

LIGHTPATH TECHNOLOGIES INC

Form 10-Q

May 15, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2008

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.**

(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**86-0708398**  
(I.R.S. Employer  
Identification No.)

<http://www.lightpath.com>

**2603 Challenger Tech Ct. Suite 100**

**Orlando, Florida 32826**

(Address of principal executive offices)

(ZIP Code)

**(407) 382-4003**

(Registrant's telephone number, including area code)

N/A

(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  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 definition of accelerated filer, large 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

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

**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:

5,332,655 shares of common stock, Class A, \$.01 par value, outstanding as of May 12, 2008.

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## Condensed Consolidated Statements of Operations

|  | Unaudited                       |              | Unaudited                      |                |
|--|---------------------------------|--------------|--------------------------------|----------------|
|  | Three months ended<br>March 31, |              | Nine months ended<br>March 31, |                |
|  | 2008                            | 2007         | 2008                           | 2007           |
| Product sales, net                             | \$ 2,114,196                    | \$ 2,899,602 | \$ 6,444,515                   | \$ 11,075,237  |
| Cost of sales                                  | 1,694,679                       | 2,177,375    | 5,780,978                      | 8,079,957      |
| Gross margin                                   | 419,517                         | 722,227      | 663,537                        | 2,995,280      |
| Operating expenses:                            |                                 |              |                                |                |
| Selling, general and administrative            | 1,272,269                       | 945,021      | 4,063,080                      | 3,504,196      |
| New product development                        | 308,302                         | 289,254      | 924,049                        | 830,733        |
| Amortization of intangibles                    | 8,217                           | 8,217        | 24,651                         | 24,651         |
| Loss on disposal of assets                     | 13,707                          |              | 13,707                         |                |
| Total costs and expenses                       | 1,602,495                       | 1,242,492    | 5,025,487                      | 4,359,580      |
| Operating loss                                 | (1,182,978)                     | (520,265)    | (4,361,950)                    | (1,364,300)    |
| Other income (expense)                         |                                 |              |                                |                |
| Interest expense                               | (19,357)                        | (11,041)     | (48,285)                       | (33,957)       |
| Investment and other income                    | 12,066                          | 11,708       | 73,767                         | 79,457         |
| Net loss                                       | \$ (1,190,269)                  | \$ (519,598) | \$ (4,336,468)                 | \$ (1,318,800) |
| Foreign currency translation adjustment        | 9,771                           |              | 51,181                         |                |
| Comprehensive loss                             | \$ (1,180,498)                  | \$ (519,598) | \$ (4,285,287)                 | \$ (1,318,800) |
| Loss per share (basic and diluted)             | \$ (0.22)                       | \$ (0.12)    | \$ (0.81)                      | \$ (0.29)      |
| Number of shares used in per share calculation | 5,332,655                       | 4,506,230    | 5,326,003                      | 4,497,081      |

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

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## Condensed Consolidated Balance Sheets

|   | Unaudited<br>March 31,<br>2008 | June 30,<br>2007    |
|---|--------------------------------|---------------------|
| <b>Assets</b>   |                                |                     |
| Current assets:   |                                |                     |
| Cash and cash equivalents   | \$ 420,129                     | \$ 1,291,364        |
| Trade accounts receivable, net of allowance of \$46,869 and \$28,968  | 1,387,171                      | 1,408,815           |
| Inventories, net  | 1,452,893                      | 1,853,324           |
| Prepaid expenses and other assets   | 314,594                        | 220,860             |
| <b>Total current assets</b>   | <b>3,574,787</b>               | <b>4,774,363</b>    |
| Property and equipment - net  | 2,044,256                      | 1,563,250           |
| Intangible assets - net   | 207,954                        | 232,605             |
| Other assets  | 57,306                         | 57,306              |
| <b>Total assets</b>   | <b>\$ 5,884,303</b>            | <b>\$ 6,627,524</b> |
| <b>Liabilities and Stockholders Equity</b>  |                                |                     |
| Current liabilities:  |                                |                     |
| Accounts payable  | \$ 1,413,518                   | \$ 1,278,328        |
| Accrued liabilities   | 468,554                        | 326,525             |
| Accrued severance   | 181,942                        |                     |
| Accrued payroll and benefits  | 329,855                        | 413,576             |
| Notes payable   | 166,645                        | 166,645             |
| Capital lease obligations, current portion  | 17,994                         | 16,285              |
| <b>Total current liabilities</b>  | <b>2,578,508</b>               | <b>2,201,359</b>    |
| Capital lease obligations, excluding current portion  | 9,936                          | 23,653              |
| Note payable, excluding current portion   | 152,758                        | 277,741             |
| <b>Total liabilities</b>  | <b>2,741,202</b>               | <b>2,502,753</b>    |
| 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; 34,500,000 shares authorized; 5,332,655 and 4,512,543 shares issued and outstanding |                                |                     |
|   | 53,326                         | 45,125              |
| Additional paid-in capital  | 199,712,633                    | 196,417,217         |
| Foreign currency translation adjustment   | 8,122                          | (43,059)            |
| Accumulated deficit   | (196,630,980)                  | (192,294,512)       |
| <b>Total stockholders equity</b>  | <b>3,143,101</b>               | <b>4,124,771</b>    |
| <b>Total liabilities and stockholders equity</b>  | <b>\$ 5,884,303</b>            | <b>\$ 6,627,524</b> |

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



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## Condensed Consolidated Statements of Cash Flows

|   | <b>Unaudited</b>         |                    |
|---|--------------------------|--------------------|
|   | <b>Nine Months Ended</b> |                    |
|   | <b>March 31,</b>         |                    |
|   | <b>2008</b>              | <b>2007</b>        |
| <b>Cash flows from operating activities</b>                                 |                          |                    |
| Net loss  | \$ (4,336,468)           | \$ (1,318,800)     |
| Adjustments to reconcile net loss to net cash used in operating activities: |                          |                    |
| Depreciation and amortization   | 330,636                  | 363,060            |
| Foreign exchange translation adjustment                                     | 51,181                   |                    |
| Gain on sale of fixed assets  | (7,000)                  |                    |
| Stock based compensation  | 280,525                  | 217,356            |
| Provision for doubtful accounts receivable                                  | 17,901                   | 37,560             |
| Loss on abandonment of fixed assets   | 20,707                   |                    |
| Changes in operating assets and liabilities:                                |                          |                    |
| Trade receivables   | 3,743                    | (14,922)           |
| Inventories   | 400,431                  | 163,861            |
| Prepaid expenses and other assets   | (93,734)                 | (140,908)          |
| Accounts payable and accrued expenses                                       | 213,762                  | (746,449)          |
| <b>Net cash used in operating activities</b>                                | <b>(3,118,316)</b>       | <b>(1,439,242)</b> |
| <b>Cash flows from investing activities</b>                                 |                          |                    |
| Purchase of property and equipment  | (646,020)                | (701,248)          |
| Proceeds from sale of assets  | 7,000                    |                    |
| <b>Net cash used in investing activities</b>                                | <b>(639,020)</b>         | <b>(701,248)</b>   |
| <b>Cash flows from financing activities</b>                                 |                          |                    |
| Proceeds from exercise of stock options                                     |                          | 54,681             |
| Proceeds from sale of common stock, net of expenses                         | 2,978,544                |                    |
| Proceeds from sale of common stock from employee stock purchase             | 44,548                   |                    |
| Borrowings on line of credit  |                          | 229,224            |
| Payments on capital lease obligation  | (12,008)                 | (10,511)           |
| Payments on note payable  | (124,983)                | (13,887)           |
| <b>Net cash provided by financing activities</b>                            | <b>2,886,101</b>         | <b>259,507</b>     |
| Increase (Decrease) in cash and cash equivalents                            | (871,235)                | (1,880,983)        |
| Cash and cash equivalents, beginning of period                              | 1,291,364                | 3,763,013          |
| Cash and cash equivalents, end of period                                    | \$ 420,129               | \$ 1,882,030       |
| <b>Supplemental disclosure of cash flow information:</b>                    |                          |                    |
| Interest paid   | \$ 29,993                | \$ 33,957          |
| <b>Supplemental disclosure of non-cash investing activity:</b>              |                          |                    |
| Landlord payments for leasehold improvements                                | \$ 161,678               | \$                 |

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





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Notes to Unaudited Condensed Consolidated Financial Statements

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of LightPath Technologies, Inc. ( LightPath or the Company ) have been prepared in accordance with the requirements of Article 10 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 condensed 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, 2007 filed with the Securities and Exchange Commission (the SEC ).

These condensed consolidated financial statements are unaudited but include all adjustments, which include 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 and Liquidity**

**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 announced the formation of LightPath Optical Instrumentation (Shanghai) Co., Ltd. ( LPOI ) a wholly owned manufacturing subsidiary located in Jiading, People's Republic of China ( PRC ). The manufacturing operations are housed in a 17,000 square foot facility located in the Jiading Industrial Zone near Shanghai. This plant has increased overall production capacity and enabled LightPath to compete for larger production volumes of optical components and assemblies, and strengthened partnerships within the Asia/Pacific region. It also provides a launching point to drive the Company's sales expansion in Asia/Pacific. 83% of the third quarter's precision molded lenses were manufactured in LPOI's Shanghai facility.

The Company is engaged in the production of precision molded aspherical lenses, GRADIUM® glass lenses, collimators and isolator optics used in various markets, including industrial, medical, defense, test & measurement and telecommunications. As used herein, the terms LightPath, Company, we, us, or our, refer to LightPath individually or, as the context requires, collectively with its subsidiaries on a consolidated basis.

