Since decisions regarding capital investment and financing and changes in working capital components can have a significant impact on cash flow, EBITDA is not a good indicator of a business's cash flows. We use EBITDA for evaluating the relative underlying performance of the Company's core operations and for planning purposes. We calculate EBITDA by adjusting net income (loss) to exclude net interest expense, income tax expense or benefit, depreciation and amortization, thus the term "Earnings Before Interest, Taxes, Depreciation and Amortization" and the acronym "EBITDA."

The following table sets forth EBITDA for the three months ended September 30, 2012 and 2011:

	(Unaudited)	
	Three months ended	
	September 30,	
	2012	2011
Net income (loss)	\$ 101,221	\$(198,447)
Depreciation and amortization	208,637	245,438
Interest expense	31,306	24,220
EBITDA	\$341,164	\$71,211

Our EBITDA for the three months ended September 30, 2012 increased to approximately \$341,000, compared to approximately \$71,000 for the three months ended September 30, 2011. The improvement in EBITDA was principally caused by the recognition of net income, instead of net loss, the change in the fair value of our warrant liability with respect to the June 2012 Warrants and royalty income from licensing our GRADIUM product line. For comparison purposes, net income was approximately \$101,000 or \$0.01 per basic and diluted common share during the first quarter of fiscal 2013, compared with the first quarter of fiscal 2012, in which we reported a net loss of approximately \$198,000 or \$0.02 basic and diluted per common share.

**Inventory Levels** – We manage our inventory levels to minimize investment in working capital but still have the flexibility to meet customer demand to a reasonable degree. While the mix of inventory is an important factor, including adequate safety stocks of long lead-time materials, an important aggregate measure of inventory in all phases of production is the quarter's ending inventory expressed as a number of days worth of the quarter's cost of sales, also known as "days cost of sales in inventory," or "DCSI." It is calculated by dividing the quarter's ending inventory by the quarter's cost of goods sold, multiplied by 365 and divided by 4. Generally, a lower DCSI measure equates to a lesser investment in inventory and therefore more efficient use of capital. During the three months ended September

30, 2012 and 2011, our DCSI was 85 and 100, respectively, compared to 76 for the year ended June 30, 2012.

This decrease in DCSI for the three months ended September 30, 2012, as compared to the three months ended September 30, 2011 was due to lower inventory levels as a result of an increase in sales as well as effectively managing our inventory levels based on a quarterly review of bookings.

Accounts Receivable Levels and Quality – Similarly, we manage our accounts receivable to minimize investment in working capital. We measure the quality of receivables by the proportions of the total that are at various increments past due from our normally extended terms, which are generally 30 days. The most important aggregate measure of accounts receivable is the quarter's ending balance of net accounts receivable expressed as a number of day's worth of the quarter's net revenues, also known as "days sales outstanding," or "DSO." It is calculated by dividing the quarter's ending net accounts receivable by the quarter's net revenues, multiplied by 365 and divided by 4. Generally, a lower DSO measure equates to a lesser investment in accounts receivable, and therefore, more efficient use of capital. For the three months ended September 30, 2012 and 2011, our DSO was 66 and 69, respectively. During the year ended June 30, 2012, our average

DSO was 68. Our DSO for the quarter was lower than our average DSO for fiscal 2012 due to 48% of the quarterly revenue earned was from products shipped in September, and therefore, the majority of our total current receivables have not been collected as of September 30, 2012. This compares to 55% of products shipped in the June of the fourth quarter of fiscal 2012.

**Other Key Indicators** – Other key indicators include various operating metrics, some of which are qualitative and others are quantitative. These indicators change from time to time as the opportunities and challenges in the business change. They are mostly non-financial indicators such as on time delivery trends, units of shippable output by major product line, production yield rates by major product line and the output and yield data from significant intermediary manufacturing processes that support the production of the finished shippable product. These indicators can be used to calculate such other related indicators as fully-yielded unit production per-shift, which varies by the particular product and our state of automation in production of that product at any given time. Higher unit production per shift means lower unit cost and therefore improved margins or improved ability to compete where desirable for price sensitive customer applications. The data from these reports is used to determine tactical operating actions and changes.

