

LIGHTPATH TECHNOLOGIES INC  
Form 10-K/A  
December 17, 2015

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-K/A**

**Amendment No. 1**

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**(Mark One)**

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

**For the fiscal year ended June 30, 2015**

**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**

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**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)

<http://www.lightpath.com>

**86-0708398**

(I.R.S. Employer Identification No)

**2603 Challenger Tech Court, Suite 100**

**Orlando, Florida 32826**

(Address of principal executive offices, including zip code)

**(407) 382-4003**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

**None**

**None**

(Title of each class) (Name of each exchange on which registered)

**Securities registered pursuant to Section 12(g) of the Act:**

**Class A Common Stock, \$.01 par value**

**Series D Participating Preferred Stock Purchase Rights**

(Title of Class)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES NO

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "non-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 in the Exchange Act).

YES NO

The aggregate market value of the registrant's voting stock held by non-affiliates (based on the closing sale price of the registrant's Common Stock on the NASDAQ Capital Market, and for the purpose of this computation only, on the assumption that all of the registrant's directors and officers as well as two parties filing on Form SC 13-G, are affiliates) was approximately \$8,645,439 as of December 31, 2014.

As of September 14, 2015, the number of shares of the registrant's Class A Common Stock outstanding was 15,239,775.

## **EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-K/A (this “Amendment”) to LightPath Technologies, Inc.’s Annual Report on Form 10-K for the fiscal year ended June 30, 2015, originally filed with the Securities and Exchange Commission on September 22, 2015 (the “Original Filing”), is being filed for the purpose of: (i) including a revised consent from Cross, Fernandez & Riley LLP (“CFR”), which was inadvertently dated as of September 4, 2014 and (ii) including a revised report of CFR, which was inadvertently dated as of September 22, 2015. For purposes of this Amendment, and in accordance with Rule 12b-15 promulgated under the Securities and Exchange Act of 1934, as amended, Item 8 and Item 15 of the Original Filing has been amended and restated in its entirety. Except as described above, no other changes have been made to the Original Filing, and the Amendment does not modify, amend, or update in any way any of the financial or other information contained in the Original Filing. This Amendment does not reflect events that may have occurred subsequent to the filing date of the Original Filing.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, this Amendment also contains new certifications pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, which are filed herewith.

Capitalized terms used but not otherwise defined in this Amendment have the meanings given in the Original Filing.

**Item 8.**

**Financial Statements and Supplementary Data.**

**LightPath Technologies, Inc.**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

LightPath Technologies, Inc.

We have audited the accompanying consolidated balance sheet of LightPath Technologies, Inc., and its subsidiaries (the "Company") as of June 30, 2015, and the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2015, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Orlando, Florida

September 22, 2015

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

LightPath Technologies, Inc.

We have audited the accompanying consolidated balance sheet of LightPath Technologies, Inc., and its subsidiaries (the "Company") as of June 30, 2014, and the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Cross, Fernandez & Riley, LLP

Orlando, Florida

September 4, 2014

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**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Balance Sheets

|   | <b>June 30,<br/>2015</b> | <b>June 30,<br/>2014</b> |
|---|--------------------------|--------------------------|
| <b>Assets</b>   |                          |                          |
| Current assets:   |                          |                          |
| Cash and cash equivalents   | \$1,643,920              | \$1,197,080              |
| Trade accounts receivable, net of allowance of \$6,282 and \$5,801  | 3,048,754                | 2,472,876                |
| Inventories, net  | 3,181,377                | 3,322,983                |
| Other receivables   | 253,880                  | 199,976                  |
| Prepaid expenses and other assets   | 244,075                  | 298,203                  |
| Total current assets  | 8,372,006                | 7,491,118                |
| Property and equipment, net   | 4,275,552                | 3,173,905                |
| Other assets  | 66,964                   | 27,737                   |
| Total assets  | \$12,714,522             | \$10,692,760             |
| Liabilities and Stockholders' Equity  |                          |                          |
| Current liabilities:  |                          |                          |
| Accounts payable  | \$1,551,885              | \$1,809,532              |
| Accrued liabilities   | 84,039                   | 124,582                  |
| Accrued payroll and benefits  | 842,506                  | 477,623                  |
| Loan payable, current portion   | 51,585                   | 54,982                   |
| Capital lease obligation, current portion   | 166,454                  | 6,196                    |
| Total current liabilities   | 2,696,469                | 2,472,915                |
| Capital lease obligation, less current portion  | 310,260                  | 6,270                    |
| Deferred rent   | 512,679                  | 76,490                   |
| Warrant liability   | 1,195,470                | 731,431                  |
| Loan payable, less current portion  | —                        | 109,963                  |
| Total liabilities   | 4,714,878                | 3,397,069                |
| Commitments and contingencies (Notes 12, 13 and 17)   |                          |                          |
| Stockholders' equity:   |                          |                          |
| Preferred stock: Series D, \$.01 par value, voting;<br>5,000,000 shares authorized; none issued and outstanding   | —                        | —                        |
| Common stock: Class A, \$.01 par value, voting;<br>40,000,000 shares authorized; 15,235,073 and 14,293,305<br>shares issued and outstanding, respectively | 152,351                  | 142,933                  |
| Additional paid-in capital  | 213,222,950              | 211,812,134              |
| Accumulated other comprehensive income  | 50,680                   | 51,681                   |
| Accumulated deficit   | (205,426,337)            | (204,711,057)            |
| Total stockholders' equity  | 7,999,644                | 7,295,691                |
| Total liabilities and stockholders' equity  | \$12,714,522             | \$10,692,760             |

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

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**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statements of Comprehensive Loss

|   | <b>Year ended</b> |                |
|---|-------------------|----------------|
|   | <b>2015</b>       | <b>2014</b>    |
| Product sales, net  | \$13,661,569      | \$11,834,116   |
| Cost of sales   | 7,682,194         | 6,444,699      |
| Gross margin  | 5,979,375         | 5,389,417      |
| Operating expenses:   |                   |                |
| Selling, general and administrative                               | 5,132,730         | 4,514,413      |
| New product development   | 1,109,095         | 1,215,472      |
| Amortization of intangibles                                       | —                 | 35,397         |
| (Gain) Loss on disposal of equipment                              | (1,482 )          | 550            |
| Total costs and expenses  | 6,240,343         | 5,765,832      |
| Operating loss  | (260,968 )        | (376,415 )     |
| Other income (expense)  |                   |                |
| Interest expense  | (18,279 )         | (1,343 )       |
| Interest expense - debt costs                                     | (13,270 )         | (35,338 )      |
| Change in fair value of warrant liability                         | (464,039 )        | 93,520         |
| Other income  | 41,276            | 6,327          |
| Net loss  | \$(715,280 )      | \$(313,249 )   |
| Loss per share - basic and diluted                                | \$(0.05 )         | \$(0.02 )      |
| Number of shares used in per share calculation- basic and diluted | 14,711,586        | 14,002,093     |
| Foreign currency translation adjustment                           | (1,001 )          | (1,055 )       |
| Comprehensive loss  | \$(716,281.00)    | \$(314,304.00) |