**Liquidity:** Cash continues to be a concern of the Company. In fiscal 2006 and 2007, cash used in operations was approximately \$2.0 million and \$1.9 million, respectively. During the nine months ending March 31, 2008, the Company used approximately \$3,120,000 of cash for operating activities. Although there can be no assurance, we are optimistic that we will achieve improved cash flows from operations, although we still expect our cash flows to be negative in the near term. We plan to continue implementing cost improvements for our products by reducing material and overhead costs and we have reduced fixed cost by renegotiating our current facility lease in Orlando in December 2007. At March 31, 2008, the Company had a cash and cash equivalent balance of approximately \$420,000.

We engage in continuing efforts to keep costs under control as we seek renewed sales growth. Our efforts are directed toward reaching positive cash flow and profitability. If these efforts 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 creation of joint ventures or strategic alliances under which the Company will pursue business opportunities, the creation of licensing arrangements with respect to the Company's technology, or other alternatives. We are seeking additional financing, but we have no commitments for any financing at this time. The Company announced a non-binding letter of intent was signed with a ThorLabs, Inc., a major optics company, to sell certain patents, equipment and inventory associated with the GRADIUM® product line for \$1 million cash. The sale is subject to due diligence and the negotiation of a purchase agreement and is expected to close in May 2008. On May 12, 2008, the Company had a book cash balance of approximately \$179,000.

For the nine months ended March 31, 2008, cash decreased by \$871,000 compared to a decrease of \$1.9 million in the same period of the prior fiscal year. The decrease in cash in the current year was primarily related to net proceeds of \$2,978,500 received by the Company through a private placement of its common stock and warrants in July 2007. The Company sold 800,000 common shares at \$4.00 per share. This increase was offset by the net loss for the period and capital expenditures.



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In the second quarter of fiscal 2005, we entered into a \$75,000 capital equipment lease for equipment to support our molded optics production. We augmented this financing on January 11, 2006 with a four-year secured line of credit that provides for borrowings of up to \$500,000. If additional capital expenditures are warranted, we may seek similar capital equipment lease or other debt financing, however, it is uncertain whether we will be able to consistently gain access to this source of capital. On February 1, 2007, we had borrowed the entire \$500,000 principal amount available under the line of credit and converted the line of credit to a three-year term note, payable in thirty-six equal payments of principal together with accrued interest thereon. The loan balance was approximately \$319,000 at March 31, 2008.

On May 8, 2008, we entered into a receivables purchase and security agreement with LSQ Funding Group, LC. ( LSQ ). The agreement provides a \$600,000 line of credit, with all accounts receivable invoices serving as collateral. Certain domestic customers have been identified to participate in this program. The agreement is for a six-month term, with an option to renew for additional six-month periods. During the course of the six months it is expected that \$1,000,000 will be funded. The Company will present accounts receivable invoices and receive 85% of the invoice balance immediately. Interest is set at prime plus two percent. A 2.5% discount fee will be charged upon the funding of each invoice. Invoices sold to LSQ which remain outstanding over ninety days past the due date are required to be re-purchased. Once the sold invoice is paid to LSQ the 15% reserve is transferred to the Company. The agreement may be terminated within the notice period. If beyond the notice period or if \$1,000,000 have not been financed through the line of credit a termination fee is due. If the notice period is not met, a new six-month period will be established. The termination fee is equal to 2.5% of the funds not financed during the six-month period.

As heretofore stated, significant risk and uncertainty remains in achieving the goal of generating positive cash flow from operations on an ongoing basis. Factors which could adversely affect cash balances in future quarters include, but are not limited to, a continued decline in revenue, increased material costs, increased labor costs, planned production efficiency (yield) improvements not being realized, and increases in other discretionary spending required to effectively compete in our markets.

As a result of the Company's cash flow position, should the Company find it desirable or necessary to issue additional equity securities or debt that may be convertible into or exercisable for equity securities, the action would have the effect of increasing our fully diluted shares outstanding and ultimately diluting our operating results (net earnings or net loss) on a per share basis, and the action would dilute the voting power of current stockholders who do not acquire sufficient additional shares to maintain their percentage of share ownership. Management believes the Company has sufficient cash to fund operations for the next three months, exclusive of any cash investments or working capital requirements related to the CDGM joint venture described in Note 12. We are reviewing the Company's options to obtain additional financing to fund our existing operations as well as certain new investments that will allow the Company to continue operations, the transition of its business model and strategy, and its future growth. However, there can be no assurance that we will be able to obtain the necessary financing to allow the Company to accomplish any of the foregoing or, if such financing is available, that the terms of such financing will be acceptable.

**2. Significant Accounting Policies**

**Condensed consolidated financial statements** include the accounts of the Company, and its wholly owned subsidiaries. All significant inter-company 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 due date and 10% of the total of invoices that are over 60 days past due from due date.

**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. We have applied Statement of Financial Accounting Standards No. 151 Inventory Costs (FAS 151) to our value of inventory. Fixed costs related to excess manufacturing capacity have been expensed. Also unusual or abnormal costs, primarily relating to the start up of the Shanghai facility have been expensed. The inventory obsolescence reserve is calculated by reserving for 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. We also reserve 50% for slow moving items within the last 12 months and 25% for low material usage in the last six months.

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**Property and equipment** are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets ranging from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets using the straight-line method.

**Long-lived assets** are recorded in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets* ( SFAS No. 144 ). In accordance with SFAS No. 144, long-lived assets, such as property, plant, and equipment, 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.

**Intangible assets**, consisting of patents and trademarks, are recorded at cost. Upon issuance of the patent or trademark, the assets are amortized on the straight-line basis over the estimated useful life of the related assets ranging from two to seventeen years.

**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 adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ), on July 1, 2007. The Company has not recognized a liability as a result of the implementation of FIN 48. A reconciliation of the beginning and ending amount of unrecognized tax benefits has not been provided since there is no unrecognized benefit as of the date of adoption. The Company has not recognized interest expense or penalties as a result of the implementation of FIN 48. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, 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 2003.

**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.

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

**Stock based compensation** is expensed according to Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* ( SFAS 123R ). Stock-based compensation cost 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. The Company elected to use the modified prospective method for adoption, which requires compensation expense to be recorded for all unvested stock options and restricted shares beginning in the first quarter of adoption. For all unvested options outstanding as of July 1, 2005, and subsequently granted options, the previously measured but unrecognized compensation expense, based on the fair value at the original grant date, will be recognized on a straight-line basis in the Consolidated Statements of Operations over the remaining vesting period. We estimate the fair value of each stock option as of the date of grant. We use the Black-Scholes 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 calculated using the simplified method. 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 likely then the compensation expense will be amortized over the remaining vesting period.

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**Management makes estimates** and assumptions during the preparation of the Company's condensed 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.

**Fair values of financial instruments** of the Company are disclosed as required by Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Values of Financial Instruments*. The carrying amounts of cash and cash equivalents, trade accounts receivable, accounts payable, accrued liabilities, notes payable and capital leases approximate fair value.

**Comprehensive 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, and is included on the statement of operations. Our comprehensive loss consists of the foreign currency translation adjustment. For more information see Note 8 - Foreign Operations.

### **Recent Accounting Pronouncements**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of SFAS 157, if any, on its consolidated financial position and results of operations.

In February 2008, the FASB issued FASB Staff Position 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* (FSP 157-1). FSP 157-1 amends SFAS 157 to remove certain leasing transactions from its scope. In addition, on February 12, 2008, the FASB issued FSP 157-2, *Effective Date of FASB Statement No. 157*, which amends SFAS 157 by delaying its effective date by one year for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This pronouncement was effective upon issuance. On July 1, 2009, SFAS 157 will be applied to all other fair value measurements for which the application was deferred under FSP 157-2. The Company is currently evaluating the impact SFAS 157 will have in relation to non-financial assets and liabilities on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. Management is currently evaluating the effect, if any, the adoption of SFAS 159 will have on the Company's financial statements, results of operations and cash flows.

In June 2007, the FASB ratified EITF Issue No. 07-03, *Accounting for Nonrefundable Advance Payments for Goods and Services Received for Use in Future Research and Development Activities*. EITF 07-03 requires companies to defer nonrefundable advance payments for goods and services and to expense that advance payment as the goods are delivered or services are rendered. If the company does not expect to have the goods delivered or services performed, the advance should be expensed. EITF 07-03 is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact of adopting EITF 07-03 on its consolidated financial statements.

In December 2007, the FASB issued Statement No. 141 (revised), *Business Combinations* (SFAS No. 141(R)). The standard changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company is currently evaluating the impact of the pending adoption of FAS 141(R) on its results of operations and financial condition.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the

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useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets ( SFAS No. 142 ). This FSP also adds certain disclosures to those already prescribed in SFAS No. 142. FSP No. FAS 142-3 becomes effective for fiscal years, and interim periods within those fiscal years, beginning in the Company's fiscal 2010. The guidance for determining useful lives must be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements must be applied prospectively to all intangible assets recognized as of the effective date.