### **Liquidity and Capital Resources**

In 2006, the Company implemented a cash conservation strategy by reducing its operating costs, which included restructuring its manufacturing operations. However, cash flow and cash management continue to be primary concerns of the Company. The Company has a history of recurring losses from operations and as of September 30, 2012, the Company had an accumulated deficit of approximately \$204.4 million. Cash provided by operations was \$406,000 for fiscal year 2012 and \$95,000 for fiscal year 2011. During the three months ended September 30, 2012, cash used in operations was approximately (\$21,000) due to an increase in other receivables related to the Raytheon Vision Systems (“Raytheon”) purchase order.

At September 30, 2012, we had a book cash balance of approximately \$2.16 million. For the three months ended September 31, 2012, cash decreased by approximately \$192,000 compared to a decrease of approximately \$235,000 for the same period last year. The use of cash in both periods was primarily due to investment capital expenditures for cost reduction equipment used in our anti-reflective coating process, equipment for the infrared product line capacity and tooling for new lenses. On November 5, 2012, the Company had a book cash balance of approximately \$2.0 million.

Management developed an operating plan for fiscal 2013 base on anticipated sales growth primarily from precision molded optics, with the emphasis on low-cost, high volume applications, optical assemblies including the redesigned collimator product line and infrared products, and continued implementation of new cost reductions with programs to improve tool life and lower anti-reflective coating costs by coating lenses at our facilities. Management reviews the operating plan on a quarterly basis and makes adjustments as needed.

We believe, based on our operating plan and related financial projections, that cash flow from operations will improve for the remainder of fiscal 2013. Our current booking rate of orders combined with recent quote activity and the existing 12-month backlog give us confidence that future cash flow will be sufficient to fund our operations. Our forecast includes an increase in sales in infrared lenses and precision molded optics for imaging and laser tools.

Factors which could adversely affect cash balances in future quarters include, but are not limited to, a decline in revenue, poor cash collections from our accounts receivables, increased material costs, increased labor costs, planned production efficiency improvements not being realized, the current ongoing economic conditions and increases in other discretionary spending, particularly sales and marketing costs.

To fund future operations, we may seek external debt or equity financing, if it can be obtained in an amount and on terms that are acceptable. We may be required to seek external financing regardless of whether the terms would be acceptable, if our cash flow financial resources are not sufficient to sustain our operations or to pursue our business plan. There is no assurance we will be able to achieve the necessary cash flow from sales growth and gross margin improvements to sustain operations. Factors which could adversely affect cash balances in future quarters include, but are not limited to, a decline in revenue or a lack of anticipated sales growth, increased material costs, increased labor costs, planned production efficiency improvements not being realized, increases in property, casualty, benefit and liability insurance premiums and increases in other discretionary spending, particularly sales and marketing related.

## **Sources and Uses of Cash**

### *Operating Activities*

Our sources of operating cash consist of our limited cash reserves and the cash generated from the collection of receivables after invoicing customers for product shipments. Our uses of operating cash primarily consist of expenditures for materials and services, wages and compensation, employee benefits, rent and utilities. Our plan is to minimize our investment in inventory but still support our sales and forecasted anticipated growth. We manage our accounts payable very carefully. We have taken certain actions to conserve our cash including extending payment terms with certain of our suppliers. We have negotiated payment plans with some key vendors and sometimes work with other vendors to develop payment plans.

### *Investing Activities*

Periodically we make expenditures for capital goods. In the first quarter of fiscal 2013, we had capital expenditures for tooling, equipment to support our tooling operations, as well as purchasing equipment for the infrared product line.

### *Financing Activities*

Over the past several fiscal years, our net use of cash has required that we draw down on our cash and cash equivalent balances and periodically raise additional funds through the sale of shares of common stock or, in the case of our August 2008 offering, debentures convertible into shares of our common stock.

If our efforts at reaching positive cash flow and profitability are not successful, we will need to raise additional capital. Should capital not be available to us at reasonable terms, other actions may become necessary in addition to cost control measures and continued efforts to increase sales. These actions may include exploring strategic options for the sale of the Company, the sale of certain product lines, the creation of joint ventures or strategic alliances under which we will pursue business opportunities, the creation of licensing arrangements with respect to our technology, or other alternatives.

We do not currently have any availability for borrowing under equipment leases or other loan facilities and we do not currently have any commitment from any party to provide any other financing to the Company. In June 2012 we raised \$1.98 million through a private placement. There can be no assurances that financing will be available to us, or, if available, that the terms of such financing will be acceptable to us. As a result, there is significant risk to us of having limited cash resources with which to continue our operations as currently conducted or to pursue new business opportunities. Either of these outcomes would materially and adversely affect our results of operations, financial performance and stock price.