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

**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statement of Stockholders' Equity

Years ended June 30, 2015 and 2014

|   | Class A<br>Common<br>Stock | Amount     | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|---|----------------------------|------------|----------------------------------|---|------------------------|----------------------------------|
| Balances at June 30, 2013                           | 12,958,239                 | \$ 129,582 | \$ 209,645,126                   | \$ 52,736   | \$(204,397,808)        | 5,429,636                        |
| Issuance of common stock for:                       |                            |            |                                  |   |                        |                                  |
| Exercise of warrants, net of costs                  | 1,136,142                  | 11,362     | 1,527,699                        | —   | —                      | 1,539,061                        |
| Employee Stock Purchase Plan                        | 7,764                      | 77         | 7,336                            | —   | —                      | 7,413                            |
| Exercise of RSU or options                          | 191,160                    | 1,912      | (1,912 )                         | —   | —                      | —                                |
| Reclassification of warrant liability upon exercise |                            |            | 277,070                          | —   | —                      | 277,070                          |
| Stock based compensation on stock options & RSU     | —                          | —          | 356,815                          | —   | —                      | 356,815                          |
| Foreign currency translation adjustment             | —                          | —          | —                                | (1,055 )  | —                      | (1,055 )                         |
| Net loss  | —                          | —          | —                                | —   | (313,249 )             | (313,249 )                       |
| Balances at June 30, 2014                           | 14,293,305                 | \$ 142,933 | \$ 211,812,134                   | \$ 51,681   | \$(204,711,057)        | 7,295,691                        |
| Issuance of common stock for:                       |                            |            |                                  |   |                        |                                  |
| Employee Stock Purchase Plan                        | 10,978                     | 110        | 13,120                           | —   | —                      | 13,230                           |
| Private placement of common stock                   | 930,790                    | 9,308      | 1,112,746                        | —   | —                      | 1,122,054                        |
| Stock based compensation on stock options & RSU     | —                          | —          | 284,950                          | —   | —                      | 284,950                          |
| Foreign currency translation adjustment             | —                          | —          | —                                | (1,001 )  | —                      | (1,001 )                         |
| Net loss  | —                          | —          | —                                | —   | (715,280 )             | (715,280 )                       |
| Balances at June 30, 2015                           | 15,235,073                 | \$ 152,351 | \$ 213,222,950                   | \$ 50,680   | \$(205,426,337)        | \$ 7,999,644                     |

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

**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statements of Cash Flows

|   | Year ended   |              |
|---|--------------|--------------|
|   | June 30,     |              |
|   | 2015         | 2014         |
| Cash flows from operating activities  |              |              |
| Net loss  | \$(715,280 ) | \$(313,249 ) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |              |              |
| Depreciation and amortization   | 537,143      | 666,322      |
| Interest from amortization of debt costs  | 13,270       | 35,338       |
| (Gain) Loss on disposal of property and equipment   | (1,482 )     | 550          |
| Stock based compensation  | 284,950      | 356,815      |
| Provision for doubtful accounts receivable  | (15,745 )    | (8,864 )     |
| Change in fair value of warrant liability   | 464,039      | (93,520 )    |
| Deferred rent   | 16,175       | (143,726 )   |
| Changes in operating assets and liabilities:  |              |              |
| Trade accounts receivables  | (560,133 )   | (337,105 )   |
| Other receivables   | (53,904 )    | 153,554      |
| Inventories   | 141,606      | (1,106,514)  |
| Prepaid expenses and other assets   | 1,631        | (91,407 )    |
| Accounts payable and accrued liabilities  | 66,693       | 794,995      |
| Deferred revenue  | —            | (1,966 )     |
| Net cash provided by (used in) operating activities                                       | 178,963      | (88,777 )    |
| Cash flows from investing activities  |              |              |
| Purchase of property and equipment  | (693,634 )   | (1,982,313)  |
| Cash flows from financing activities  |              |              |
| Proceeds from sale of common stock, net of costs  | 1,122,054    | —            |
| Proceeds from sale of common stock from employee stock purchase plan                      | 13,230       | 7,413        |
| Proceeds from exercise of warrants, net of costs  | —            | 1,539,061    |
| Net borrowings (payments) on loan payable   | (113,360 )   | 164,945      |
| Payments on capital lease obligations   | (59,412 )    | (7,409 )     |
| Net cash provided by financing activities   | 962,512      | 1,704,010    |
| Effect of exchange rate on cash and cash equivalents                                      | (1,001 )     | (1,055 )     |
| Change in cash and cash equivalents   | 446,840      | (368,135 )   |
| Cash and cash equivalents, beginning of period  | 1,197,080    | 1,565,215    |
| Cash and cash equivalents, end of period  | \$1,643,920  | \$1,197,080  |
| Supplemental disclosure of cash flow information:   |              |              |
| Interest paid in cash   | \$18,280     | \$1,343      |
| Income taxes paid   | 2,316        | 2,988        |
| Vesting of restricted stock units   | —            | 1,912        |
| Supplemental disclosure of non-cash investing & financing activities:                     |              |              |
| Landlord credits for leasehold improvements   | 420,014      | —            |
| Purchase of equipment through capital lease arrangements                                  | 523,660      | 12,972       |

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|   |   |         |
|---|---|---------|
| Reclassification of tooling costs to inventory      | — | 425,686 |
| Reclassification of warrant liability upon exercise | — | 277,070 |

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

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## 1. Organization and History

LightPath Technologies, Inc. (“LightPath”, the “Company”, “we”, “us” or “our”) was incorporated in Delaware in 1992. It was the successor to LightPath Technologies Limited Partnership formed in 1989, and its predecessor, Integrated Solar Technologies Corporation formed in 1985. On April 14, 2000, the Company acquired Horizon Photonics, Inc. (“Horizon”). On September 20, 2000, the Company acquired Geltech, Inc. (“Geltech”). The Company completed its initial public offering (“IPO”) during fiscal 1996. In November 2005, we formed LightPath Optical Instrumentation (Shanghai) Co., Ltd (“LPOI”), a wholly-owned subsidiary located in Jiading, People’s Republic of China. In December 2013, we formed LightPath Optical Instrumentation (Zhenjiang) Co., Ltd (“LPOIZ”), a wholly-owned subsidiary located in Zhenjiang, Jiangsu Province, People’s Republic of China.

