LIGHTPATH TECHNOLOGIES INC
Form 10-Q
February 14, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2007

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)

DELAWARE	**86-0708398**
(State or other jurisdiction of incorporation or organization)	**(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 x 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 x

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

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:

5,332,625 shares of common stock, Class A, $.01 par value, outstanding as of February 11, 2008.

LIGHTPATH TECHNOLOGIES, INC.

Form 10-Q

Index

Table of Contents

LIGHTPATH TECHNOLOGIES, INC.

Condensed Consolidated Balance Sheets

	Unaudited December 31, 2007	June 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 1,513,782	$ 1,291,364
Trade accounts receivable, net of allowance of $51,506 and $28,968	1,257,348	1,408,815
Inventories, net	1,542,731	1,853,324
Prepaid expenses and other assets	94,718	220,860
Total current assets	4,408,579	4,774,363
Property and equipment net	1,790,848	1,563,250
Intangible assets net	216,171	232,605
Other assets	57,306	57,306
Total assets	$ 6,472,904	$ 6,627,524
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 926,412	$ 1,278,328
Accrued liabilities	283,536	326,525
Accrued severance	273,588	
Accrued payroll and benefits	382,456	413,576
Notes payable	166,645	166,645
Capital lease obligations, current portion	17,405	16,285
Total current liabilities	2,050,042	2,201,359
Capital lease obligations, excluding current portion	14,661	23,653
Note payable, excluding current portion	194,419	277,741
Total liabilities	2,259,122	2,502,753
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; 5,323,511 and 4,512,543 shares issued and outstanding	53,235	45,125
Additional paid-in capital	199,602,907	196,417,217
Foreign currency translation adjustment	(1,649)	(43,059)
Accumulated deficit	(195,440,711)	(192,294,512)
Total stockholders equity	4,213,782	4,124,771
Total liabilities and stockholders equity	$ 6,472,904	$ 6,627,524

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

Table of Contents

Item 1. Financial Statements

LIGHTPATH TECHNOLOGIES, INC.

Condensed Consolidated Statements of Operations

	Unaudited Three months ended December 31, 2007	Unaudited Three months ended December 31, 2006	Unaudited Six months ended December 31, 2007	Unaudited Six months ended December 31, 2006
Product sales, net	$ 2,021,566	$ 3,789,312	$ 4,330,319	$ 8,175,635
Cost of sales	2,016,257	2,589,384	4,086,299	5,902,582
Gross margin	5,309	1,199,928	244,020	2,273,053
Operating expenses:				
Selling, general and administrative	1,353,954	1,284,399	2,790,811	2,559,175
New product development	307,267	276,232	615,747	541,479
Amortization of intangibles	8,217	8,217	16,434	16,434
Total costs and expenses	1,669,438	1,568,848	3,422,992	3,117,088
Operating loss	(1,664,129)	(368,920)	(3,178,972)	(844,035)
Other income (expense)				
Interest expense	(11,190)	(11,950)	(28,928)	(22,916)
Investment and other income	32,168	36,537	61,701	67,749
Net loss	$ (1,643,151)	$ (344,333)	$ (3,146,199)	$ (799,202)
Foreign currency translation adjustment	20,614		41,410	
Comprehensive loss	$ (1,622,537)	$ (344,333)	$ (3,104,789)	$ (799,202)
Loss per share (basic and diluted)	$ (0.31)	$ (0.08)	$ (0.59)	$ (0.18)
Number of shares used in per share calculation	5,323,511	4,493,497	5,322,678	4,492,507

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

Table of Contents

LIGHTPATH TECHNOLOGIES, INC.