**3. Inventories**

The components of inventories include the following at:

|                          | (unaudited)<br>March 31,<br>2008 | June 30,<br>2007 |
|--------------------------|----------------------------------|------------------|
| Raw material             | \$ 635,856                       | \$ 744,667       |
| Work in Process          | 614,500                          | 926,447          |
| Finished Goods           | 376,724                          | 301,345          |
| Reserve for obsolescence | (174,186)                        | (119,135)        |
|                          | \$ 1,452,894                     | \$ 1,853,324     |

**4. Property and Equipment**

Property and equipment are summarized as follows:

|  | Estimated<br>Life (Years) | (unaudited)<br>March 31,<br>2008 | June 30,<br>2007 |
|--|---------------------------|----------------------------------|------------------|
| Manufacturing equipment                        | 5                         | \$ 6,889,375                     | \$ 6,529,841     |
| Computer equipment and software                | 3 - 5                     | 676,790                          | 603,061          |
| Furniture and fixtures                         | 5                         | 215,234                          | 190,331          |
| Platinum molds                                 | 5                         | 44,100                           | 44,100           |
| Leasehold improvements                         | 6 - 7                     | 824,670                          | 718,156          |
| Total Property and Equipment                   |                           | 8,650,169                        | 8,085,489        |
| Less accumulated depreciation and amortization |                           | 6,605,913                        | 6,522,239        |
| Total property and equipment, net              |                           | \$ 2,044,256                     | \$ 1,563,250     |

**5. Intangible Assets**

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

|                          | March 31, 2008<br>(unaudited) | June 30, 2007 |
|--------------------------|-------------------------------|---------------|
| Gross Carrying amount    | \$ 621,301                    | \$ 621,301    |
| Accumulated amortization | \$ (364,153)                  | \$ (388,696)  |
| Net carrying amount      | \$ 257,148                    | \$ 232,605    |



**Table of Contents****6. Stock and share based payments**

**Share-Based Payment Arrangements** The Company's Amended and Restated Omnibus Incentive Plan (the "Plan") included several available forms of stock compensation of which incentive stock options, non-qualified stock options and restricted stock awards have been granted to date. The Company has also issued stock options under a separate non-qualified plan. In 2003, a substantial number of those options were cancelled and replaced with restricted stock award grants under the Plan. At March 31, 2008, there were options remaining for 2,500 shares still outstanding that were not issued in a qualified plan.

These three plans are summarized below:

| Equity Compensation Arrangement             | Award Shares Authorized | Award Shares Outstanding at March 31, 2008 | Available for Issuance at March 31, 2008 |
|---|-------------------------|--|--|
| Amended and Restated Omnibus Incentive Plan | 1,715,625               | 723,327                                    | 631,413                                  |
| Non-Qualified Plan                          | 2,500                   | 2,500                                      |  |
| ESPP  | 200,000                 |  | 163,168                                  |
|   | 1,918,125               | 725,827                                    | 794,581                                  |

The 2004 Employee Stock Purchase Plan ("ESPP") permits employees to purchase 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 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 first distribution under this plan was issued in January 2006. The discount on market value is included in selling, general and administrative expense in the accompanying financial statements and was \$4,391 and \$4,338 for the nine months ended March 31, 2008 and 2007, respectively.

**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 pricing model. The ESPP fair value is the amount of the discounted market value the employee obtains at the date of the purchase transaction.

For stock options granted in the nine months ended March 31, 2008 and 2007, the Company estimated the fair value of each stock option as of the date of grant using the following assumptions:

|                                      | Nine Months Ended March 31, 2008 | Nine Months Ended March 31, 2007 |
|--------------------------------------|----------------------------------|----------------------------------|
| Range of expected volatilities       | 263% - 313%                      | 267% - 305%                      |
| Weighted average expected volatility | 307%                             | 301%                             |
| Dividend yields                      | 0%                               | 0%                               |
| Range of risk-free interest rate     | 3.14% - 4.47%                    | 4.63% - 5.05%                    |
| Expected term, in years              | 5.5-7                            | 2-7                              |



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Most options granted under the Company's Amended and Restated Omnibus Incentive 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 25% and 6%, respectively, for the nine months ended March 31, 2008 and 44% and 8%, respectively, for the nine months ended March 31, 2007. The volatility rate is based on four-year historical trends in common stock closing prices and the expected term was calculated using the simplified method. The interest rate used is the U.S. Treasury interest rate for constant maturities.

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**Information Regarding Current Share-Based Payment Awards** A summary of the activity for share-based payment awards in the nine months ended March 31, 2008 is presented below:

|  |               | <b>Stock Options</b> | <b>Weighted</b>    | <b>Weighted</b>    | <b>Restricted</b>          |                    |
|--|---------------|----------------------|--------------------|--------------------|----------------------------|--------------------|
|  | <b>Shares</b> | <b>Weighted</b>      | <b>Average</b>     | <b>Average</b>     | <b>Stock Units ( RSU )</b> | <b>Weighted</b>    |
|  |               | <b>Exercise</b>      | <b>Price</b>       | <b>Remaining</b>   |                            | <b>Average</b>     |
|  |               | <b>(per share)</b>   | <b>Contract</b>    | <b>Contract</b>    |                            | <b>Remaining</b>   |
|  |               |                      | <b>Lives (YRS)</b> | <b>Lives (YRS)</b> | <b>Shares</b>              | <b>Contract</b>    |
|  |               |                      |                    |                    |                            | <b>Lives (YRS)</b> |
| <b>June 30, 2007</b>                                       | 299,530       | 11.35                | 8.0                |                    | 223,100                    | 1.0                |
| Granted  | 211,000       | 2.61                 | 9.7                |                    | 50,000                     | 3.6                |
| Exercised  |               |                      |                    |                    | (5,000)                    |                    |
| Cancelled  | (50,303)      | 4.57                 | 8.1                |                    | (2,500)                    |                    |
| <b>March 31, 2008</b>                                      | 460,227       | 8.09                 | 8.4                |                    | 265,600                    | 1.7                |
| Awards exercisable/ vested as of <b>March 31, 2008</b>     | 130,991       | 20.42                | 6.5                |                    | 160,595                    |                    |
| Awards unexercisable/ unvested as of <b>March 31, 2008</b> | 329,236       | 3.18                 | 9.1                |                    | 105,005                    | 0.6                |
|  | 460,227       |                      |                    |                    | 265,600                    |                    |

|  | <b>Stock</b>   | <b>RSU s</b> | <b>All Awards</b> |
|--|----------------|--------------|-------------------|
|  | <b>Options</b> |              |                   |
| Weighted average fair value of share awards granted nine months ended March 31, 2008 | \$ 2.61        | \$ 3.05      | \$ 2.69           |

The weighted-average grant date fair value of all share option awards granted during the nine months ended March 31, 2008 and 2007 was \$2.61 and \$4.63, respectively. The total intrinsic value of share options exercised during the nine months ended March 31, 2008 and 2007 was \$0 and \$8,047, respectively.

The total intrinsic value of options outstanding and exercisable at March 31, 2008 and 2007 was \$2,129 and \$120,640, respectively.

The weighted-average grant date fair value of RSU s granted during the nine months ended March 31, 2008 and 2007 was \$3.05 and \$4.60, respectively.

The total intrinsic value of RSU s exercised during the nine months ended March 31, 2008 and 2007 was \$9,100 and \$72,900, respectively.

The total intrinsic value of RSUs outstanding and exercisable at March 31, 2008 and 2007 was \$284,571 and \$710,357, respectively.

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The total fair value of RSU s vested during the nine months ended March 31, 2008 and 2007 was \$201,581 and \$317,798, respectively.

The total fair value of option shares vested during the nine months ended March 31, 2008 and 2007 was \$265,939, and \$45,580, respectively. As of March 31, 2008, there was \$792,828 of total unrecognized compensation cost related to non-vested share-based compensation arrangements (including share options and restricted stock units) granted under the Amended and Restated Omnibus Incentive Plan.

The compensation cost is expected to be recognized as follows:

|   | Stock<br>Options | Restricted<br>Stock<br>Units | Total   |
|---|------------------|------------------------------|---------|
| <b>Three months ended June 30, 2008</b> | 54,995           | 40,925                       | 95,920  |
| <b>Year ended June 30, 2009</b>         | 172,123          | 123,156                      | 295,279 |
| <b>Year ended June 30, 2010</b>         | 159,082          | 60,065                       | 219,147 |
| <b>Year ended June 30, 2011</b>         | 104,005          | 35,456                       | 139,461 |
| <b>Year ended June 30, 2012</b>         | 32,945           | 11,819                       | 44,764  |
|   | 523,150          | 271,421                      | 794,571 |

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 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 March 31, 2008 and changes during the nine months then ended:

|                                      | Stock<br>Options<br>Shares | RSU<br>Shares | Total<br>Shares | Weighted-Average<br>Grant Date Fair Values<br>(per share) |
|--------------------------------------|----------------------------|---------------|-----------------|---|
| <b>Unexercisable/unvested awards</b> |                            |               |                 |   |
| At June 30, 2007                     | 236,710                    | 110,002       | 346,712         | \$ 3.97   |
| Granted                              | 211,000                    | 50,000        | 261,000         | \$ 2.61   |
| Vested                               | (73,607)                   | (54,997)      | (128,604)       | \$ 3.64   |
| Cancelled/Issued                     | (44,867)                   |               | (44,867)        | \$ 4.42   |
| At March 31, 2008                    | 329,236                    | 105,005       | 434,241         | \$ 3.18   |

**Acceleration of Vesting** The Company has not accelerated the vesting of any stock options, except for 4,067 options issued to a former director that were accelerated upon his decision not to stand for re-election. The stock compensation expense recognized in the second quarter of 2008 for the acceleration of options and restricted stock units for this former director was \$47,085.

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**Financial Statement Effects and Presentation** The following table shows total stock-based compensation expense for the nine months ended March 31, 2008 and 2007 included in the Condensed Consolidated Statement of Operations:

|  | Nine Months ended<br>March 31,<br>2008 | Nine Months ended<br>March 31,<br>2007 |
|--|--|--|
| Stock options                              | \$ 125,156                             | \$ 109,878                             |
| RSU  | \$ 155,369                             | \$ 107,489                             |
| <b>Total</b>                               | <b>\$ 280,525</b>                      | <b>\$ 217,367</b>                      |
| <b>The amounts above were included in:</b> |  |  |
| General & administrative                   | \$ 216,490                             | \$ 180,332                             |
| Cost of goods                              | \$ 49,255                              | \$ 26,953                              |
| Research & development                     | \$ 14,780                              | \$ 10,082                              |
|  | <b>\$ 280,525</b>                      | <b>\$ 217,367</b>                      |

**7. Net Loss Per Share**

Basic net loss per share is computed based upon the weighted-average number of shares of Class A common stock outstanding, not including unvested restricted stock, during each period presented. The computation of diluted net loss per share does not differ from the basic computation because potentially issuable securities of warrants and options for 1,545,623 shares for the nine months ended March 31, 2008 and 1,039,453 shares for the nine months ended March 31, 2007 would be anti-dilutive.