LightPath is a manufacturer and integrator of families of precision molded aspheric optics, high-performance fiber-optic collimator, GRADIUM glass lenses and other optical materials used to produce products that manipulate light. LightPath designs, develops, manufactures and distributes optical components and assemblies utilizing the latest optical processes and advanced manufacturing technologies. LightPath also performs research and development for optical solutions for the traditional optics markets and communications markets. As used herein, the terms “LightPath,” the “Company,” “we,” “us” or “our,” refer to LightPath individually or, as the context requires, collectively with its subsidiaries on a consolidated basis.

## 2. Summary of Significant Accounting Policies

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

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

**Allowance for accounts receivable**, is calculated by taking 100% of the total of invoices that are over 90 days past due from the due date and 10% of the total of invoices that are over 60 days past due from the due date for U.S. based accounts and 100% of invoices that are over 120 days past due for China based accounts. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers’ financial condition. If the Company’s actual collection experience changes, revisions to its allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

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

**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 one to ten 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. Construction in process represents the accumulated costs of assets not yet placed in service and primarily relates to manufacturing equipment.

**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.

**Deferred rent** relates to certain of the Company's operating leases containing predetermined fixed increases of the base rental rate during the lease term being recognized as rental expense on a straight-line basis over the lease term, as well as applicable leasehold improvement incentives provided by the landlord. The Company has recorded the difference between the amounts charged to operations and amounts payable under the leases as deferred rent in the accompanying consolidated balance sheets.

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

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

The Company files U.S. Federal income tax returns, and various states and foreign jurisdictions. The Company's open tax years subject to examination by the Internal Revenue Service and the Florida Department of Revenue generally remain open for three years from the date of filing.

Our cash, cash equivalents totaled \$1.6 million at June 30, 2015. Of this amount, approximately 50% was held by our foreign subsidiaries in China. These foreign funds were generated in China as a result of foreign earnings. Before any funds can be repatriated, the retained earnings in China must equal at least 150% of the registered capital. As of June 30, 2015, we have retained earnings of \$1.9 million and we need to have \$11.3 million before repatriation will be allowed. We currently do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event that funds from foreign operations are needed to fund operations in the United States, if United States taxes have not been previously provided on the related earnings, we would provide for and pay additional United States taxes at the time we change our intention with regard to the reinvestment of those earnings.

**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. Product development agreements are generally short term in nature with revenue recognized upon shipment to the customer for products, reports or designs. Invoiced amounts for sales for value-added taxes ("VAT") are posted to the balance sheet and not included in revenue.

**Value added tax** is computed on the gross sales price on all sales of the Company's products sold in the PRC. The VAT rates range up to 17%, depending on the type of products sold. The VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing or acquiring its finished products. The Company recorded a VAT receivable net of payments in the accompanying financial statements.

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

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

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

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

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

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

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

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2015.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments which include cash, receivables, accounts payable and accrued liabilities. Fair values were assumed to approximate carrying values for these financial instruments since they are short term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand. The fair value of the Company's loan payable approximates its carrying value based upon current rates available to the Company.

The Company values its warrant liabilities based on open-form option pricing models which, based on the relevant inputs, render the fair value measurement at Level 3. The Company bases its estimates of fair value for warrant liabilities on the amount it would pay a third-party market participant to transfer the liability and incorporates inputs such as equity prices, historical and implied volatilities, dividend rates and prices of convertible securities issued by comparable companies maximizing the use of observable inputs when available. See further discussion at Note 15.

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

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

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

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

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

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

**Recent accounting pronouncements.** There are new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") which are not yet effective. Management does not believe any of these accounting pronouncements will have a material impact on the Company's financial position or operating results.

In July 2015, the FASB issued No. 2015-11, *Inventory - Simplifying the Measurement of Inventory* (ASU 2015-11). ASU 2015-11 provides additional guidance regarding the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. This guidance is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Interest -Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and the accounting for debt issue costs under IFRS. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, in August 2015, the FASB issued ASU 2015-15, *Interest -Imputation of Interest (Subtopic 835-30)*, which clarifies ASU 2015-03 by stating that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is effective for the annual period ending after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments in ASU 2015-03 is permitted for financial statements that have not been previously issued. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers” (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services.

ASU 2014-09 provides that an entity should apply a five-step approach for recognizing revenue, including (1) identifying the contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when, or as, the entity satisfies a performance obligation. Also, the entity must provide various disclosures concerning the nature, amount and timing of revenue and cash flows arising from contracts with customers. The effective date will be the first quarter of the Company’s fiscal year ending June 30, 2019, using one of two retrospective application methods. The Company is currently analyzing the impact of this new accounting guidance.

### 3. Inventories – net

The components of inventories include the following:

|                          | June 30,<br>2015 | June 30,<br>2014 |
|--------------------------|------------------|------------------|
| Raw materials            | \$1,730,153      | \$1,659,893      |
| Work in process          | 919,444          | 865,041          |
| Finished goods           | 812,643          | 1,063,126        |
| Reserve for obsolescence | (280,863 )       | (265,077 )       |
|                          | \$3,181,377      | \$3,322,983      |

During fiscal 2015 and 2014, the Company evaluated all reserved items and disposed of \$85,261 and \$77,564, respectively, of inventory parts and wrote them off against the reserve for obsolescence.

The value of tooling in raw materials was approximately \$1.06 million at June 30, 2015 and approximately \$913,000 at June 30, 2014.





**4. Property and Equipment – net**

Property and equipment consist of the following:

|  | Estimated<br>Life<br>(Years) | June 30,<br>2015 | June 30,<br>2014 |
|--|------------------------------|------------------|------------------|
| Manufacturing equipment                        | 5 - 10                       | \$5,796,912      | \$5,255,571      |
| Computer equipment and software                | 3 - 5                        | 327,920          | 299,314          |
| Furniture and fixtures                         | 5                            | 105,402          | 101,953          |
| Leasehold improvements                         | 5 - 7                        | 1,711,018        | 864,378          |
| Construction in progress                       |                              | 886,624          | 665,977          |
| Total property and equipment                   |                              | 8,827,876        | 7,187,193        |
| Less accumulated depreciation and amortization |                              | 4,552,325        | 4,013,288        |
| Total property and equipment, net              |                              | \$4,275,551      | \$3,173,905      |

During fiscal 2015, we extended our Orlando lease term and received a tenant improvement allowance from the landlord of \$420,014. This allowance was used to construct improvements and was recorded as leasehold improvements and deferred rent liability. It will be amortized over the new lease term.

**5. Accounts Payable**

The accounts payable balance includes \$56,500 and \$54,500 representing earned but unpaid board of directors' fees as of June 30, 2015 and 2014, respectively.

**6. Stockholders' Equity**

Preferred stock—The Company's preferred stock consists of the following:

Authorized 5,000,000 shares of Series D preferred stock, \$.01 par value. The stockholders of Series D preferred stock are entitled to one vote for each share held.

Common stock—The Company's common stock consists of the following:

Authorized 40,000,000 shares of Class A common stock, \$.01 par value. The stockholders of Class A common stock are entitled to one vote for each share held.