Condensed Consolidated Statements of Cash Flows

	Unaudited Six Months Ended December 31, 2007	2006
Cash flows from operating activities		
Net loss	$ (3,146,199)	$ (799,202)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	213,471	243,293
Foreign exchange translation adjustment	41,410	
Stock based compensation	187,624	131,295
Provision for doubtful accounts receivable	22,538	66,365
Changes in operating assets and liabilities:		
Trade receivables	128,929	(179,946)
Inventories	310,593	250,842
Prepaid expenses and other assets	126,142	50,662
Accounts payable and accrued expenses	(227,336)	(668,500)
Net cash used in operating activities	(2,342,828)	(905,191)
Cash flows from investing activities		
Purchase of property and equipment	(349,736)	(607,487)
Cash flows from financing activities		
Proceeds from exercise of stock options		17,980
Proceeds from sale of common stock, net of expenses	2,978,544	
Proceeds from sale of common stock from employee stock purchase	27,632	
Borrowings on line of credit		172,260
Payments on capital lease obligation	(7,872)	(6,890)
Payments on note payable	(83,322)	
Net cash provided by financing activities	2,914,982	183,350
Increase (Decrease) in cash and cash equivalents	222,418	(1,329,328)
Cash and cash equivalents, beginning of period	1,291,364	3,763,013
Cash and cash equivalents, end of period	$ 1,513,782	$ 2,433,685
Supplemental disclosure of cash flow information:		
Interest paid	$ 13,945	$ 22,916
Supplemental disclosure of non-cash investing activity:		
Landlord payments for leasehold improvements	$ 74,899	$

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

Table of Contents

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 second 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 six months ending December 31, 2007, the Company used approximately $2,343,000 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 have reduced fixed cost by renegotiating our current facility lease in Orlando. The Company has no firm commitments for any material future financing at this time. At December 31, 2007, the Company had a cash and cash equivalent balance of approximately $1.5 million.

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 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 have started seeking additional financing, but we have no commitments for any financing at this time. One February 11, 2008, the Company had a book cash balance of approximately $842,000.

For the six months ended December 31, 2007, cash increased by $222,000 compared to a decrease of $1.3 million in the same period of the prior fiscal year. The increase in cash in the current year was primarily related to net proceeds of $2,970,500 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, capital expenditures and payments to vendors.

Table of Contents

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 $361,000 at December 31, 2007.

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 six months, exclusive of any cash investments or working capital requirements related to the CDGM joint venture described therein. 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. 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.

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 (SFAS) No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets.* 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 generally recognized from product sales when products are shipped to the customer, provided that LightPath 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 to the customer.

New product development costs are expensed as incurred.

Stock based compensation is expensed according to 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.

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.

Table of Contents

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 does not expect the impact of SFAS 157 on its consolidated financial position and results of operations to be material.

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.

3. Inventories

The components of inventories include the following at:

	(unaudited) December 31, 2007	June 30, 2007
Raw material	$ 599,128	$ 744,667
Work in Process	743,251	926,447
Finished Goods	339,487	301,345
Reserve for obsolescence	(139,135)	(119,135)
	$ 1,542,731	$ 1,853,324

9

Table of Contents

4. Property and Equipment

Property and equipment are summarized as follows:

	Estimated Life (Years)	(unaudited) December 31, 2007	June 30, 2007
Manufacturing equipment	5	$ 6,885,808	$ 6,529,841
Computer equipment and software	3 - 5	649,258	603,061
Furniture and fixtures	5	214,324	190,331
Platinum molds	5	44,100	44,100
Leasehold improvements	7	718,156	718,156
Total Property and Equipment		8,511,646	8,085,489
Less accumulated depreciation and amortization		6,720,797	6,522,239
Total property and equipment, net		$ 1,790,848	$ 1,563,250

5. Intangible Assets

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

	December 31, 2007	June 30, 2007
Gross Carrying amount	$ 621,301	$ 621,301
Accumulated amortization	$ 405,130	$ 388,696
Net carrying amount	$ 216,171	$ 232,605

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 December 31, 2007, 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	Options Authorized	Options Outstanding at December 31, 2007	Available for Issuance at December 31, 2007
Amended and Restated Omnibus Incentive Plan	1,715,625	629,202	725,538
Non-Qualified Plan	2,500	2,500	
ESPP	200,000		172,312
	1,918,125	631,702	897,850

Table of Contents

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 $2,745 and $2,600 for the six months ended December 31, 2007 and 2006, 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 six months ended December 31, 2007 and 2006, the Company estimated the fair value of each stock option as of the date of grant using the following assumptions:

	Six Months Ended December 31, 2007	Six Months Ended December 31, 2006
Range of expected volatilities	263%-312%	267% - 305%
Weighted average expected volatility	353%	301%
Dividend yields	0%	0%
Range of risk-free interest rate	3.53% - 4.47%	4.63% - 5.05%
Expected term, in years	5.5-7	3 -7

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 29% and 7%, respectively, for the six months ended December 31, 2007 and 44% and 7%, respectively, for the six months ended December 31, 2006. 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.