**8. 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 nine-month period. 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 was a loss of \$43,059 at June 30, 2007 and a gain of \$8,122 at March 31, 2008. The Company, as of March 31, 2008, had approximately \$714,000 in assets and \$429,000 in net assets located in the Peoples Republic of China ( PRC ). New equipment was purchased for the PRC plant and equipment was transferred from Orlando to PRC. Intellectual property was valued in the transferred asset basis in PRC.

**9. Securities Offering**

In July 2007 the Company raised gross proceeds of approximately \$3,200,000 by way of the sale of newly issued common stock and warrants to certain institutional and private investors. Professional fees of \$229,500 were paid to Montauk Securities for its role as exclusive placement agent and financial advisor, an attorney and escrow agent fees, netting the proceeds to the Company of \$2,978,500. 800,000 shares of common stock were sold at \$4.00 per share. The investors along with Montauk Securities and its principals also received warrants which vest 100% on January 26, 2008 and can be exercised through January 26, 2013 for the future purchase of 320,000 shares of the Company's common stock at \$5.50 per share. If all of the warrants are ultimately exercised an additional \$1,680,000 will be raised.

On September 24, 2007, the Company received a letter from one of the investors that purchased \$500,000 of common stock issued in the offering demanding rescission of their investment and reimbursement of the investor for its expenses incurred in connection with transaction. The demand was based on the investor's allegations that the Company failed to disclose facts material to the investor in making its investment decision, for example alleged omissions relating to the termination of the employment of Kenneth J. Brizel, the Company's then Chief Executive Officer and the Company's financial condition, and breached certain representations and warranties set forth in the Securities Purchase Agreement executed with respect to the transaction. The Company believes there is no merit for the investor's claims and have responded to the investor rejecting the demand.



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On October 24, 2007, the Company was served with a complaint filed by the investor against the Company, Mr. Brizel, and Mr. Ripp, the Company's Chairman, in the United States District Court for the Southern District of New York. In the complaint, the investor is seeking, among other things, rescission of its purchase and the return of its \$500,000 investment, as well as reimbursement of its expenses incurred in connection with its investment. On January 31, 2008, after the Company filed a motion to dismiss the original complaint, the investor filed an amended complaint making substantially the same allegations and seeking the same relief. The Company believes there is no merit to the investor's claims and intends to vigorously defend against this litigation.

A Registration Statement on Form S-3 was filed with the Securities and Exchange Commission to register under the Securities Act of 1933 the shares sold in this private placement including the shares issuable upon exercise of the warrants. This registration statement was declared effective on October 31, 2007.

### **10. Chief Executive Officer**

Effective as of September 18, 2007, Mr. Kenneth Brizel's employment with the Company terminated. Mr. Brizel was the President and Chief Executive Officer. On such date, Mr. Brizel resigned as a director of the Company and its Shanghai subsidiary. As of September 18, 2007 Mr. Brizel's employment agreement with the Company was amended to stipulate that his employment had been terminated by the Company other than for Cause and, accordingly, Mr. Brizel will be entitled to receive severance in the amount of \$286,000 to be paid over the next year pursuant to the terms of his employment agreement. Accrued severance and related benefits related to the termination was \$181,942 as of March 31, 2008.

On January 16, 2008, Mr. James Gaynor, the Company's former Corporate Vice President of Operations, was appointed as Chief Executive Officer by the Company's Board of Directors. Mr. Gaynor has served as the Company's Corporate Vice President Operations since July 2006. Mr. Gaynor had served as the Company's interim Chief Executive Officer since September 18, 2007. As of the date of the filing of this report, Mr. Gaynor's compensation, equity award or other benefit arrangements with the Company have not been modified from those existing prior to his appointment as Chief Executive Officer, except that his annual base salary was increased to \$225,000 effective February 1, 2008.

### **11. Lease Amendment**

Due to the transfer of manufacturing for over 80% of our production requirements for our precision molded optic line to our facility in China, our space needs in our headquarters and manufacturing facility in Orlando, Florida were reduced from approximately 41,063 square feet to approximately 21,557 square feet. The Third Amendment to the Orlando manufacturing lease, effective December 1, 2007, reflects a reduction in leased space and related rental obligations. The lease term was extended from November 30, 2008, to December 31, 2014, and minimum rental rates for the extension term were established based on annual increases of three percent. Additionally, there are two 3-year extension options exercisable by the Company. The minimum rental rates for such additional extension options will be determined at the time an option is exercised and will be based on a fair market rental rate as determined in accordance with the Third Amendment. The lease amendment required the payment of a lease termination fee of \$150,000, which was paid in three installments in December 2007, January 2008 and February 2008 and expensed in the second fiscal quarter of 2008.

### **12. Joint Venture**

On January 7, 2008, LightPath Technologies, Inc. entered into a joint venture contract with CDGM Glass Co., Ltd. (CDGM). The Company and CDGM will each own a 50% interest in the joint venture which will be organized under the laws of the Peoples Republic of China under the name LightPath CDGM Chengdu Optical Co., Ltd. The joint venture will operate from Chengdu, Peoples Republic of China.

The initial business purpose of the joint venture is to develop, mold, and manufacture aspheric lenses with a diameter of less than 20mm for high volume visible imaging applications for cell phones, digital cameras and video

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equipment. The joint venture may also assemble modules that will include the lenses for such applications. The joint venture will sell and distribute its products in China and international markets and will provide technical and post-sale services.

The joint venture contract and establishment of the joint venture is subject to governmental approval in Chengdu, China. Subject to the parties meeting the capital investment requirements of the joint venture contract as described below, the joint venture will be established and commence operations upon satisfaction of all licensing requirements and the Chengdu Municipal Administration Bureau for Industry and Commerce has issued a business license for the joint venture.

LightPath intends to consolidate the joint venture for financial statement purposes since LightPath has the right to appoint a majority of the members to the board of directors and CDGM does not have substantive participating rights.

Material terms of the joint venture contract are as follows:

(a) The Company and CDGM will each make initial capital contributions to the joint venture equivalent to five million U.S. dollars. The joint venture contract provides that, if the parties agree, each party will make a future investment of the equivalent of five million U.S. dollars for the purpose of expanding the production capacity of the joint venture.

(b) The Company has agreed to produce and sell to the joint venture Viper lens molding presses at an aggregate sales price of approximately \$4,530,000 which will be utilized for the manufacture of the joint venture's products.

(c) The Company has agreed to license certain of its technology to the joint venture so that the joint venture can manufacture molded aspheric glass visible imaging lenses. It is intended that the term of the license be co-terminus with the joint venture agreement. The Company will receive from the joint venture a royalty payable semi-annually in the amount of three percent of the joint venture's net sales, as defined in the joint venture contract. The terms of the license will be set forth more fully in a Technology License Agreement to be executed by the Company and the joint venture.

(d) CDGM has agreed to supply to the joint venture such preform molded glass pieces as the joint venture orders to manufacture its products. The price for preforms supplied by CDGM will be 90% of the market value of such Preforms. The terms under which CDGM shall supply preforms to the joint venture will be set forth more fully in a Supply Agreement to be executed by the Company and the joint venture.

(e) The joint venture will be governed by a board of directors consisting of five members, of which the Company will appoint three. Resolutions of the board of directors are adopted by majority vote; however certain decisions specified in the joint venture contract require that such majority include the vote of a member appointed by the Company and a member appointed by CDGM.

(f) The Company has the right to recommend to the board of directors the person to serve as the general manager of the joint venture. Provided that the person who the Company recommends to serve as the general manager meets the criteria to be established for such appointment, the board of directors will appoint the recommended person. The Company's executive vice president, Joe Wu, will be the initial general manager of the joint venture. The general manager is responsible for the day-to-day operations and management of the joint venture.

(g) Commencing on the date that the initial capital contributions are made and continuing through the second year following the termination of the joint venture contract, the Company is restricted from engaging and cooperating with any other company to engage in any business that is competitive with the joint venture's business in the visible imaging market for digital and video cameras, cell phones and DVD after the first investment transferring date.

(h) The joint venture will have an initial term of 10 years from the date the business license is issued to the joint venture by the Chengdu Municipal Administration Bureau for Industry and Commerce. Subject to governmental approval, the term of the joint venture can be extended by mutual agreement of the parties not earlier than two years or later than nine months prior to the expiration of the initial term.

### **13. Amendment of Rights Agreement**

The Company and Continental Stock Transfer & Trust Company (Continental) are parties to a certain Rights Agreement dated May 1, 1998 (the Rights Agreement). The Rights Agreement describes the terms of certain rights attendant to each share of the Company's Class A Common Stock. Generally, the Rights Agreement provides that the registered holder of a share of Common Stock is entitled to purchase from the Company one one-hundredth of a share of Series D Participating





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Preferred Stock, \$.10 par value, at a purchase price of \$35, subject to adjustment, upon the occurrence of certain events described in the Rights Agreement. Pursuant to the terms of the Rights Agreement, such rights and the Agreement were to expire on February 25, 2008.

On February 25, 2008, the Company's Board of Directors determined to extend the Final Expiration Date (as defined in the Rights Agreement) from February 25, 2008 to February 25, 2018, pursuant to Section 26 of the Rights Agreement. In connection therewith, the Company and Continental entered into that certain First Amendment to Rights Agreement, dated as of February 25, 2008, whereby the Final Expiration Date was extended to February 25, 2018.