### **Off Balance Sheet Arrangements**

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

### Results of Operations

*Fiscal First Quarter: Three months ended September 30, 2012 compared to the three months ended September 30, 2011*

#### **Revenues:**

For the quarter ended September 30, 2012, we reported total revenues of \$2.89 million compared to \$2.73 million for the first quarter of last fiscal year, an increase of 6%. The increase from the first quarter of the prior fiscal year was attributable to increases in sales of custom optics which included revenue from a large purchase order from Raytheon Vision Systems (“Raytheon”), and an increase in our industrial tool products offset by a decrease in sales for our collimator and GRADIUM product lines. Unit shipment volume in precision molded optics increased by 25% in the first quarter of 2013 compared to the same period of the prior fiscal year. Growth in sales going forward is expected to be derived primarily from the precision molded lens product line, particularly our low cost lenses being sold in Asia and from new business with penetration into imaging applications.

#### **Cost of Sales:**

Our gross margin percentage in the first quarter of fiscal 2013 was 41% compared to 40% for the first quarter of fiscal 2012. Total manufacturing costs of \$1.71 million were approximately \$63,000 higher in the first quarter of fiscal 2013 compared to the same period of the prior fiscal year. The increase in manufacturing costs, as compared to the same period of the prior fiscal year, is a result of an increase of \$163,000 in direct costs associated with the Raytheon purchase order, partially offset by lower fixed and tooling costs.

Unit sales of precision molded optics lenses increased by 25% in the first quarter of fiscal 2013 compared to the same period last year. In the first quarter of fiscal 2013, 47% of our precision molded optic lens units sold were produced with more expensive glass types, compared to 41% in the same period last year. All of the precision molded optics lenses have been redesigned to use lower cost materials; however, some of our customer have continued to purchase the more expensive glass type lenses. The increase in sales of the more expensive glass types is the result of the mix change of units sold, with less sales of the lower cost optics that utilizes lower-cost glass materials. The transition from higher-cost glass materials to lower-cost glass materials also causes inefficiencies in our coating process. The lens coating on our higher-cost glass lenses is different from the lens coating on our lower-cost glass lenses and requires separate coating runs, thereby increasing our lens coating costs. Once the transition by our customers to lower-cost glass types is complete, we expect our coating efficiencies to improve and our costs to decrease.

Direct costs, which include material, labor and services, decreased to 22% of revenue in the first quarter of fiscal 2013, as compared to 29% of revenue in the first quarter of fiscal 2012. The decrease in direct costs was primarily due to improved labor productivity and the continued transition to lower cost glass materials. We saved \$28,000 in material costs due to the transition to lower cost glass.

We have seen improvement in our gross margins for the past two quarters due to the headcount and salary reductions implemented in the fourth quarter of last fiscal year and the increase in sales. As our revenues increase, we expect continued improvements in gross margins as our overhead costs are amortized over a larger base.

**Selling, General and Administrative:**

During the first quarter of fiscal 2013, selling, general and administrative (“SG&A”) costs were approximately \$982,000, compared to \$996,000 in the first quarter of fiscal 2012, a decrease of approximately \$14,000. This decrease was due to lower sales travel expenses. We intend to maintain SG&A costs generally at current levels, with some increases expected for sales and marketing.

**New Product Development:**

New product development costs were approximately \$212,000 in the first quarter of fiscal 2013 compared to approximately \$288,000 in the same period last year, a 26% decrease. This decrease was primarily due to a decrease in new product development with the staff focused on the Raytheon purchase order. We anticipate that these expenses will increase modestly for the remainder of fiscal year 2013 as we invest in the continued development of our infrared product lines.

**Amortization of Intangibles:**



Amortization expense from intangibles remained the same at approximately \$8,000 per quarter in both the fiscal quarters ended September 30, 2012 and 2011.

**Other Income (Expense):**

Interest expense was approximately \$31,000 in the first quarter of fiscal 2013 as compared to \$24,000 in the first quarter of fiscal 2012. This interest expense resulted from interest on our convertible debentures, at 8% per annum and amortization of debt discount and debt costs.