Warrants — Warrants shares outstanding at June 30, 2015 equal 1,545,001 and include:

warrants to purchase up to 101,549 shares of Class A common stock at \$2.48 per share at any time through October 8, 2015 issued in connection with a private placement financing in fiscal 2010;  
warrants to purchase up to 1,393,452 shares of Class A common stock at \$1.26 per share at any time through December 11, 2017 issued in connection with a private placement financing in fiscal 2012;  
warrants to purchase up to 25,000 shares of Class A common stock at \$1.03 per share at any time through December 29, 2015 issued in connection with an investor relations contract in fiscal 2012; and  
warrants to purchase up to 25,000 shares of Class A common stock at \$0.95 per share at any time through April 30, 2016 issued in connection with an investor relations contract in fiscal 2012.

During fiscal 2014, the Company received approximately \$1,539,000 in net proceeds from the exercise of warrants. The Company issued 1,136,143 shares of common stock in connection with these exercises. The exercise prices ranged from \$0.87 to \$1.89 per share of common stock.

## 7. Income Taxes

Due to the Company's losses from operations, no provision for income taxes during the years ended June 30, 2015 and 2014. The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows at June 30:

|   | 2015          | 2014          |
|---|---------------|---------------|
| Deferred tax assets:                        |               |               |
| Net operating loss and credit carryforwards | \$ 33,279,000 | \$ 33,098,000 |
| Intangible assets                           | 6,000         | 75,000        |
| Capital loss and R&D credits                | 1,500,000     | 1,454,000     |
| Research development expenses               | 657,000       | 639,000       |
| Inventory                                   | 135,000       | 128,000       |
| Accrued expenses and other                  | 306,000       | —             |
| Gross deferred tax assets                   | 35,883,000    | 35,394,000    |
| Valuation allowance for deferred tax assets | (35,789,000)  | (35,136,000)  |
| Total deferred tax assets                   | 94,000        | 258,000       |
| Deferred tax liabilities:                   |               |               |
| Depreciation and other                      | (94,000 )     | (258,000 )    |
| Total deferred tax liabilities              | (94,000 )     | (258,000 )    |
| Net deferred tax liability                  | \$—           | \$—           |

The reconciliation of income tax attributable to operations computed at the United States federal statutory tax rates and the actual tax provision of zero results primarily from the change in the valuation allowance.

In assessing the potential future recognition of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately \$88.4 million prior to the expiration of net operating loss carry-forwards from 2019 through 2035. Based on the level of historical taxable income, management has provided for a valuation adjustment against the deferred tax assets of \$35,789,000 at June 30, 2015, a decrease of approximately \$653,000 over June 30, 2014.

At June 30, 2015, in addition to net operating loss carry forwards, the Company also has research and development credit carry forwards of approximately \$1,500,000, of which \$38,505 will expire in fiscal 2019. A portion of the net operating loss carry forwards may be subject to certain limitations of the Internal Revenue Code Sections 382 and 383 which would restrict the annual utilization in future periods due principally to changes in ownership in prior periods.

The Company has net operating loss carry forwards in China of \$622,000 which are expected to be used to offset profits or to expire in fiscal 2016. Subsequent to the utilization or expiration of the net operating loss carry forwards, we will accrue income taxes. The Company's Chinese subsidiaries are governed by the Income Tax Law of the PRC concerning the privately run and foreign invested enterprises, which are generally subject to tax at a statutory rate of 25% on income reported in the statutory financial statements after appropriate tax adjustments.

## 8. Compensatory Equity Incentive Plan and Other Equity Incentives

**Share-based payment arrangements** — The Plan included several available forms of stock compensation of which incentive stock options, non-qualified stock options and restricted stock units have been granted to date.

These plans are summarized below:

|   | Award Shares Authorized | Award Shares Outstanding at June 30, 2015 | Award Shares Available for Issuance at June 30, 2015 |
|---|-------------------------|---|--|
| Equity Compensation Arrangement             |                         |   |  |
| Amended and Restated Omnibus Incentive Plan | 3,915,625               | 1,797,783                                 | 1,478,778  |
| Employee Stock Purchase Plan                | 400,000                 | —   | 400,000  |
|   | 4,315,625               | 1,797,783                                 | 1,878,778  |

The 2004 Employee Stock Purchase Plan (“ESPP”) permitted employees to purchase common stock through payroll deductions, not to 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 could any participant purchase more than \$25,000 worth of shares of Class A common stock in any calendar year and an employee could 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 ESPP expired on December 6, 2014, and was replaced by the LightPath Technologies, Inc. Employee Stock Purchase Plan (“2014 ESPP”), which was adopted by the Company’s Board of Directors on October 30, 2014 and approved by the Company’s stockholders on January 29, 2015. The 2014 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 can any participant purchase more than \$25,000 worth of shares of Class A common stock in any calendar year and an employee cannot purchase more than 8,000 shares on any purchase date within an offering period of 12 months and 4,000 shares on any purchase date within an offering period of six months. This discount of \$1,356 and \$755 for fiscal 2015 and 2014, respectively, is included in the selling, general and administrative expense in the accompanying consolidated statements of operations and comprehensive loss.

**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. The Company uses the Black-Scholes-Merton pricing model. The ESPP or the 2014 ESPP fair value is the amount of the discount the employee obtains at the date of the purchase transaction.

For stock options and restricted stock units (“RSUs”) granted in the years ended June 30, 2015 and 2014, the Company estimated the fair value of each stock award as of the date of grant using the following assumptions:

Year Ended                      Year Ended

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|                                      | June 30, 2015 | June 30, 2014 |
|--------------------------------------|---------------|---------------|
| Expected volatility                  | 103% - 104%   | 105% - 123%   |
| Weighted average expected volatility | 103% - 104%   | 105% - 123%   |
| Dividend yields                      | 0%            | 0%            |
| Risk-free interest rate              | 1.64% - 1.77% | 1.60% - 2.81% |
| Expected term, in years              | 7.49          | 3 - 7         |

Most options granted under the Plan vest ratably over two to four years and are generally exercisable for ten years. The assumed forfeiture rates used in calculating the fair value of options and restricted stock unit grants with both performance and service conditions were 20% for each of the years ended June 30, 2015 and 2014. The volatility rate and expected term are based on seven-year historical trends in Class A common stock closing prices and actual forfeitures. The interest rate used is the U.S. Treasury interest rate for constant maturities.