Information Regarding Current Share-Based Payment Awards A summary of the activity for share-based payment awards in the six months ended December 31, 2007 is presented below:

	Stock Options			Restricted Stock Units (RSU)	
	Shares	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contract Lifes (YRS)	Shares	Weighted Average Remaining Contract Lifes (YRS)
June 30, 2007	299,530	11.35	8.0	223,100	1.0
Granted	116,000	3.13	9.8	50,000	3.9
Exercised				(5,000)	
Cancelled	(49,428)	4.59	8.6	(2,500)	
December 31, 2007	366,102	9.65	8.2	265,600	1.2
Awards exercisable/vested as of December 31, 2007	114,741	28.73	6.5	160,595	
Awards unexercisable/unvested as of December 31, 2007	251,361	3.72	9.1	105,005	0.7
	366,102			265,600	

	Stock Options	RSU s	All Awards
Weighted average fair value of share awards granted six months ended December 31, 2007	$ 3.13	$ 3.05	$ 3.10

The weighted-average grant date fair value of all share option awards granted during the six months ended December 31, 2007 and 2006 was $3.10 and $4.63, respectively. The total intrinsic value of share options exercised during the six months ended December 31, 2007 and 2006 was $0 and $1,613, respectively.

The total intrinsic value of options outstanding and exercisable at December 31, 2007 and 2006 was $3,039 and $57,468, respectively.

The weighted-average grant date fair value of RSU s granted during the six months ended December 31, 2007 and 2006 was $3.05 and $4.66, respectively.

The total intrinsic value of RSU s exercised during the six months ended December 31, 2007 and 2006 was $9,800 and $70,800, respectively.

The total intrinsic value of RSUs outstanding and exercisable at December 31, 2007 and 2006 was $205,810 and $549,653, respectively.

Table of Contents

The total fair value of RSU s vested during the six months ended December 31, 2007 and 2006 was $1,026,152 and $191,827, respectively.

The total fair value of option shares vested during the six months ended December 31, 2007 and 2006 was $188,246, and $43,186, respectively. As of December 31, 2007, there was $724,706 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 Options	Restricted Stock Units	Total
Six months ended June 30, 2008	88,457	81,849	170,306
Year ended June 30, 2009	129,014	123,156	252,170
Year ended June 30, 2010	116,629	60,065	176,694
Year ended June 30, 2011	64,667	35,456	100,123
Year ended June 30, 2012	13,594	11,819	25,413
	412,361	312,345	724,706

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 December 31, 2007 and changes during the six months then ended:

Unexercisable/unvested awards	**Stock Options Shares**	**RSU Shares**	**Total Shares**	**Weighted-Average Grant Date Fair Values (per share)**
At June 30, 2007	236,710	110,002	346,712	$ 3.97
Granted	116,000	50,000	166,000	$ 3.10
Vested	(56,607)	(54,997)	(111,604)	$ 3.32
Cancelled/Issued	(44,742)		(44,742)	$ 4.47
At December 31, 2007	251,361	105,005	356,366	$ 3.68

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.

Financial Statement Effects and Presentation The following table shows total stock-based compensation expense for the six months ended December 31, 2007 and 2006 included in the Condensed Consolidated Statement of Operations:

	Six Months ended December 31, 2007	**Six Months ended December 31, 2006**

Stock options	$	73,180	$	62,732
RSU	$	114,444	$	68,563
Total	$	187,624	$	131,295

All of the amounts were included in general and administrative expenses, except for $30,546 and $9,945 included in cost of goods sold and $14,944 and $6,064 included in research and development in the six months ended December 31, 2007 and 2006, respectively.

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 1,451,498 shares for the six months ended December 31, 2007 and 1,056,156 shares for the six months ended December 31, 2006 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 six-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 $1,649 at December 31, 2007. The Company, as of December 31, 2007, had approximately $713,000 in assets and $535,000 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 $2,970,500. 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.