In the first quarter of fiscal 2013 we recognized a gain of approximately \$96,000 related to the change in the fair value of derivative warrants issued in our June 2012 private placement. This fair value will be re-measured each reporting period throughout the five year life of the warrants, or until exercised.

Investment and other income increased by approximately \$28,000 to \$63,000 in the first quarter of fiscal 2013 compared to approximately \$35,000 in the first quarter of fiscal 2012. In the first quarter of fiscal 2013 we sold a technology license for our GRADIUM product line in Asia for \$150,000 of which we recognized other income of \$50,000 for the first milestone.

**Net Income (Loss):**

Net income was approximately \$101,000 or \$0.01 basic and diluted per share during the first quarter of fiscal 2013, compared with the first quarter of fiscal 2012, in which we reported a net loss of approximately \$198,000 or \$0.02 basic and diluted per share. The approximate \$399,000 improvement resulted from the royalty income from licensing the GRADIUM

product line, the change in the fair value of our warrant liability for our June 2012 Warrants, a decrease in new product development expenses and higher gross margin due to an increase in sales. Weighted-average shares outstanding (basic) was 11,771,902 in the first quarter of fiscal 2013 compared to 9,746,107 in the first quarter of fiscal 2012. The increase in weighted-average shares outstanding was primarily due the issuance of shares of common stock related to the the sale of securities in our June 2012 private placement, shares issued related to the payment of interest on convertible debentures and shares issued for our related to the employee stock purchase plan.

### **Critical Accounting Policies and Estimates:**

**Allowance for accounts receivable** is calculated by taking 100% of the total of invoices that are over 90 days past due from due date and 10% of the total of invoices that are over 60 days past due from the due date. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial condition. Recovery of bad debt amounts which were previously written off is recorded as a reduction of bad debt expense in the period the payment is collected. If the Company's actual collection experience changes, revisions to its allowance may be required. After attempts to collect a receivable have failed, the receivable is written off against the allowance.

**Inventory obsolescence reserve** is calculated by reserving 100% for items that have not been sold in two years or that have not been purchased in two years and 25% for products which we have more than a two year supply, as well as reserving 50% for other items deemed to be slow moving within the last 12 months and reserving 25% for items deemed to have low material usage within the last six months.

**Revenue** is recognized from product sales when products are shipped to the customer, provided that the Company has received a valid purchase order, the price is fixed, title has transferred, collection of the associated receivable is reasonably assured, and there are no remaining significant obligations. Revenues from product development agreements are recognized as milestones are completed in accordance with the terms of the agreements and upon shipment of products, reports or designs to the customer.

The Company recognized and recorded \$50,000 in license income in "other income, net" on the accompanying consolidated statement of operations and comprehensive income for the three months ended September 30, 2012. The transaction is being accounted for under the guidance of Accounting Standards Codification ("ASC") 605-10, Revenue Recognition, in which all fees under the agreement are expected to be collectible in full, the licensing arrangement is exclusive and the term of the license extends beyond the remaining life of the patents.

**Stock based compensation** is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. We estimate the fair value of each stock option as of the date of

grant using the Black-Scholes-Merton pricing model. Most options granted under our Amended and Restated Omnibus Incentive Plan vest ratably over two to four years and generally have ten-year contract lives. The volatility rate is based on four-year historical trends in common stock closing prices and the expected term was determined based primarily on historical experience of previously outstanding options. The interest rate used is the U.S. Treasury interest rate for constant maturities. The likelihood of meeting targets for option grants that are performance based are evaluated each quarter. If it is determined that meeting the targets is probable then the compensation expense will be amortized over the remaining vesting period.

**Deferred revenue** relates to a \$1.1 million purchase order from Raytheon that is being recognized into revenue on a percentage of completion basis. The Company is using the “cost-to-cost method” to allow it to measure progress toward completion based on the ratio of costs incurred to date to total estimated costs. The Company recorded in deferred revenue, or other receivables, in the accompanying consolidated balance sheet based on the difference between the amounts invoiced on the project and the amount recognized into revenue or expenses incurred. As of September 30, 2012, the Company invoiced \$643,500 and recognized \$869,000 as revenue, which includes \$253,000 that was recognized in the quarter ended September 30, 2012. The balance of \$225,500 was recorded as other accounts receivable. At September 30, 2012, we had \$0 in accounts receivable with respect to this purchase order, as reflected in the accompanying consolidated balance sheet. The project is expected to be completed by July 2013.