**Information Regarding Current Share Based Payment Awards**—A summary of the activity for share-based payment awards in the years ended June 30, 2015 and 2014 is presented below:

|  |           | Stock Options                               |  | Restricted Stock Units (RSUs) |  |
|--|-----------|---|--|-------------------------------|--|
|  | Shares    | Weighted Average Exercise Price (per share) | Weighted Average Remaining Contract Life (YRS) | Shares                        | Weighted Average Remaining Contract Life (YRS) |
| Options Outstanding June 30, 2013                        | 585,009   | \$2.38                                      | 5.9  | 834,700                       | 1.1  |
| Granted  | 83,000    | 1.41  | 9.4  | 212,760                       | 2.3  |
| Exercised  | —         | —   | —  | (191,160 )                    | —  |
| Cancelled  | (13,851 ) | 2.40  | —  | —                             | —  |
| June 30, 2014  | 654,158   | \$2.25                                      | 5.5  | 856,300                       | 0.9  |
| Granted  | 103,000   | \$1.35                                      | 9.4  | 219,000                       | 2.3  |
| Exercised  | —         | —   | —  | —                             | —  |
| Cancelled/Forfeited                                      | (34,675 ) | \$3.06                                      | 2.9  | —                             | —  |
| June 30, 2015  | 722,483   | \$2.08                                      | 5.3  | 1,075,300                     | 0.9  |
| Awards exercisable/<br>vested as of<br>June 30, 2015     | 497,983   | \$2.44                                      | 3.9  | 671,430                       | —  |
| Awards unexercisable/<br>unvested as of<br>June 30, 2015 | 224,500   | \$1.29                                      | 8.5  | 403,870                       | 0.9  |
|  | 722,483   |   |  | 1,075,300                     |  |

The total intrinsic value of share options exercised for years ended June 30, 2014 and 2013 was \$0.

The total intrinsic value of shares options outstanding and exercisable at both June 30, 2015 and 2014 was \$86,000 and \$22,000, respectively.

The total fair value of shares options vested during the years ended June 30, 2015 and 2014 was \$92,000 and \$122,000, respectively.

The total intrinsic value of RSUs exercised during the years ended June 30, 2015 and 2014 was \$0 and \$289,000, respectively.

The total intrinsic value of RSUs outstanding and exercisable at June 30, 2015 and 2014 was \$1.18 million and \$683,000, respectively.

The total fair value of RSUs vested during the years ended June 30, 2015 and 2014 was \$200,000 and \$334,000, respectively.

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As of June 30, 2015 there was \$462,548 of total unrecognized compensation cost related to non-vested share-based compensation arrangements (including share options and restricted stock units) granted under the Plan. The cost expected to be recognized as follows:

|                          | Stock<br>Options   | Restricted<br>Stock<br>Share/<br>Units | Total              |
|--------------------------|--------------------|--|--------------------|
| Year ended June 30, 2016 | \$44,425           | \$211,931                              | \$256,356          |
| Year ended June 30, 2017 | 34,682             | 120,513                                | 155,195            |
| Year ended June 30, 2018 | 20,915             | 24,906                                 | 45,821             |
| Year ended June 30, 2019 | 5,176<br>\$105,198 | —<br>\$357,350                         | 5,176<br>\$462,548 |

The table above does not include shares under the Company's 2014 ESPP, which has purchase settlement dates in the second and fourth fiscal quarters. The Company's 2014 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.

RSU awards vest immediately or from two to four years from the grant date.

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 our unexercisable/unvested awards as of June 30, 2015 and 2014 and changes during the two years then ended:

| Unexercisable/unvested awards | Stock<br>Options<br>Shares | RSU<br>Shares | Total<br>Shares | Weighted-Average          |
|-------------------------------|----------------------------|---------------|-----------------|---------------------------|
|                               |                            |               |                 | Grant Date Fair<br>Values |
|                               |                            |               |                 | (per share)               |
| June 30, 2013                 | 183,250                    | 371,670       | 554,920         | \$ 1.57                   |
| Granted                       | 83,000                     | 212,760       | 295,760         | \$ 1.36                   |
| Vested                        | (73,250 )                  | (230,127)     | (303,377)       | \$ 1.36                   |
| Cancelled/Forfeited           | —                          | —             | —               | —                         |
| June 30, 2014                 | 193,000                    | 354,303       | 547,303         | \$ 1.18                   |
| Granted                       | 103,000                    | 219,000       | 322,000         | \$ 1.30                   |

|                     |           |           |           |    |      |
|---------------------|-----------|-----------|-----------|----|------|
| Vested              | (71,500 ) | (169,433) | (240,933) | \$ | 1.28 |
| Cancelled/Forfeited | —         | —         | —         | —  | —    |
| June 30, 2015       | 224,500   | 403,870   | 628,370   | \$ | 1.10 |

**Acceleration of Vesting**—The Company does not generally accelerate the vesting of any stock options. Upon the death of one of the former members of the Company’s Board of Directors in fiscal 2014, 75,460 of his RSUs vested on an accelerated basis.

**Financial Statement Effects and Presentation**—The following table shows total stock-based compensation expense for the years ended June 30, 2015 and 2014 included in the Consolidated Statement of Operations and Comprehensive Loss:

|               | Year ended<br>June 30,<br>2015 | Year ended<br>June 30,<br>2014 |
|---------------|--------------------------------|--------------------------------|
| Stock options | \$ 53,583                      | \$ 68,113                      |
| RSU           | 231,367                        | 288,702                        |
| Total         | \$ 284,950                     | \$ 356,815                     |

The amounts above were included in:

|                          |            |            |
|--------------------------|------------|------------|
| General & administrative | \$ 273,379 | \$ 346,119 |
| Cost of sales            | 158        | —          |
| New product development  | 11,413     | 10,696     |
|                          | \$ 284,950 | \$ 356,815 |

## 9. Earnings Per Share

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

|   | Year ended<br>June 30, |              |
|---|------------------------|--------------|
|   | 2015                   | 2014         |
| Net loss                                    | \$(715,280 )           | \$(313,249 ) |
| Weighted average common shares outstanding: |                        |              |
| Basic and diluted                           | 14,711,586             | 14,002,093   |
| Loss per common share:                      |                        |              |
| Basic and diluted                           | \$(0.05 )              | \$(0.02 )    |

Excluded from computation as effects are considered anti-dilutive:

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|                                  |           |           |
|----------------------------------|-----------|-----------|
| Options to purchase common stock | 703,721   | 654,158   |
| Restricted stock units           | 1,002,700 | 856,300   |
| Common stock warrants            | 1,916,671 | 2,127,230 |
|                                  | 3,623,092 | 3,637,688 |

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## 10. Defined Contribution Plan

The Company discontinued its profit sharing plan that permitted participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended, in January 2009. Effective January 1, 2009, the Company transferred all plan assets to the ADP Total Source 401(k) plan. The ADP plan is a defined 401(k) contribution plan which all employees, over the age of 21, are eligible to participate in after three months of employment. The Company matched 25% of the first 6% of employee contributions until February 27, 2009, when the match was eliminated. Currently, there are 23 employees who are enrolled in this program. The 401(k) contribution plan is administered by a third party. Annual discretionary contributions, if any, are made by the Company to match a portion of the funds employees contribute. The Company made no matching contributions during the fiscal years ended June 30, 2015 and 2014.