### **14. Sale of Gradium Product Line**

The Company announced a non binding letter of intent was signed with ThorLabs, Inc., a major optics company, to sell certain patents, equipment and inventory associated with the GRADIUM® product line for \$1 million cash. We will continue to have the right to sell the GRADIUM® products to our customer base. ThorLabs will take over the manufacturing of the GRADIUM® products and maintain an inventory to support our sales efforts. The transaction is subject to completion of due diligence and the negotiation of a purchase agreement, but is expected to close in May 2008. The sale of this non-strategic specialty line is another action that will allow us to focus our resources on the execution of our business strategy. Our strategy is to manufacture higher volume, lower cost products targeting imaging applications, industrial laser applications and infrared applications.

### **15. Accounts Receivable Financing**

On May 8, 2008, the Company entered into a receivables purchase and security agreement with LSQ Funding Group, LC. ( LSQ ). The agreement provides a \$600,000 line of credit, with all accounts receivable invoices serving as collateral. Certain domestic customers have been identified to participate in this program. The agreement is for a six-month term, with an option to renew for additional six-month periods. During the course of the six months it is expected that \$1,000,000 will be funded. The Company will present accounts receivable invoices and receive 85% of the invoice balance immediately. Interest is set at prime plus two percent. A 2.5% discount fee will be charged upon the funding of each invoice. Invoices sold to LSQ which remain outstanding over ninety days past the due date are required to be re-purchased. Once the sold invoice is paid to LSQ the 15% reserve is transferred to the Company. The agreement may be terminated within the notice period. If beyond the notice period or if \$1,000,000 have not been financed through the line of credit a termination fee is due. If the notice period is not meet a new six-month period will be established. The termination fee is equal to 2.5% of the funds not financed during the six-month period.

**Table of Contents****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 March 31, 2008 (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.*

**Overview**

*Historical:* We are in the business of supplying users with glass lenses and other specialty optical products, that have applications in a number of different industries. Due to the emergence of optical technologies in communications, networking and data storage products in the late 1990 s, there was a significant surge in demand for our products, particularly in the period represented by our fiscal 1999-2001 years. During this period, our annual revenues increased from less than \$2 million in sales to approximately \$25 million due to both acquisitions (to add glass lens production capacity and market presence, and isolators to our existing line of collimators and proprietary glass lenses) and organic product line growth.

During fiscal 2002, optical component markets experienced a severe downturn that resulted in a significant decline in the demand for our products. By fiscal 2003, our sales had contracted to just under \$7 million. The business infrastructure was too large and diverse to support a business of this reduced size and a decision was made in late fiscal 2002 and implemented during fiscal 2003 to close our isolator production facility in California and our headquarters and collimator and lens production facility in New Mexico. Our manufacturing and production equipment from these locations was consolidated in our headquarters and manufacturing facility in Orlando, Florida and until November 2005 all of the aforementioned products were manufactured there. The consolidation was completed by June 30, 2003, resulting in a significant reduction in net cash use by the business.

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 17,000 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. Approximately 83% of the Company's precision molded lenses produced in the fiscal quarter ended March 31, 2008 were manufactured in LPOI's Shanghai facility. We have increased the capacity of the Shanghai facility by increasing capital equipment and the number of Shanghai employees. We have added sales staff in Shanghai and continue our efforts to penetrate the market to supply larger volume, lower cost lenses.

On January 7, 2008, LightPath entered into a joint venture contract with CDGM Glass Co., Ltd. ( CDGM ). The Company and CDGM will each own 50% interest in the joint venture which will be organized under the laws of the Peoples Republic of China under the name LightPath CDGM Chengdu Optical Co., Ltd. . The joint venture will operate from Chengdu, Peoples Republic of China. The initial business purpose of the joint venture is to develop, mold, and manufacture aspheric lenses with a diameter of less than 20mm for high volume visible imaging applications for cell phones, digital cameras and video equipment. The joint venture may also assemble modules that will include the lenses for such applications. The joint venture will sell and distribute its products in China and international markets and will provide technical and post-sale services. The joint venture contract and establishment of the joint venture is subject to government approval in Chengdu, China. Subject to the parties meeting the capital investment requirements of the joint venture contract, the joint venture will be established and commence operations upon satisfaction of all licensing requirements and the Chengdu Municipal Administration Bureau for Industry and Commerce has issued a business license for the joint venture.

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We execute all foreign sales and intercompany transactions in U.S. dollars, mitigating the impact of foreign currency fluctuations. Assets and liabilities denominated in non-U.S. currencies, primarily Chinese RMB, 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 nine-month periods. During the nine months ended March 31, 2008 and 2007 we incurred a \$51,181 gain and a de-minimus loss on foreign currency, respectively.

*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 at the cost of lower 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.

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. The Company announced a non binding letter of intent was signed with ThorLabs, Inc., a major optics company, to sell certain patents, equipment and inventory associated with the GRADIUM® product line for \$1 million cash. We will continue to have the right to sell the GRADIUM® products to our customer base. See Note 14.

### *Our key indicators:*

**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. It has a quantitative and a qualitative aspect: quantitatively, our backlog's prospective dollar value and qualitatively, what percent of the backlog is scheduled by the customer for date-certain delivery. We define our disclosure 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. At June 30, 2007 our disclosure backlog was approximately \$1.8 million.

At March 31, 2008, our disclosure backlog had increased to \$3.1 million, as a result of booking of new orders. Our recent bookings activity has showed a continuing slow down in orders from our telecommunications customers, which have extended requested ship dates and are not placing new orders. The slowdown in new orders from our telecommunications customers is expected to continue through the year ending June 30, 2008, and potentially beyond, based on the level and timing of booked orders. We are beginning to see the results of our efforts to enter the high volume lower cost commercial markets with orders for laser tools now in our backlog. Also, we have increased quote activity for our Black Diamond and collimator product lines. With the continuing diversification of our backlog and the smaller percentage of telecom business in our backlog we expect to show increases in revenue starting with the fiscal fourth quarter 2008. Bookings have increased for our industrial and distribution and defense customers.

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**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. At March 31, 2008, our DCSI was 81 compared to 72 at March 31, 2007. The increase in inventory was principally caused by inventory remaining rather level but cost of goods sold decreasing.

**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 days worth of the quarter's net revenues, also known as days sales outstanding, or DSO. It is calculated by dividing the quarters 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. At March 31, 2008, our DSO was 59. At March 31, 2007, our DSO was 59. The DSO is at 59 compared to our 30-day terms due to a higher percentage of sales occurring at the end of the quarter.

**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**

We engage in continuing efforts to keep costs under control as we seek renewed sales growth. Our efforts are directed toward reaching positive cash flow and profitability. If these efforts 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 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 are seeking additional financing, but we have no commitments for any financing at this time. On May 12, 2008, the Company had a book cash balance of approximately \$179,000.

In the second quarter of fiscal 2005, we entered into a \$75,000 capital equipment lease for equipment to support our molded optics production. On January 11, 2006 we procured a secured line of credit loan in the maximum available principal amount of \$500,000. We drew the maximum available principal amount of \$500,000 under the loan during the first twelve months following the execution of the loan agreement. Effective February 1, 2007, the loan was converted into a term loan which shall be amortized over thirty-six (36) month period beginning February 1, 2007. The \$500,000 principal amount outstanding as of February 1, 2007, is payable in equal monthly installments along with accrued interest thereon. The loan balances was approximately \$319,000 at March 31, 2008.

If additional capital expenditures are required, we may seek similar capital equipment lease or other debt financing, however, it is uncertain whether we would be successful in obtaining any such financing on terms acceptable to us.

In July 2007 we raised gross proceeds of approximately \$3,200,000 by way of the sale of newly issued common stock and warrants to certain institutional and private investors. Professional fees of \$229,500 were paid to Montauk Securities for its

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role as exclusive placement agent and financial advisor, an attorney and escrow agent fees, netting the proceeds to the Company of \$2,978,544. 800,000 shares of common stock were sold at \$4.00 per share. The investors along with Montauk Securities and its principals, the placement agent, also received warrants which vest 100% on January 26, 2008 and can be exercised through January 26, 2013 for the future purchase of 320,000 shares of our common stock at \$5.50 per share. If all of the warrants are ultimately exercised an additional \$1,680,000 will be raised.

On September 24, 2007, the Company received a letter from one of the investors that purchased \$500,000 of common stock issued in the offering demanding rescission of their investment and reimbursement the investor for its expenses incurred in connection with transaction. The demand was based on the investor's allegations that we failed to disclose facts material to the investor in making its investment decision, for example alleged omissions relating to the termination of the employment of Kenneth J. Brizel, our then Chief Executive Officer and our financial condition, and breached certain representations and warranties set forth in the Securities Purchase Agreement executed with respect to the transaction. We believe there is no merit for the investor's claims and have responded to the investor rejecting the demand.

On October 24, 2007, we were served with a complaint filed by the investor against the Company, Mr. Brizel, and Mr. Ripp, our Chairman, in the United States District Court for the Southern District of New York. In the complaint, the investor is seeking, among other things, rescission of its purchase and the return of its \$500,000 investment, as well as reimbursement of its expenses incurred in connection with its investment. On January 31, 2008, after we filed a motion to dismiss the original complaint, the investor filed an amended complaint making substantially the same allegations and seeking the same relief. We believe there is no merit to the investor's claims and intends to vigorously defend against this litigation.