**Item 4. Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of September 30, 2012, the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2012 in reporting on a timely basis information required to be disclosed by us in the reports we file or submit under the Exchange Act.

During the fiscal quarter ended September 30, 2012, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

None

**Item 5. Other Information**

None

**Item 6. Exhibits**

The following exhibits are filed herewith as a part of this report.

Exhibit Number	Description	Notes
3.1.1	Certificate of Incorporation of Registrant, filed June 15, 1992 with the Secretary of State of Delaware	1
3.1.2	Certificate of Amendment to Certificate of Incorporation of Registrant, filed October 2, 1995 with the Secretary of State of Delaware	1
3.1.3	Certificate of Designations of Class A common stock and Class E-1 common stock, Class E-2 common stock, and Class E-3 common stock of Registrant, filed November 9, 1995 with the Secretary of State of Delaware	1
3.1.4	Certificate of Designation of Series A Preferred Stock of Registrant, filed July 9, 1997 with the Secretary of State of Delaware	2
3.1.5	Certificate of Designation of Series B Stock of Registrant, filed October 2, 1997 with the Secretary of State of Delaware	3
3.1.6	Certificate of Amendment of Certificate of Incorporation of Registrant, filed November 12, 1997 with the Secretary of State of Delaware	3
3.1.7	Certificate of Designation of Series C Preferred Stock of Registrant, filed February 6, 1998 with the Secretary of State of Delaware	4

3.1.8	Certificate of Designation, Preferences and Rights of Series D Participating Preferred Stock of Registrant filed April 29, 1998 with the Secretary of State of Delaware	5
3.1.9	Certificate of Designation of Series F Preferred Stock of Registrant, filed November 2, 1999 with the Secretary of State of Delaware	6
3.1.10	Certificate of Amendment of Certificate of Incorporation of Registrant, filed February 28, 2003 with the Secretary of State of Delaware	7
3.2	Bylaws of Registrant	1
4.1	Rights Agreement dated May 1, 1998, between Registrant and Continental Stock Transfer & Trust Company	5
4.2	First Amendment to Rights Agreement dated as of February 28, 2008, between LightPath Technologies, Inc. and Continental Stock Transfer & Trust Company	12
10.1	Directors Compensation Agreement dated November 11, 1999 between Robert Ripp and LightPath Technologies, Inc. and First Amendment thereto	8
10.2	Amended and Restated Omnibus Incentive Plan dated October 15, 2002	9
10.3	Employee Letter Agreement dated June 12, 2008, between LightPath Technologies, Inc., and J. James Gaynor, its Chief Executive Officer & President	10

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10.4	Form of Common Stock Purchase Warrant dated as of August 1, 2008, issued by LightPath Technologies, Inc. to certain investors	11
10.5	Securities Purchase Agreement dated as of August 1, 2008, by and among LightPath Technologies, Inc. and certain investors	11
10.6	Registration Rights Agreement dated as of August 1, 2008, by and among LightPath Technologies, Inc. and certain investors	11
10.7	Security Agreement dated as of August 1, 2008, by and among LightPath Technologies, Inc. and certain investors	11
10.8	Form of Subsidiary Guarantee dated as of August 1, 2008, by Geltech Inc., and LightPath Optical Instrumentation (Shanghai), Ltd., in favor of certain investors	11
10.9	Form of 8% Senior Secured Convertible Debenture dated as of August 1, 2008, issued by LightPath Technologies, Inc. to certain investors	11
10.10	First Amendment to the 8% Senior Secured Convertible Debenture, dated as of December 31, 2008	13
10.11	Amendment No. 2 to the Amended and Restated LightPath Technologies, Inc. Omnibus Incentive Plan, dated as of December 30, 2008	14
10.12	Form of Common Stock Purchase Warrant dated as of August 19, 2009, issued by LightPath Technologies, Inc. to certain investors	15