## 11. Lease Commitments

The Company has operating leases for office space. At June 30, 2015, the Company has a lease agreement for its manufacturing and office facility in Orlando, Florida (the "Orlando Lease"). The Orlando Lease, which is for a seven-year original term with renewal options, expires April 2022 and expands our space to 25,847 square feet, including space added in July 2014. Minimum rental rates for the extension term were established based on annual increases of two and one half percent starting in the third year of the extension period. 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 sixth lease amendment.

The Company received \$420,014 in a leasehold improvement allowance in fiscal 2015. This amount is included in the property and equipment and deferred rent on the consolidated balance sheets. Amortization of leasehold improvements was \$5,060 as of June 30, 2015.

As of June 30, 2015, the Company, through its wholly-owned subsidiary, LPOI, has a lease agreement for a manufacturing and office facility in Shanghai, China (the "China Lease"). The China Lease, which was for a two year extension on the five-year original term, expires April 2016.

As of June 30, 2015, the Company, through its wholly-owned subsidiary, LPOIZ, has a lease agreement for a manufacturing and office facility in Zhenjiang, China (the "Zhenjiang Lease"). The Zhenjiang Lease, which is for a five-year original term with renewal options, expires March 2019.

During fiscal 2014 and 2015, the Company entered into four capital lease agreements, with three to five year terms, for computer and manufacturing equipment, which are included as part of Property and Equipment. Assets under capital lease include approximately \$547,000 in computer equipment and software and manufacturing equipment,

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with accumulated amortization of approximately \$67,000 as of June 30, 2015. Amortization related to capital leases is included in depreciation expense.

Rent expense totaled \$581,679 and \$440,576 during the years ended June 30, 2015 and 2014, respectively.

The approximate future minimum lease payments under capital and operating leases at June 30, 2015 were as follows:

| Fiscal year ending June 30,   | Capital<br>Leases | Operating<br>Lease |
|---|-------------------|--------------------|
| 2016  | \$ 169,322        | \$341,000          |
| 2017  | 169,322           | 357,000            |
| 2018  | 167,335           | 372,000            |
| 2019  | 39,001            | 372,000            |
| 2020  | 6,825             | 357,000            |
| 2021 and beyond   | —                 | 676,000            |
| Total minimum payments  | 551,804           | \$2,475,000        |
| Less imputed interest   | (75,090 )         |                    |
| Present value of minimum lease payments included in capital lease obligations | 476,714           |                    |
| Less current portion  | 166,454           |                    |
| Non-current portion   | \$310,260         |                    |

In July 2014, we negotiated a new lease on our Orlando facility which increased our rental space from 22,000 square feet to 25,847 square feet, or by 20%, thus reducing our rent expense by an estimated 25%. The term also was extended to April 2022. The future minimum lease payments above include this new lease.

## **12. Contingencies**

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.

## **13. 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 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, are reflected as a separate component of equity, which was a gain of \$50,680 and \$51,681 at June 30, 2015 and 2014, respectively. The Company as of June 30, 2015 had approximately \$8,862,000 in assets and \$7,305,000 in net assets located in China. The Company as of June 30, 2014 had approximately \$7,575,000 in assets and \$6,280,000 in net assets located in China.

## **14. Significant Suppliers and Customers**

We utilize a number of glass compositions for the manufacture of our molded glass aspheres and lens array products. We purchase glass from Hikari, Ohara, CDGM and other suppliers.

Base optical materials, used in both GRADIUM and collimator products, are manufactured and supplied by a number of major optical and glass manufacturers. Optical fiber and collimator housings are manufactured and supplied by a number of major manufacturers.

In fiscal 2015, sales to three customers comprised an aggregate of approximately 27% of our annual sales. The loss of any of these customers, or a significant reduction in sales to any such customer, would adversely affect our revenues.

In fiscal 2014, sales to three customers comprised an aggregate of approximately 27% of our annual sales. The loss of any of these customers, or a significant reduction in sales to any such customer, would adversely affect our revenues.

#### **15. Derivative Financial Instruments (Warrant Liability)**

On June 11, 2012, we executed a Securities Purchase Agreement with respect to a private placement of an aggregate of 1,943,852 shares of our Class A common stock at \$1.02 per share and warrants to purchase 1,457,892 shares of our common stock at an initial exercise price of \$1.32 per share, which was subsequently reduced to \$1.26 ("June 2012 Warrants"). The June 2012 Warrants are exercisable for a period of five years beginning on December 11, 2012. The Company accounted for the June 2012 Warrants issued to investors in accordance with ASC 815-10. ASC 815-10 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. This applies to any freestanding financial instrument or embedded feature that has all the characteristics of a derivative under ASC 815-10, including any freestanding financial instrument that is potentially settled in an entity's own stock.

Due to certain adjustments that may be made to the exercise price of the June 2012 Warrants if the Company issues or sell shares of its Class A common stock at a price which is less than the then-current warrant exercise price, the June 2012 Warrants have been classified as a liability, as opposed to equity, in accordance with ASC 815-10 as it was determined that the June 2012 Warrants were not indexed to the Company's Class A common stock.



The fair value of the outstanding June 2012 Warrants was re-measured on June 30, 2015 to reflect their fair market value at the end of the current reporting period. The June 2012 Warrants will be re-measured at each subsequent financial reporting period until the warrants are exercised or expire. The change in fair value of the June 2012 Warrants is recorded in the statement of operations and comprehensive loss and is estimated using the Lattice option-pricing model using the following assumptions:

|  |            |   |
|--|------------|---|
| Inputs into Lattice model for warrants:          | 6//30/2015 |   |
| Equivalent volatility                            | 81.02      | % |
| Equivalent interest rate                         | 0.59       | % |
| Floor  | \$1.1500   |   |
| Greater of estimated stock price or floor        | \$1.1500   |   |
| Probability price < strike price                 | 59.90      | % |
| Fair value of call                               | \$0.9970   |   |
| Probability of fundamental transaction occurring | 5          | % |

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

The warrant liabilities are considered a recurring Level 3 fair value measurement, with a fair value of approximately \$1.2 million at June 30, 2015.