Further improvement in cash flow, initially meaning a reduction in cash use, is expected to be primarily a function of sales increases and, to some extent, margin improvements. Sales increases are expected to be the most important source of future reductions in operating cash outflow. Focused efforts are underway to penetrate new industrial and military optics. In support of these efforts, the Company is engaged in new product development and customer prospecting for these markets. Recent sales efforts in the quarter ended December 31, 2007, have included expanded advertising and increased presence at appropriate trade shows. Although we believe that cash flows from operations will improve in the future based upon anticipated increases in sales and further cost reductions, it is anticipated that cash flows from operations will continue to be negative through the end of third quarter of fiscal 2009.

We announced a non binding letter of intent was signed with ThorLabs, Inc., a major optics company, to sell certain patents, equipment and inventory associated with the GRADIUM® product line for \$1 million cash. We will continue to have the right to sell the GRADIUM® products to our customer base. ThorLabs will take over the manufacturing of the GRADIUM® products and maintain an inventory to support our sales efforts. The transaction is subject to completion of due diligence and the negotiation of a purchase agreement, but is expected to close in May 2008. The sale of this non-strategic specialty line is another action that will allow us to focus our resources on the execution of our business strategy to manufacture higher volume, lower cost products targeting imaging applications, industrial laser applications and infrared applications.

Our fiscal 2008 operating plan and related financial projections were based upon flat sales levels, improved margins based on production efficiencies and reductions in materials cost, overhead and administrative expenditures. During the first three quarters of fiscal 2008, we have begun to reduce our overhead and administrative expenditures and our production costs. Actual revenue for fiscal 2008 to date has not met our planned revenue due to continuing slowdown in the telecommunications market and competitive pricing pressures. We believe these factors will continue to affect our performance in future quarters.

During the nine months ending March 31, 2008, we used approximately \$3,118,000 of cash for operating activities. At March 31, 2008, we had a cash and cash equivalent balance of approximately \$420,000.

On May 8, 2008, we entered into a receivables purchase and security agreement with LSQ Funding Group, LC. ( LSQ ). The agreement provides a \$600,000 line of credit, with all accounts receivable invoices serving as collateral. Certain domestic customers have been identified to participate in this program. The agreement is for a six-month term, with an option to renew for additional six-month periods. During the course of the initial six month term it is expected that \$1,000,000 will be funded. We will present accounts receivable invoices and receive 85% of the invoice balance

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immediately. Interest is set at prime plus two percent. A 2.5% discount fee will be charged upon the funding of each invoice. Invoices sold to LSQ which remain outstanding over ninety days past the due date are required to be re-purchased. Once the sold invoice is paid to LSQ the 15% reserve is transferred to the Company. The agreement may be terminated within the notice period. If beyond the notice period or if \$1,000,000 have not been financed through the line of credit a termination fee is due. If the notice period is not met a new six-month period will be established. The termination fee is equal to 2.5% of the funds not financed during the six-month period.

For the nine months ended March 31, 2008, cash decreased by approximately \$3,850,000, excluding the private placement proceeds we received in July 2007, compared to a decrease of approximately \$1,881,000 in the same period of the prior fiscal year. The decrease in cash in both periods was primarily related to the funding of the net loss for the period, capital expenditures and payments to vendors. We invested \$240,000 for capital equipment for the joint venture which will have a long production lead time, \$148,000 for legal fees for representation related to the CDGM joint venture and the Harborview litigation, and severance expenses of \$180,000 for work force reductions implemented in the first, second and third quarters of fiscal year 2008.

In connection with the CDGM joint venture, the Company is required to fund an initial cash investment of \$5 million. In addition, the Company will require working capital in order to fund the costs to manufacture certain lens presses which the Company will sell to the joint venture. We are currently considering the options that might be available to procure the financing necessary to the Company's capital investment obligations and working capital requirements related to the joint venture. There can be no assurance that we will be able to obtain the necessary funds to meet our \$5 million equity obligation or the additional working capital needs that our participation in the joint venture will require. If we are unable to procure financing to allow us to fund our initial capital investment in the joint venture equity obligation, it is anticipated the CDGM would terminate the joint venture contract. If the joint venture were to terminate either as a result of our failure to fund our required capital investment or for any other reason, it would be our intention to pursue through our Shanghai operation the high volume, low cost imaging markets that the joint venture was formed to penetrate. If we did pursue those markets other than through the joint venture, we believe that penetration of such markets would take a significantly longer period of time and substantially more capital.

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 and increases in other discretionary spending, particularly sales and marketing costs.

**Sources and Uses of Cash**

Currently, our sources of cash are our limited cash reserves and the cash generated from the collection of receivables after invoicing customers for product shipments. We do not currently have any availability for borrowing under our equipment lease or other loan facility and we do not currently have any commitment from any party to provide any other financing to the Company.

Our uses of cash are primarily payments to vendors for materials and services purchased, payments to employees for wages and compensation, payments to providers of employee benefits, rent, utilities and payments on our debt obligations. Periodically, however, we do make expenditures for capital goods. As a result of the CDGM joint venture and our continued efforts to expand and transition our business, it is anticipated that our cash requirements will significantly increase through the rest of fiscal 2008. Since 2001 we have experienced negative cash flow or net use of cash. This net use of cash has recently been met by drawing down on our cash and cash equivalent balances and raising additional funds through the sale of stock such as our private placement offerings in 2007, 2006, 2005 and 2004.

In the future, we may be required to replenish cash and cash equivalent balances through the sale of equity securities or by obtaining debt. There can be no assurances that such 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 in terms of having limited cash resources with which to continue our operations as currently conducted or to pursue new business opportunities. Unless we are able to expand our cash resources over the next quarter, we will be unable to sustain its business transition and growth plan and may be unable to maintain its current levels of business. Either of these outcomes would materially and adversely affect our results of operations, financial performance and stock price. Management believes the Company has sufficient cash to fund operations for the next three months, exclusive of any cash investment or working capital requirements related to the

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CDGM joint venture. We are reviewing our options to obtain additional financing to fund our existing operations as well as certain new investments that will allow the Company to continue operations, the transition of its business model and strategy, and its future growth. However, there can be no assurance that we will be able to obtain the necessary financing to allow the Company to accomplish any of the foregoing or, if such financing is available, that the terms of such financing will be acceptable.

**Off Balance Sheet Arrangements**

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

**Contractual Obligations**

(dollars in 000 s)

|                           | Payments due by period |                     |           |           |                  | Comments                                |
|---------------------------|------------------------|---------------------|-----------|-----------|------------------|---|
|                           | Total                  | Less than<br>1 year | 1-3 years | 4-5 years | After 5<br>years |   |
| Operating lease           | \$ 2,968               | \$ 317              | \$ 832    | \$ 885    | \$ 934           | Real estate lease with monthly payments |
| Capital lease             | 28                     | 18                  | 10        |           |                  | Equipment lease with monthly payments   |
| Note payable              | 320                    | 167                 | 153       |           |                  | Equipment financing line of credit      |
| Open purchase obligations | 345                    | 345                 |           |           |                  | Current purchase orders outstanding     |
|                           | \$ 3,661               | \$ 847              | \$ 995    | \$ 885    | \$ 934           |   |

**Results of Operations**

*Fiscal Third Quarter: Three months ended March 31, 2008 compared to the three months ended March 31, 2007*

**Revenues:**

For the quarter ended March 31, 2008, we reported total revenues of \$2.1 million compared to \$2.9 million for the third quarter of last fiscal year, a decrease of 27% and an increase of approximately \$93,000, or 5%, compared to second quarter of fiscal 2008 revenue of \$2.0 million. The decrease from the third quarter of last year was primarily attributable to lower sales volumes of molded optics products, gradium and isolators. Our sales to customers in the telecommunications industry decreased by \$952,000 compared to the quarter ended March 31, 2007.

**Cost of Sales:**

Our gross margin percentage in the third quarter of fiscal 2008 compared to third quarter fiscal 2007 decreased to 20% from 25%. Total manufacturing cost of \$1.7 million was \$0.5 million lower in the third quarter of fiscal 2008 compared to the same period of the prior fiscal year. Direct costs, which include material, labor and services, were 24% of revenue in the third quarter of fiscal 2008 compared to 47% of revenue in the third quarter of fiscal 2007. We have continued to improve our direct costs as a result of the cost reduction programs we are implementing. During the third quarter of fiscal year 2008, 83% of our precision molded optics were produced at our Shanghai facility. Material costs are improving with the use of in-house built holders, which are used to hold molded glass lenses for some applications, the conversion to lower cost glass preforms and improved production yields in both Shanghai and Orlando.

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The most significant impact on the gross margin decline is lower revenue from the sales of molded optics, collimator and isolator products which were not adequate to absorb their related direct costs and overhead costs.



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**Table of Contents****Selling, General and Administrative:**

During the third quarter of fiscal 2008, selling, general and administrative ( SG&A ) costs were approximately \$1.3 million, which was an increase of approximately \$327,000 compared to SG&A costs for the third quarter of fiscal 2007. We had some non-recurring expenses for legal services due to the pending litigation and the formation of the CDGM joint venture of \$120,000 and \$30,000 of rent for temporary space during the transition to our smaller Orlando facility. Besides the non-recurring legal expenses for the joint venture and the Harborview litigation, legal fees were up \$44,000 from the fiscal third quarter of 2007. A new advertising campaign increased fees \$18,000 from last fiscal third quarter. Bad debt expense increased \$89,000 from last fiscal quarter. We intend to maintain SG&A costs generally at current levels, but we are considering adding to our sales force in China while continuing to seek additional cost reductions opportunities. For example, in December 2007, we renegotiated the lease for our Orlando, Florida headquarters and manufacturing facility to reduce the space leased from approximately 40,000 square feet to approximately 21,000 square feet resulting in an annual rental cost (SG&A) savings of approximately \$150,000, or \$38,000 during the third quarter of fiscal 2008 compared to the same quarter in fiscal 2007. The lease amendment extended the lease for six more years through December 2014. The lease amendment required the payment of a lease termination fee of \$150,000 which was expensed in the second fiscal quarter of 2008 and paid over three installments in December, January and February.