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. One 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.

Table of Contents

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 $273,588 as of December 31, 2007.

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 amends the lease for our headquarters and manufacturing facility in Orlando, FL. The lease amendment reflecting space reduction and related reduction in our rental obligations was effective December 1, 2007. 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.

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 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.

Table of Contents

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.

(i) 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.

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 December 31, 2007 (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 December 31, 2007 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.

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 six-month periods. During the six months ended December 31, 2007 and 2006 we incurred a $41,410 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, continously 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.

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 December 31, 2007, our disclosure backlog had increased to $2.7 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 third quarter 2008. Bookings have increased for our industrial and distribution and defense customers.

18

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 December 31, 2007, our DCSI was 70 compared to 57 at December 31, 2006. The upward trend in inventory was principally caused by a build up of inventory in our Shanghai facility as well as a general slowdown in sales. We expect inventory levels to decline through fiscal 2008 as we ship the current inventory on orders being fulfilled through our Shanghai facility.

Accounts Receivable Levels and Quality Similarly, we manage our accounts receivable to minimize investment in working capital. We measure the quality of receivables by the proportions of the total that are at various increments past due from our normally extended terms, which are generally 30 days. The most important aggregate measure of accounts receivable is the quarter s ending balance of net accounts receivable expressed as a number of day s worth of the quarter s net revenues, also known as days sales outstanding, or DSO. It is calculated by dividing the 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 December 31, 2007, our DSO was 53. At December 31, 2006, our DSO was 48. The DSO increase was 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 the Company will pursue business opportunities, the creation of licensing arrangements with respect to the Company s technology, or other alternatives. We have started seeking additional financing, but we have no commitments for any financing at this time. On February 11, 2008, the Company had a book cash balance of approximately $842,000.

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. The Company 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 $361,000 at December 31, 2007.

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.

Table of Contents

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 $2,978,544. 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 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 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.

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.

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 two 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 six months ending December 31, 2007, we used approximately $2,343,000 of cash for operating activities. At December 31, 2007, we had a cash and cash equivalent balance of approximately $1.5 million.

For the six months ended December 31, 2007, cash decreased by approximately $2,756,000, excluding the private placement proceeds we received in July 2007, compared to a decrease of approximately $1,329,000 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, $18,000 for legal fees for representation related to the CDGM joint venture, and severance expenses of $114,000 for work force reductions implemented in the first and second 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 $5million 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 offering 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 two quarters, the Company 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 six months, exclusive of any cash investment or working capital requirements related to the CDGM joint venture. 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.

Off Balance Sheet Arrangements

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

(dollars in 000 s)		Payments due by period				
Contractual obligations	Total	Less that 1 year	1-3 years	4-5 years	After 5 years	Comments
Operating lease	$ 3,051	$ 400	$ 832	$ 885	$ 934	Real estate lease with monthly payments
Capital lease	32	17	15			Equipment lease with monthly payments
Note payable	361	167	194			Equipment financing line of credit
Open purchase obligations	866	866				Current purchase orders outstanding
	$ 4,310	$ 1,450	$ 1,041	$ 885	$ 934	

Results of Operations

Fiscal Second Quarter: Three months ended December 31, 2007 compared to the three months ended December 31, 2006

Revenues:

For the quarter ended December 31, 2007, we reported total revenues of $2.0 million compared to $3.8 million for the second quarter of last fiscal year, a decrease of 47% and a decrease of 12% compared to first quarter of fiscal 2008 revenue of $2.3 million. The decrease from the second quarter of last year was primarily attributable to lower sales volumes of molded optics products and isolators. Our sales to customers in the telecommunications industry decreased by $1.5 million compared to the quarter ended December 31, 2006.

Cost of Sales:

Our gross margin percentage in the second quarter of fiscal 2008 compared to second quarter fiscal 2007 decreased to 0% from 32%. Total manufacturing cost of $2.0 million was $0.6 million lower in the second quarter of fiscal 2008 compared to the same period of the prior fiscal year. Direct costs, which include material, labor and services, were 27% of revenue in the second quarter of fiscal 2008 compared to 33% of revenue in the second 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 second 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.