10.13	Securities Purchase Agreement dated as of August 19, 2009, by and among LightPath Technologies, Inc. and certain investors	15
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10.14	Registration Rights Agreement dated as of August 19, 2009, by and among LightPath Technologies, Inc. and certain investors	15
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10.15	Form of Common Stock Purchase Warrant dated as of April 8, 2010, issued by LightPath Technologies, Inc. to certain investors	16
10.16	Securities Purchase Agreement dated as of April 8, 2010, by and among LightPath Technologies, Inc. and certain investors	16
10.17	Registration Rights Agreement dated as of April 8, 2010, by and among LightPath Technologies, Inc. and certain investors	16
10.18	Second Amendment to the 8% Senior Secured Convertible Debentures, dated as of March 30, 2011	17
10.19	2004 Employee Stock Purchase Plan dated December 6, 2004	18
10.20	Form of Common Stock Purchase Warrant dated as of June 11, 2012, issued by LightPath Technologies, Inc. to certain investors	19
10.21	Securities Purchase Agreement dated as of June 11, 2012, by and among LightPath Technologies, Inc. and certain investors	19
10.22	Registration Rights Agreement dated as of June 11, 2012, by and among LightPath Technologies, Inc. and certain investors	19
10.23	Memorandum of Understanding Governing the License of Intellectual Property and Manufacturing, Sales and Distribution of Gadium dated as of September 11, 2012, by and among LightPath Technologies, Inc., and Hubei, New HuaGuang Information Materials Company, Ltd. (NHG)	20
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>	*
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>	*
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code</u>	*
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code</u>	*
101.INS	XBRL Instance Document	**
101.SCH	XBRL Taxonomy Extension Schema Document	**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	**
101.PRE	XBRL Taxonomy Presentation Linkbase Document	**



*Notes:*

1. This exhibit was filed as an exhibit to our Registration Statement on Form SB-2 (File No: 33-80119) filed with the Securities and Exchange Commission on December 7, 1995 and is incorporated herein by reference thereto.
2. This exhibit was filed as an exhibit to our annual report on Form 10-KSB40 filed with the Securities and Exchange Commission on September 11, 1997 and is incorporated herein by reference thereto.
3. This exhibit was filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 1997 and is incorporated herein by reference thereto.
4. This exhibit was filed as an exhibit to our Registration Statement on Form S-3 (File No. 333-47905) filed with the Securities and Exchange Commission on March 13, 1998 and is incorporated herein by reference thereto.
5. This exhibit was filed as an exhibit to our Registration Statement on Form 8-A filed with the Securities and Exchange Commission on April 28, 1998 and is incorporated herein by reference thereto.
6. This exhibit was filed as an exhibit to our Registration Statement on Form S-3 (File No: 333-94303) filed with the Securities and Exchange Commission on January 10, 2000 and is incorporated herein by reference thereto.
7. This exhibit was filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on January 24, 2003 and is incorporated herein by reference thereto.
8. This exhibit was filed as an exhibit to our annual report on Form 10-KSB filed with the Securities and Exchange Commission on August 31, 2000 and is incorporated herein by reference thereto.
9. This exhibit was filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on September 12, 2002 and is incorporated herein by reference.

10. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2008, and is incorporated herein by reference thereto.

11. This exhibit was filed as an exhibit to our Current Report on Form 8-K/A filed with the Securities and Exchange Commission on August 6, 2008, and is incorporated herein by reference thereto.

12. This exhibit was filed as amendment number 1 to form 8A filed with the Securities and Exchange Commission on February 28, 2008, and is incorporated herein by reference thereto.

13. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2009, and is incorporated herein by reference thereto.

14. This exhibit was filed as an exhibit to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on February 12, 2009, and is incorporated herein by reference thereto.

15. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 20, 2009, and is incorporated herein by reference thereto.

16. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 9, 2010, and is incorporated herein by reference thereto.

17. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 1, 2011, and is incorporated herein by reference thereto.

18. This exhibit was filed as an exhibit to our Registration Statement on Form S-8 (File No, 333-121385) filed with the Securities and Exchange Commission on December 17, 2004, and is incorporated herein by reference thereto.

19. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on June 11, 2012, and is incorporated herein by reference thereto.

20. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on October 11, 2012, and is incorporated herein by reference thereto.

\* Filed herewith.

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934. In accordance with Rule 406T of Regulation S-T, the XBRL information in Exhibit 101 of this Quarterly Report on Form 10-Q shall not be subject to the liability of Section 18 of the Securities and Exchange Act of 1934 and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

**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.

LIGHTPATH TECHNOLOGIES, INC.

Date: November 8, 2012

By: /s/ J. James Gaynor  
President and Chief  
Executive Officer

Date: November 8, 2012

By: /s/ Dorothy M. Cipolla  
Chief Financial Officer