**New Product Development:**

New product development costs increased by approximately \$19,000 to approximately \$308,000 in the third quarter of fiscal 2008 versus \$289,000 in the third quarter of fiscal 2007 due to increased engineering staff and the establishment of the Shanghai design center. We anticipated a minor increase this fiscal year in product development staffing levels as we worked to meet the increased volume of specific customer design requests for our products which, in turn, we anticipate will lead to additional sales to new and existing customers.

**Amortization of Intangibles:**

Amortization expense from intangibles remained the same at approximately \$8,000 per quarter in both the third fiscal quarter of 2008 and 2007.

**Other Income (Expense):**

Interest expense was approximately \$19,000 in the third quarter of fiscal 2008 versus interest expense of \$11,000 in the third quarter of fiscal 2007. The interest is attributable to our \$500,000 line of credit loan that was converted into a three-year term loan effective February 1, 2007 and our capital equipment lease. Other income was approximately \$12,000 in the third quarters of both fiscal 2008 fiscal 2007.

**Net Loss:**

As a result of the foregoing, net loss was approximately \$1.2 million or \$0.22 basic and diluted per share during the third quarter of fiscal 2008, compared with the third quarter of fiscal 2007, in which we reported a net loss of \$520,000 or \$0.12 basic and diluted per share. This represents an \$670,000 increase in net loss. Weighted-average shares outstanding increased in the third quarter of fiscal 2008 compared to the third quarter in fiscal 2007 primarily due to the sale of 800,000 shares to private investors in the first quarter of fiscal 2008.

***Fiscal Nine Months: Nine months ended March 31, 2008 compared to the nine months ended March 31, 2007*****Revenues:**

For the nine months ended March 31, 2008, we reported total revenues of \$6.4 million compared to \$11.1 million for the first nine months of last fiscal year, a decrease of 42%. The decrease was primarily attributed to lower sales volumes of molded optics products and isolators. Our sales to customers in the telecommunications industry decreased by \$4.7million compared to the nine months ended March 31, 2007, and we expect that sales to our telecommunications customers will continue to decrease or remain at these lower levels for the foreseeable future.

**Cost of Sales:**

Our gross margin percentage in the first nine months of fiscal 2008 compared to first nine months of fiscal 2007 decreased to 10% from 27%. Total manufacturing cost of \$5.8 million was \$2.3 million lower in the first nine months of fiscal 2008 compared to the same period of the prior fiscal year. Direct costs, which include material, labor and services, were 28% of



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revenue in the first nine months of fiscal 2008 compared to 42% of revenue in the first nine months of fiscal 2007. We have continued to improve our direct costs as a result of the cost reduction programs we are implementing. During the first nine months quarter of fiscal year 2008, 81% of our precision molded optics were produced at our Shanghai facility. Material costs are improving with the use of in-house built holders, the conversion to lower cost glass preforms and improved production yields in both Shanghai and Orlando.

Precision molded optics margins were impacted by a \$374,000 adjustment in December 2007 for re-valuation of inventory as a result of adjustments to our standard costs to reflect our lower current manufacturing costs. We evaluated our products for primary location of manufacturing and adjusted the standards accordingly. We also adjusted standards for holders downward to reflect that they are now manufactured in-house rather than purchased. All raw material purchases were evaluated for appropriate standard costs and adjusted accordingly.

The most significant impact on the gross margin decline is due to lower revenue from the sales of molded optics, collimator and isolator products which were not adequate to absorb their related direct costs and overhead costs.

### **Selling, General and Administrative:**

During the first nine months of fiscal 2008, SG&A were approximately \$4.1 million, which was an increase of approximately \$559,000 compared to \$3.5 million in the first nine months of fiscal 2007. This increase was due to an accrual for severance costs owed to our former CEO which were partially offset by lower commissions (due to lower sales), higher legal fees for our pending litigation and the startup up of our CDGM joint venture, and lower accounting fees. We intend to maintain SG&A costs generally at current levels, but we are considering adding to our sales force in China while continuing to seek additional cost reductions opportunities. For example, in December 2007, we renegotiated the lease for our Orlando, Florida headquarters and manufacturing facility to reduce the space leased from approximately 40,000 square feet to approximately 21,000 square feet resulting in an annual rental cost (SG&A) savings of approximately \$150,000. The lease amendment extended the lease for six more years through December 2014. The lease amendment required the payment of a lease termination fee of \$150,000 which was expensed in the second quarter of fiscal 2008 and paid over three installments in December, January and February.

### **New Product Development:**

New product development costs increased by approximately \$93,000 to approximately \$924,000 in the first nine months of fiscal 2008 versus \$831,000 in the first nine months of fiscal 2007 to wages due to increased engineering staff in both Orlando and Shanghai. During fiscal 2008 we established a design center in Shanghai. We anticipate keeping new product development expenses flat for the remainder of this fiscal year.

### **Amortization of Intangibles:**

Amortization expense from intangibles remained the same at approximately \$25,000 per nine months in both fiscal 2008 and 2007.

### **Other Income (Expense):**

Interest expense was approximately \$48,000 in the first nine months of fiscal 2008 versus interest expense of \$34,000 in the first nine months of fiscal 2007. The interest expense is attributable to our \$500,000 line of credit that was converted to a three-year term loan effective February 1, 2007. Other income was approximately \$74,000 in the first nine months of fiscal 2008 versus other income of \$79,000 in the first nine months of fiscal 2007. This decrease was due to lower interest income resulting from the Company's maintenance of lower cash deposit balances.

### **Net Loss:**

As a result of the foregoing, net loss was approximately \$4.3 million or \$0.81 basic and diluted per share during the first nine months of fiscal 2008, compared with the first nine months of fiscal 2007, in which we reported a net loss of \$1.3 million or \$0.29 basic and diluted per share. This represents an \$2.9 million increase in net loss. Weighted-average shares outstanding increased in the first nine months of fiscal 2008 compared to the first nine months in fiscal 2007 primarily due to the sale of 800,000 shares to private investors in the first quarter of fiscal 2008.

**Table of Contents****Critical Accounting Policies and Estimates**

Management's discussion and analysis of our financial condition and results of operations are based upon LightPath's condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, intangibles, accounts receivable, inventory reserves, valuation of deferred taxes, and valuation of compensation expense on stock-based awards. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates given a change in conditions or assumptions that have been consistently applied.

Management has discussed the selection of critical accounting policies and estimates with our Board of Directors, and the Board of Directors has reviewed our disclosure relating to critical accounting policies and estimates in our annual report on Form 10-K for the year ended June 30, 2007. The critical accounting policies used by management and the methodology for its estimates and assumptions are as follows:

*Revenue recognition.* We recognize revenue upon shipment of the product provided that persuasive evidence of a final agreement exists, title has transferred, the selling price is fixed and determinable, and collectibility is reasonably assured.

*Inventory valuation.* We regularly assess the valuation of inventories and write down those inventories that are obsolete or in excess of forecasted usage to estimated net realizable value. Estimates of realizable value are based upon our analyses and assumptions, including, but not limited to, forecasted sales levels by product, expected product lifecycle, product development plans and future demand requirements. If market conditions are less favorable than our forecast or actual demand from customers is lower than our estimates, we may be required to record additional inventory write-downs. If demand is higher than expected, we may be able to use or sell inventories that have previously been written down.

*Long-Lived Assets.* We evaluate the carrying value of long-lived assets, including property and equipment, whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. Such events or circumstances include, but are not limited to, a prolonged industry downturn, a significant decline in our market value, or significant reductions in projected future cash flows. If facts and circumstances warrant such a review, a long-lived asset would be impaired if future undiscounted cash flows, without consideration of interest, are insufficient to recover the carrying amount of the long-lived asset. Once deemed impaired, the long-lived asset is written down to its fair value which could be considerably less than the carrying amount or future undiscounted cash flows. The determination of future cash flows and, if required, fair value of a long-lived asset is, by its nature, a highly subjective judgment. Fair value is generally determined by calculating the discounted future cash flows using a discount rate based upon our weighted-average cost of capital. Significant judgments and assumptions are required in the forecast of future operating results used in the preparation of the estimated future cash flows, including long-term forecasts of the amounts and timing of overall market growth and our percentage of that market, groupings of assets, discount rate and terminal growth rates. Changes in these estimates could have a material adverse effect on the assessment of property and equipment, thereby requiring us to write down the assets.

*Allowance for Bad Debts.* We review our outstanding accounts receivable regularly for collectibility. Amounts that are greater than ninety days past due are reserved at 100%. Also 10% of amounts more than sixty days past due are reserved.

*Fair value of compensation expense under FAS 123R.* Under SFAS 123R, stock-based compensation cost 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. The Company elected to use the modified prospective method for adoption, which requires compensation expense to be recorded for all unvested stock options and restricted shares beginning in the first quarter of adoption. For all unvested options outstanding as of July 1, 2005, and subsequently granted options, the previously measured but unrecognized compensation expense, based on the fair value at the original grant date, will be recognized on a straight-line basis in the Consolidated Statements of Operations over the remaining vesting period. We estimate the fair value of each stock option as of the date of grant. We use the Black-Scholes 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 calculated using the simplified method. 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 likely then the compensation expense will be amortized over the remaining vesting period.

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*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.

We adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ( FIN 48 ), on July 1, 2007. We have not recognized a liability as a result of the implementation of FIN 48. A reconciliation of the beginning and ending amount of unrecognized tax benefits has not been provided since there is no unrecognized benefit as of the date of adoption. We have not recognized interest expense or penalties as a result of the implementation of FIN 48. If there were an unrecognized tax benefit, we would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

We file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state or local, or non-U.S. income tax examinations by tax authorities for years before 2003.