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 appropiated 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 second quarter of fiscal 2008, selling, general and administrative (SG&A) costs were approximately $1.4 million, which was an increase of approximately $70,000 compared to SG&A costs for the second quarter of fiscal 2007. 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, we have 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 had one year remaining and the lease amendment extended the lease for six more years. The lease amendment required the payment of a lease termination fee of $150,000 which was paid over three installments in December, January and February.

Table of Contents

New Product Development:

New product development costs increased by approximately $31,000 to approximately $307,000 in the second quarter of fiscal 2008 versus $276,000 in the second quarter of fiscal 2007 due to increased engineering staff offset by lower depreciation due to equipment becoming fully depreciated. 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 second fiscal quarter of 2008 and 2007.

Other Income (Expense):

Interest expense was approximately $11,000 in the second quarter of fiscal 2008 versus interest expense of $12,000 in the second 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 $32,000 in the second quarter of fiscal 2008 versus other income of $37,000 in the second quarter 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 $1.6 million or $0.31 basic and diluted per share during the second quarter of fiscal 2008, compared with the second quarter of fiscal 2007, in which we reported a net loss of $344,000 or $0.08 basic and diluted per share. This represents an $1,299,000 increase in net loss. Weighted-average shares outstanding increased in the second quarter of fiscal 2008 compared to the first quarter in fiscal 2007 primarily due to the sale of 800,000 shares to private investors in the first quarter of fiscal 2008.

Fiscal First Half: Six months ended December 31, 2007 compared to the six months ended December 31, 2006

Revenues:

For the six months ended December 31, 2007, we reported total revenues of $4.3 million compared to $8.2 million for the first half of last fiscal year, a decrease of 47%. 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 $3.7million compared to the six months ended December 31, 2006, 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 half of fiscal 2008 compared to first half of fiscal 2007 decreased to 6% from 28%. Total manufacturing cost of $4.1 million was $1.8 million lower in the first half of fiscal 2008 compared to the same period of the prior fiscal year. Direct costs, which include material, labor and services, were 26% of revenue in the first half of fiscal 2008 compared to 40% of revenue in the first half 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 half quarter of fiscal year 2008, 80% 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 and $150,000 charge in the first quarter for inventory that was declared obsolete. We evaluated our products for primary location of manufacturing and adjusted the standards accordingly. We also adjusted standards downward for holders that 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 half of fiscal 2008, SG&A were approximately $2.79 million, which was an increase of approximately $231,000 compared to $2.56 million in the first half of fiscal 2007. This increase was due to an accrual for severance payments owed to our former CEO which were partially offset by lower commissions (due to lower sales) 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, we have 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 had one year remaining and the lease amendment extended the lease for six more years. The lease amendment required the payment of a lease termination fee of $150,000 which was paid over three installments in December, January and February.

New Product Development:

New product development costs increased by approximately $74,000 to approximately $616,000 in the first half of fiscal 2008 versus $541,000 in the first half 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 $16,000 per half year in both fiscal 2008 and 2007.

Other Income (Expense):

Interest expense was approximately $29,000 in the first half of fiscal 2008 versus interest expense of $23,000 in the first half 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 $62,000 in the first half of fiscal 2008 versus other income of $68,000 in the first half 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 $3.1 million or $0.59 basic and diluted per share during the first half of fiscal 2008, compared with the first half of fiscal 2007, in which we reported a net loss of $799,000 or $0.18 basic and diluted per share. This represents an $2.3 million increase in net loss. Weighted-average shares outstanding increased in the first half of fiscal 2008 compared to the first half in fiscal 2007 primarily due to the sale of 800,000 shares to private investors in the first quarter of fiscal 2008.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expense during the reporting periods presented. Our significant estimates include the allowance for trade receivables which is made up of reserves for bad debts, inventory reserves, valuation of deferred taxes, revenue recognition and valuation of compensation expense on stock-based awards. Although we believe that these estimates are reasonable, 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 collectibilty. 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.

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. We do not expect the impact of SFAS 157 on its consolidated financial position and results of operations to be material.

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 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.

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 December 31, 2007, 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 December 31, 2007 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 December 31, 2007, 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 December 31, 2007, management made progress in remediating certain aspects of the

Table of Contents

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 $2,970,500. 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.