The following table summarizes the activity of Level 3 financial instruments measured on a recurring basis for the year ended June 30, 2015:

|   |                   |
|---|-------------------|
|   | 6//30/2015        |
|   | Warrant Liability |
| Fair value, June 30, 2014                 | \$731,431         |
| Exercise of common stock warrants         | —                 |
| Change in fair value of warrant liability | 464,039           |
| Fair value, June 30, 2015                 | \$1,195,470       |

## 16. Loan Payable

On September 30, 2013, the Company entered into a Loan and Security Agreement (the “LSA”) with Avidbank Corporate Finance, a division of Avidbank (“Avidbank”). Pursuant to the LSA, Avidbank would lend to the Company under a revolving credit facility an aggregate principal outstanding amount not to exceed the lesser of (i) One Million Dollars (\$1,000,000) (the “Revolving Line”) or (ii) an amount equal to eighty percent (80%) of eligible accounts, as

determined by Avidbank in accordance with the LSA. Amounts borrowed under the Revolving Line could have been repaid and re-borrowed at any time prior to December 30, 2014, at which time all amounts were immediately due and payable. The advances under the Revolving Line bore interest, on the outstanding daily balance, at a per annum rate equal to one percent (1%) above the Prime Rate. Interest payments were due and payable on the last business day of each month.

Pursuant to the LSA, Avidbank also could make equipment advances to the Company, each in a minimum amount of \$100,000, and in an aggregate principal amount not to exceed One Million Dollars (\$1,000,000). Equipment advances during any particular three month draw period were due and repayable in thirty-six (36) equal monthly payments. All amounts due under outstanding equipment advances made during any particular draw period were due on the tenth (10th) day following the end of such draw period, and in any event, no later than September 30, 2017. The equipment advances bore interest, on the outstanding daily balance, at a per annum rate equal to one and half percent (1.5%) above the Prime Rate. Interest payments were due and payable on the tenth day of each month so long as any equipment advance is outstanding.

As of December 23, 2014, approximately \$142,000 was outstanding under the LSA as equipment advances and \$280,000 was outstanding under the Revolving Line, for a total of \$422,000. The Company's obligations under the LSA were secured by a first priority security interest (subject to permitted liens) in substantially all of the assets of the Company. In addition, the Company's wholly-owned subsidiary, Geltech, guaranteed the Company's obligations under the LSA.

On December 23, 2014, the Company entered into an Amended and Restated Loan and Security Agreement (the "Amended LSA") with Avidbank for an invoice-based working capital revolving line of credit (the "Invoiced Based Line"). The Amended LSA amends and restates that certain LSA between the Company and Avidbank dated September 30, 2013. Pursuant to the Amended LSA, Avidbank will, in its discretion, make loan advances to the Company up to a maximum aggregate principal amount outstanding not to exceed the lesser of (i) One Million Dollars (\$1,000,000) or (ii) eighty percent (80%) (the "Maximum Advance Rate") of the aggregate balance of the Company's eligible accounts receivable, as determined by Avidbank in accordance with the Amended LSA.

Avidbank may, in its discretion, elect to not make a requested advance, determine that certain accounts are not eligible accounts, change the Maximum Advance Rate or apply a lower advance rate to particular accounts and terminate the Amended LSA. The outstanding balance due to Avidbank as of December 23, 2014, in the amount of \$422,000, was transferred from the LSA to the Invoiced Based Line of the Amended LSA. As of June 30, 2015, the principal outstanding on the Invoiced Based Line was \$51,585.

Amounts borrowed under the Invoiced Based Line may be repaid and re-borrowed at any time prior to December 23, 2015, at which time all amounts shall be immediately due and payable. The advances under the Invoiced Based Line bear interest, on the outstanding daily balance, at a per annum rate equal to three percent (3%) above the Prime Rate (6.25% at June 30, 2015). Interest payments are due and payable on the last business day of each month. Payments received with respect to accounts upon which advances are made will be applied to the amounts outstanding under the Amended LSA.

The Company's obligations under the Amended LSA are secured by a first priority security interest (subject to permitted liens) in cash, U.S. inventory and accounts receivable. In addition, the Company's wholly-owned subsidiary, Geltech, has guaranteed the Company's obligations under the Amended LSA.

The Amended LSA contains customary covenants, including, but not limited to: (i) limitations on the disposition of property; (ii) limitations on changing the Company's business or permitting a change in control; (iii) limitations on additional indebtedness or encumbrances; (iv) restrictions on distributions; and (v) limitations on certain investments.

Late payments are subject to a late fee equal to the lesser of five percent (5%) of the unpaid amount or the maximum amount permitted to be charged under applicable law. Amounts outstanding during an event of default accrue interest at a rate of five percent (5%) above the interest rate applicable immediately prior to the occurrence of the event of default. The Amended LSA contains other customary provisions with respect to events of default, expense reimbursement, and confidentiality.

## **17. Pudong Private Placement**

On January 20, 2015, the Company issued and sold securities to Pudong Science & Technology Investment (Cayman) Co. Ltd. ("Pudong Investment") in accordance with that certain Securities Purchase Agreement with Pudong Science & Technology (Cayman) Co., Ltd. ("Pudong"). Prior to the closing, the Securities Purchase Agreement was amended (as amended, the "SPA") and assigned by Pudong to its affiliate, Pudong Investment.

In connection with the closing, the Company sold to Pudong Investment 930,790 shares of Class A common stock at a price of \$1.40 per share, which was adjusted from the initial per share purchase price of \$1.62 pursuant to the terms of the SPA. The Company received gross cash proceeds from the issuance of the Class A common stock in the amount of approximately \$1,303,000. The Company used the sale proceeds of the sale to provide working capital in support of its continued growth, particularly new product development, sales and marketing of its infrared product line, and capital expenditures related to the acquisition of new equipment.

Immediately following the issuance of the shares of Class A common stock pursuant to the SPA, Pudong Investment beneficially owned 14.9% of the Company's outstanding shares of Class A common Stock.

The shares of Class A common stock issued were exempt from the registration requirements of the Securities Act of 1933, as amended (the "Act"). The shares of Class A common stock are restricted securities that have not been registered under the Act and may not be offered or sold absent registration or applicable exemption from the registration requirements.

## **18. Technology Transfer and License Agreement**

On April 28, 2015, the Company entered into a Technology Transfer and License Agreement ("License Agreement") with one of its specialty products customers (the "Customer") regarding the granting of an irrevocable license of certain technology, to be used by the Customer to manufacture specific fiber collimator assemblies used by the Customer. The Company has agreed to provide process work instructions, training, inventory and access to intellectual property specifically related to the manufacturing process of that Customer's fiber collimator assemblies. Pursuant to the License Agreement, the Customer will pay to the Company an aggregate of \$200,000 in fees, in consideration of the Company's disclosure of the technology and the grant of a license to the Customer to use the technology to manufacture such fiber collimator assemblies. The first installment of \$100,000 was received in May 2015 and the second installment of \$100,000 was received in August 2015. Pursuant to the License Agreement, the Customer also agreed to order and purchase from the Company a certain number of fiber collimator assemblies. Costs associated with the License Agreement are estimated to be approximately \$33,000. The License Agreement is being recognized into revenue over the training period. Revenue of approximately \$124,000, which includes the amortization of the license fee, was included in product sales on the accompanying consolidated statement of operations and comprehensive loss for fiscal 2015. The remainder of the license fee will be recognized as revenue during the first quarter of fiscal 2016.