*Recent Accounting Pronouncements*

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of SFAS 157, if any, on its consolidated financial position and results of operations.

In February 2008, the FASB issued FASB Staff Position 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 ( FSP 157-1 ). FSP 157-1 amends SFAS 157 to remove certain leasing transactions from its scope. In addition, on February 12, 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157, which amends SFAS 157 by delaying its effective date by one year for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This pronouncement was effective upon issuance. On July 1, 2009, SFAS 157 will be applied to all other fair value measurements for which the application was deferred under FSP 157-2. The Company is currently evaluating the impact SFAS 157 will have in relation to non-financial assets and liabilities on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, ( SFAS 159 ). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. Management is currently evaluating the effect, if any, the adoption of SFAS 159 will have on our financial statements, results of operations and cash flows.

In June 2007, the FASB ratified EITF Issue No. 07-03, Accounting for Nonrefundable Advance Payments for Goods and Services Received for Use in Future Research and Development Activities. EITF 07-03 requires companies to defer nonrefundable advance payments for goods and services and to expense that advance payment as the goods are delivered or services are rendered. If the company does not expect to have the goods delivered or services performed, the advance should be expensed. EITF 07-03 is effective for fiscal years beginning after December 15, 2007. We are currently evaluating the impact of adopting EITF 07-03 on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 141 (revised), Business Combinations (SFAS No. 141(R)). The standard changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for

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acquisition-related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company is currently evaluating the impact of the pending adoption of FAS 141(R) on its results of operations and financial condition.

In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). This FSP also adds certain disclosures to those already prescribed in SFAS No. 142. FSP No. FAS 142-3 becomes effective for fiscal years, and interim periods within those fiscal years, beginning in the Company's fiscal 2010. The guidance for determining useful lives must be applied prospectively to intangible assets acquired after the effective date. The disclosure requirements must be applied prospectively to all intangible assets recognized as of the effective date.

### **Item 3. Quantitative And Qualitative Disclosures About Market Risk**

We invest a portion of our cash reserves in a money market fund, which invests at least 80% of its net assets in securities issued by the U.S. Treasury and in related repurchase agreements. The money market fund is not protected under the FDIC; however, we have not experienced any losses in these funds. We do not believe that changes in market interest rates of up to 10% in either direction will have any material effect on our results of operations.

### **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 March 31, 2008, 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 not effective as of March 31, 2008 in reporting on a timely basis information required to be disclosed by us in the reports we file or submit under the Exchange Act because of material weaknesses and significant deficiencies relating to internal controls as described in Item 9A of the Company's Form 10-K for the year ended June 30, 2007.

During the fiscal quarter ended March 31, 2008, 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. However, management has concluded that the material weaknesses and significant deficiencies in internal control relating to inventory, accrued liabilities, information technology and financial reporting as described in Item 9A of the Company's Form 10-K for the year ended June 30, 2007, have not been fully remediated. During the quarter ended March 31, 2008, management made progress in remediating certain aspects of the weaknesses and deficiencies reported, specifically in the accrued liabilities consistent with the remediation action plan described in Item 9A of the Company's Form 10-K for the year ended June 30, 2007. Some progress had been made on inventory controls, specifically the review and update of our standard costs. However, other aspects of the weaknesses and deficiencies reported, especially with respect to internal control over inventory, are still in the remediation process and continue to constitute material weaknesses and significant deficiencies. Management is committed to finalizing its remediation action plan and implementing the necessary enhancements to its policies and procedures to fully remediate the material weaknesses and significant deficiencies described above.

## **PART II**

### **Item 1. Legal Proceedings**

In July 2007 the Company raised gross proceeds of approximately \$3,200,000 by way of the sale of newly issued common stock and warrants to certain institutional and private investors. Professional fees of \$229,500 were paid to Montauk Securities for its role as exclusive placement agent and financial advisor, an attorney and escrow agent fees, netting the proceeds to the Company of \$2,978,500. 800,000 shares of common stock were sold at \$4.00 per share. The investors along with Montauk Securities and its principals, the placement agent, also received warrants which vest 100% on January 26, 2008 and can be exercised through January 26, 2013 for the future purchase of 320,000 shares of the Company's common stock at \$5.50 per share. If all of the warrants are ultimately exercised an additional \$1,680,000 will be raised.



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On September 24, 2007, the Company received a letter from Harborview Master Fund, an investor that purchased \$500,000 of common stock issued in the offering demanding rescission of their investment and reimbursement of the investor for its expenses incurred in connection with transaction. The demand was based on the investor's allegations that the Company failed to disclose facts material to the investor in making its investment decision, for example alleged omissions relating to the termination of the employment of Kenneth J. Brizel, the Company's then Chief Executive Officer and the Company's financial condition, and breached certain representations and warranties set forth in the Securities Purchase Agreement executed with respect to the transaction. The Company believes there is no merit for the investor's claims and have responded to the investor rejecting the demand.

On October 24, 2007, the Company was served with a complaint filed by the investor against the Company, Mr. Brizel, and Mr. Ripp, the Company's Chairman, in the United States District Court for the Southern District of New York. In the complaint, the investor is seeking, among other things, rescission of its purchase and the return of its \$500,000 investment, as well as reimbursement of its expenses incurred in connection with its investment. On January 31, 2008, after the Company filed a motion to dismiss the original complaint, the investor filed an amended complaint making substantially the same allegations and seeking the same relief. The Company believes there is no merit to the investor's claims and intends to vigorously defend against this litigation.

The Company from time to time is involved in various legal actions arising in the normal course of business. Management, after reviewing with legal counsel all of these actions and proceedings, believes that the aggregate losses, if any, will not have a material adverse effect on the Company's financial position or results of operations.

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

None.

**Item 3. Default Upon Senior Securities.**

None.

**Item 4. Submission of Matters to Vote of Security Holders.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits**

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

| Exhibit<br>Number | Description   | Notes |
|-------------------|---|-------|
| 3.1.1             | Certificate of Incorporation of Registrant, filed June 15, 1992 with the Secretary of State of Delaware | 1     |



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| <b>Exhibit<br/>Number</b> | <b>Description</b>   | <b>Notes</b> |
|---------------------------|--|--------------|
| 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            |
| 4.0                       | Rights Agreement dated May 1, 1998   | 5            |
| 10.1                      | Directors Compensation Agreement with Amendment for Robert Ripp  | 8            |
| 10.2                      | Amended and Restated Omnibus Incentive Plan  | 9            |
| 10.3                      | Merger Agreement dated April 14, 2000 between Registrant and Horizon Photonics, Inc.   | 10           |
| 10.4                      | Merger Agreement dated August 9, 2000 between Registrant and Geltech, Inc.   | 11           |
| 10.5                      | Loan Agreement dated January 11, 2006 between Registrant and Regenmacher Holdings, Ltd.  | 12           |
| 10.6                      | Assured Supply Agreement dated October 24, 2005 between Registrant and Ball Aerospace & Technologies Corp.   | 12           |
| 10.7                      | Rights Agreement dated as of May 1, 1998, between LightPath Technologies, Inc., and Continental Stock Transfer & Trust Company   | 13           |
| 10.8                      | Securities Purchase Agreement dated as of March 19, 2006, among LightPath Technologies, Inc., and the selling stockholders signatory thereto   | 13           |
| 10.9                      | Registration Rights Agreement dated as of March 19, 2006, among LightPath Technologies, Inc., and the selling stockholders signatory thereto   | 13           |
| 10.10                     | Form of Common Stock Purchase Warrant dated as of March 19, 2006, issued by LightPath Technologies, Inc., to certain selling stockholders  | 13           |
| 10.11                     | Change of Control Agreement dated February 14, 2007, among LightPath Technologies, Inc., and its CEO & President   | 14           |
| 10.12                     | Employee Agreement dated February 14, 2007, among LightPath Technologies, Inc., and its CEO & President  | 14           |
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| 10.14                     | Registration Rights Agreement dated as of July 26, 2007, among LightPath Technologies, Inc., and the selling stockholders signatory thereto  | 15           |
| 10.15                     | Form of Common Stock Purchase Warrant dated as of July 26, 2007, issued by LightPath Technologies, Inc., to certain selling stockholders     | 15           |
| 10.16                     | Amended to Executive Employment Agreement dated as of September 18, 2007, between LightPath Technologies, Inc., and Kenneth Brizel           | 16           |
| 10.17                     | Joint Venture Contract dated January 7, 2008, between CDGM Glass Company, Ltd. and LightPath Technologies, Inc                               | 17           |
| 10.18                     | Form of Technology License Agreement between LightPath Technologies, Inc. and LightPath CDGM Glass Company, Ltd.                             | 17           |
| 10.19                     | Form of Supply Agreement between CDGM Glass Company, Ltd. and LightPath CDGM Glass Company, Ltd.   | 17           |
| 10.20                     | Amended Rights Agreement dated as of February 28, 2008, between LightPath Technologies, Inc., and Continental Stock Transfer & Trust Company | 18           |
| 10.21                     | Receivables Purchase and Security Agreement dated May 8, 2008 between LSQ Funding Group, LC. and LightPath Technologies, Inc.                | 19           |
| 31.1                      | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934                                   | *            |
| 31.2                      | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934                                   | *            |
| 32.1                      | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code              | *            |
| 32.2                      | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code              | *            |

*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.

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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 Registration Statement on Form S-3 (File No: 333-37622) filed with the Securities and Exchange Commission on May 23, 2000 and is incorporated herein by reference thereto.
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  16. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on September 20, 2007, 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 January 17, 2008, and is incorporated herein by reference thereto.
  18. 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.
  19. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2008, and is incorporated herein by reference thereto.
- \* Filed herewith.

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**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: May 15, 2008

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

Date: May 15, 2008

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

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