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 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should consider the factors discussed under Item 1A: Risk Factors in the Company s Form 10-K for the fiscal year ended June 30, 2007. These risks could materially and adversely affect the Company s results of operations, financial condition, liquidity and cash flows. The risks described in the Form 10-K and this Form 10-Q are not the only risks that the Company faces. The Company s business operations could also be affected by additional factors that are not presently known to it or that the Company currently considers to be immaterial to its operations.

Table of Contents

RISK FACTORS

Risks Related To Our Business and Financial Results

We Have Substantial Cash Requirements and May Need External Financing To Fund Our Operations. While we raised capital in the first quarter of fiscal 2008 generating approximately $2,975,500 in net proceeds to the Company, and while we continue to take actions to reduce cash used in operations, there appears unlikely that we will be able generate sufficient cash from operations to fund our existing and future operations, business model transition and growth strategies. This is particularly the case with respect to the expansion of our business through our participation in the CDGM joint venture which requires an initial cash contribution of $5 million as well as significant additional working capital requirements which will be needed over the third and fourth quarters of fiscal 2008.

Our cash used in operations for fiscal 2007 was approximately $1.9 million compared to $2.0 million used in fiscal 2006. We believe we have sufficient cash available to fund our current operations through June 30, 2008, exclusive of any cash investment or working capital requirements related to the CDGM joint venture described herein. Factors which could increase cash used in future quarters include, but are not limited to, a decline in revenue, collectibility issues with regard to accounts receivable, increased material costs, increased labor costs, increased health insurance and benefits costs and increases in discretionary spending.

If we are unable to generate sufficient cash flow from operations, we will need to raise additional capital through debt or equity financing. We do not have any commitments from others to provide any of such financing and there can be no assurance that any such financing will be available if needed or, if available, will be on terms favorable or acceptable to us. In the event any such financing is not obtained, our operations will be materially adversely affected and 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 Have A History Of Losses And If We Continue To Incur Losses Our Business May Fail. We have incurred net losses of $2.6 million, $3.4 million, $3.5 million and $5.6 million for fiscal 2007, 2006, 2005 and 2004, respectively., As of December 31, 2007, we had an accumulated deficit of $195.4 million. We expect to continue to incur significant sales and marketing, administrative and product development expenses, and, as a result, we will need to generate increased revenues to achieve profitability. Even if we achieve profitability, given the competition in our optical markets, we may not be able to sustain or increase profitability thereafter on a quarterly or annual basis. As a result, we will need to generate significantly higher revenues while containing costs and operating expenses if we are to achieve profitability.

Because Of Our Dependence On A Few Key Customers, The Loss of Any Key Customer Could Cause A Significant Decline In Our Revenues. In the first half of fiscal 20087, our top ten customers accounted for approximately 45% of our revenues. Part of our strategy in fiscal 2007 which we are continuing in fiscal 2008 is to gain key customer relationships of more significance and impact to generate higher revenues at lower costs. This strategy has met with some success and therefore we believe our operating results will continue to be notably dependent on sales to a relatively small number of significant customers. The loss of any of these customers, or a significant reduction in sales to any such customers, would adversely affect our revenues.

Table of Contents

If We Are Unable to Successfully Develop Our Joint Venture with CDGM, Our Business Growth May be Slower or Remain Flat. Our future success depends to a significant degree on our ability to transition a substantial portion of our business to high volume, lower cost productions. Our ability to accomplish this transition is, in turn, dependent on our ability to successfully launch our joint venture with CDGM. The creation and initiation of the joint venture is subject to several conditions including obtaining all necessary governmental approvals and permits and making an initial cash investment of $5 million by each of the Company and CDGM prior to the end of fiscal year 2008. Additionally, we have agreed to manufacture and sell to the joint venture certain lens presses that will require an additional capital investment by the Company. It is unlikely that we will be able to generate the capital necessary to fund our obligations with respect to the joint venture from operations. Accordingly, we will need to finance our investment in the joint venture, our investment for manufacture of the presses and any additional working capital needs through debt or equity financing. If we are unable to raise the necessary capital when required, we believe that CDGM will terminate the joint venture contract and related agreements. If this were to occur, implementation of our business transition will take substantially longer, would require substantially greater investment of capital, time and other resources that may not be available to us, and involve a significantly higher degree of risk of failure. In such event, we may not be able to pursue our business strategy which could materially adversely affect our results of operations, our financial performance, and even our ability to continue to operate our business.