End of Consolidated Financial Statements



**Item 15.****Exhibits, Financial Statement Schedules.**

(a) The following documents are filed as part of this Annual Report on Form 10-K/A:

(1) Financial Statements – See Index on page F-1 of this report

(b) The following exhibits are filed herewith as a part of this report

| <b>Exhibit Number</b> | <b>Description</b>   | <b>Notes</b> |
|-----------------------|--|--------------|
| 3.1.1                 | Certificate of Incorporation of Registrant, filed June 15, 1992 with the Secretary of State of Delaware  | 1            |
| 3.1.2                 | Certificate of Amendment to Certificate of Incorporation of Registrant, filed October 2, 1995 with the Secretary of State of Delaware  | 1            |
| 3.1.3                 | Certificate of Designations of Class A common stock and Class E-1 common stock, Class E-2 common stock, and Class E-3 common stock of Registrant, filed November 9, 1995 with the Secretary of State of Delaware | 1            |
| 3.1.4                 | Certificate of Designation of Series A Preferred Stock of Registrant, filed July 9, 1997 with the Secretary of State of Delaware   | 2            |
| 3.1.5                 | Certificate of Designation of Series B Stock of Registrant, filed October 2, 1997 with the Secretary of State of Delaware  | 3            |
| 3.1.6                 | Certificate of Amendment of Certificate of Incorporation of Registrant, filed November 12, 1997 with the Secretary of State of Delaware  | 3            |
| 3.1.7                 | Certificate of Designation of Series C Preferred Stock of Registrant, filed February 6, 1998 with the Secretary of State of Delaware   | 4            |
| 3.1.8                 | Certificate of Designation, Preferences and Rights of Series D Participating Preferred Stock of Registrant filed April 29, 1998 with the Secretary of State of Delaware  | 5            |

|        |  |    |
|--------|--|----|
| 3.1.9  | Certificate of Designation of Series F Preferred Stock of Registrant, filed November 2, 1999 with the Secretary of State of Delaware   | 6  |
| 3.1.10 | Certificate of Amendment of Certificate of Incorporation of Registrant, filed February 28, 2003 with the Secretary of State of Delaware  | 7  |
| 3.2    | Amended and Restated Bylaws of Registrant  | 19 |
| 4.1    | Rights Agreement dated May 1, 1998, between Registrant and Continental Stock Transfer & Trust Company  | 5  |
| 4.2    | First Amendment to Rights Agreement dated as of February 28, 2008, between LightPath Technologies, Inc. and Continental Stock Transfer & Trust Company   | 10 |
| 10.    | Amended and Restated Omnibus Incentive Plan dated October 15, 2002   | 8  |
| 10.2   | Employee Letter Agreement dated June 12, 2008, between LightPath Technologies, Inc., and J. James Gaynor, its Chief Executive Officer & President  | 9  |
| 10.3   | Form of Common Stock Purchase Warrant dated as of April 8, 2010, issued by LightPath Technologies, Inc. to certain investors   | 11 |
| 10.4   | LightPath Technologies, Inc. Employee Stock Purchase Plan effective January 30, 2015   | 12 |
| 10.5   | Form of Common Stock Purchase Warrant dated as of June 11, 2012, issued by LightPath Technologies, Inc. to certain investors   | 13 |
| 10.6   | Amended and Restated Loan and Security Agreement dated as of December 23, 2014 between LightPath Technologies, Inc. and Avidbank Corporate Finance, a division of Avidbank   | 14 |
| 10.7   | Securities Purchase Agreement dated April 15, 2014 between LightPath Technologies, Inc. and Pudong Science & Technology (Cayman) Co., Ltd.   | 15 |
| 10.8   | Amendment and Assignment of Securities Purchase Agreement dated September 25, 2014 between LightPath Technologies, Inc, Pudong Science & Technology (Cayman) Co., Ltd. and Pudong Science & Technology Investment (Cayman) Co., Ltd. | 18 |
| 10.9   | Sixth Amendment to Lease dated as of July 2, 2014 between LightPath Technologies, Inc. and Challenger Discovery LLC  | 16 |
| 14.1   | Code of Ethics   | 17 |
| 21.1   | Subsidiaries of the Registrant   | 20 |
| 23.1   | <u>Consent of Cross, Fernandez &amp; Riley, LLP</u>  | *  |

|      |  |    |
|------|--|----|
| 23.2 | <u>Consent of BDO USA, LLP</u>   | *  |
| 24   | Power of Attorney  | 20 |
| 31.1 | <u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>                      | *  |
| 31.2 | <u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>                      | *  |
| 32.1 | <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code</u> | *  |
| 32.2 | <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code</u> | *  |



|         |  |    |
|---------|--|----|
| 101.INS | XBRL Instance Document                                 | 20 |
| 101.SCH | XBRL Taxonomy Extension Schema Document                | 20 |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document  | 20 |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document   | 20 |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document        | 20 |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | 20 |

*Notes:*

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

7. This exhibit was filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on January 24, 2003 and is incorporated herein by reference thereto.

8. The Amended and Restated Omnibus Incentive Plan, dated October 15, 2002 was filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on September 12, 2002. Amendment No. 1, dated October 20, 2004 and Amendment No. 2, dated December 6, 2004, were filed as an exhibit to our Registration Statement on Form S-8 (File No. 333-121389) filed with the Securities and Exchange Commission on December 17, 2004. Amendment No. 3, dated November 1, 2007 and Amendment No. 4, dated January 1, 2009, were filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on December 10, 2012. Amendment No. 5 dated January 1, 2013 was filed as an exhibit to our Registration Statement on Form S-8 filed with the Securities and Exchange Commission on May 9, 2013. Amendment No. 6 dated January 29, 2015 was filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on December 19, 2014.

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

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

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

12. This exhibit was filed as an Appendix A to our Proxy Statement (File No, 333-27548) filed with the Securities and Exchange Commission on December 19, 2014, and is incorporated herein by reference thereto.

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

14. This exhibit was filed as an exhibit to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on February 5, 2015, and is incorporated herein by reference thereto.

15. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2014, and is incorporated herein by reference thereto.

16. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 8, 2014, and is incorporated herein by reference thereto.

17. This exhibit was filed as an exhibit to our Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 16, 2009, and is incorporated herein by reference thereto.

18. This exhibit was filed as an exhibit to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2014, and is incorporated herein by reference thereto.

19. This exhibit was filed as an exhibit to our Current Report on Form 8-K (File No: 000-27548) filed with the Securities and Exchange Commission on February 3, 2015 and is incorporated herein by reference thereto.

20. This exhibit was filed as an exhibit to our Annual Report on Form 10-K (File No: 000-27548) filed with the Securities and Exchange Commission on September 22, 2015, and is incorporated herein by reference thereto.

\* filed herewith

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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: December 17, 2015

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