Our New Market Penetration Efforts Are Progressing But May Not Prove Successful. Our efforts to diversify our sales to high volume, low cost optical applications and other new market and product opportunities in multiple industries are progressing, however, our current line of products has not generated sufficient revenues to sustain our operations. While we believe our existing products are commercially viable, we anticipate the need to educate the optical components markets in order to generate market demand and market feedback may require us to further refine these products. We are also seeking to penetrate these new markets through our participation in the CDGM joint venture. Expansion of our product lines and sales into new markets, whether independently or through the CDGM joint venture, will require significant investment in equipment, facilities and materials. There can be no assurance that any proposed products will be successfully developed, demonstrate desirable optical performance, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed or that we or the CDGM joint venture will be successful in penetrating and exploiting such markets.

Some Of Our Products Have Not Been Demonstrated To Be Commercially Successful. Although our optical lens products have been accepted commercially, the benefits of the GRADIUM glass line are not widely known and must be introduced as we can afford in markets that we believe would benefit from the performance characteristics of GRADIUM. Many prospective customers will need to make substantial expenditures in order to redesign products to incorporate our GRADIUM lenses. There can be no assurances that potential customers will view the benefits of our products as sufficient to warrant such design expenditures.

Our collimator products have not yet achieved broad commercial acceptance; our isolator production capability and sales, while encouraging at this point, are only five years old; and some of our molded aspheres applications are new. There can be no assurance that any of these will be commercially viable products or produce significant revenues. Further, there is no assurance that any products currently existing or to be developed in the future will attain sufficient market acceptance to generate significant additional revenues that are necessary for our success. We must also satisfy industry-standard Telcordia testing on telecommunication products to meet customer requirements, as well as satisfy prospective customers that we will be able to meet their demand for quantities of products, since we may be the sole supplier and licensor. We do not have lengthy experience as a manufacturer for all our product lines and have limited financial resources. We may be unable to accomplish any one or more of the foregoing to the extent necessary to develop commercially successful market acceptance of our products.

Order Cancellations And Extensions Of Product Shipment Dates By Customers Can Hinder Our Ability To Achieve Profitability. Our sales are generally made pursuant to purchase orders that are subject to cancellation, modification or rescheduling without significant penalties to our customers. In recent years, we have experienced material order cancellations and significant extensions of product shipment dates by some of our customers, particularly our telecommunications customers. If current customers stop placing orders, or unexpectedly reduce orders, we may not be able to replace these orders with orders from new customers and our ability to achieve positive operational cash flow and profitability will be adversely affected. The majority of our current customers do not have any minimum purchase obligations, and they may stop placing orders with us at any time, regardless of any forecast they may have previously provided.

Our Past Operating History May Hinder Our Ability To Accurately Forecast Revenues And Expenses. Although over 20 years old, LightPath has only generated significant revenues (higher than $5 million per year) since fiscal 2000. As we expand our market to include imaging products, we have little history on which to base our forecasting. Many of our expenses are fixed in the short term, and we may not be able to quickly reduce spending if our revenue is lower than we project. New product introductions will also result in increased operating expenses in advance of generating revenues, if any. Therefore, net losses in a given quarter could be greater than expected. Failure to accurately forecast our revenues and future operating expenses could cause quarterly fluctuations in our operating results, including cash flows, and may result in further volatility of or a decline in our stock price.

If We Are Unable To Develop And Successfully Introduce New And Enhanced Products That Meet The Needs Of Our Customers, Our Business May Fail. Our future success depends, in part, on our ability to anticipate our customers needs and develop products that address those needs. Introduction of new products and product enhancements will require that we effectively transfer production processes from research and development to manufacturing and coordinate our efforts with the efforts of our suppliers to rapidly achieve efficient volume production. If we fail to effectively transfer production processes, develop product enhancements or introduce new products that meet the needs of our customers as scheduled, our net revenues may decline.

Our Sales, Gross Margins, And Market Share May Be Reduced Because of Increased Competition. Competition in the optical markets in which we compete is intense. Many of our competitors are large public and private companies that have longer operating histories and significantly greater financial, technical, marketing and other resources than we have. As a result, these competitors are able to devote greater resources than we can to the development, promotion, sale and support of their products. In addition, the market capitalization and cash reserves of several of our competitors are much larger than ours, and, as a result, these competitors are much better positioned than we are to acquire other companies in order to gain new technologies or products that may displace our product lines. Such acquisitions could give our competitors further advantages. For example, if our competitors acquire any of our significant customers, these customers may reduce the amount of products they purchase from us. Alternatively, some of our competitors may spin-out new companies in the optical component and module market. These companies may compete more aggressively than their former parent companies due to their greater dependence on our markets. In addition, many of our potential competitors have significantly more established sales and customer support organizations, much greater name recognition, more extensive customer bases, more developed distribution channels and broader product offerings than we have. These companies can leverage their customer bases and broader product offerings and adopt aggressive pricing policies to gain market share. Additional competitors may enter the market, and we are likely to compete with new companies in the future. We expect to encounter potential customers that, due

Table of Contents

to existing relationships with our competitors, are committed to the products offered by these competitors. As a result of the foregoing factors, we expect that competitive pressures may result in price reductions, reduced margins and loss of market share.

We compete with manufacturers of conventional spherical lens products and aspherical lens products, producers of optical quality glass and other developers of gradient lens technology as well as telecom product manufacturers. In both the optical lens and telecommunications markets, we are competing against, among others, established international companies, especially in Asia. Many of these companies also are primary customers for optical and communication components, and therefore have significant control over certain markets for our products. We are also aware of other companies that are attempting to develop radial gradient lens technology. There may also be others of which we are not aware that are attempting to develop axial gradient lens technology similar to our technology. There can be no assurance that existing or new competitors will not develop technologies that are superior to or more commercially acceptable than our existing and planned technologies and products.

To maintain or improve our gross margins, we must continue to reduce the manufacturing cost of our products. We continue to take actions that are projected to reduce our material costs by obtaining additional sources for raw materials, reducing the labor costs of our production operations by establishing manufacturing capabilities in low cost regions such as Shanghai, China, from where LPOI, our wholly owned subsidiary operates, and reducing our overhead expenses through process improvements and competitive sourcing. We believe these actions will allow us to make continued improvements in our profitability and cash requirements.

We Anticipate Further Reductions in the Average Selling Prices Of Our Products and Therefore Must Increase Our Sales Volumes, Reduce Our Costs and/or Introduce Higher Margin Products To Reach And Maintain Financial Stability. We have experienced decreases in the average selling prices of many of our products since the year 2000, particularly our precision molded optics and isolator products. We anticipate that as products in the optical component and module market become more commodity-like, the average selling prices of our products will decrease in response to competitive pricing pressures, new product introductions by us, our competitors or other factors. If we are unable to offset this anticipated decrease in our average selling prices by increasing our sales volumes or reconfiguring our product mix to increase profitability, our net revenues and gross margins will decline, increasing the projected cash needed to fund operations. To address these competitive pressures, we must develop and introduce new products and product enhancements with higher margins. If we cannot maintain or improve our gross margins, our financial position will be harmed which will negatively affect our results of operations, financial performance and stock price.

Because Of Our Limited Product Offerings, Our Ability To Generate Additional Revenues May Be Adversely Affected. We derive a substantial portion of our net revenues from a limited number of products. We expect that net revenues from a limited number of products will continue to account for a substantial portion of our total net revenues. Continued and expanding market acceptance of these products is critical to our future success.

If We Do Not Expand Our Sales and Marketing Organization, Our Revenues May Not Increase. The sale of our products requires long and involved efforts targeted at several key departments within our prospective customers organizations. Sales of our products require the prolonged efforts of our sales, and sometimes executive, personnel, as well as specialized systems and applications engineers working together. Currently, our sales and marketing organization is somewhat limited. We believe we will need to increase our sales force, particularly in China, in order to increase market awareness of our products and our sales. Competition for qualified sales and marketing personnel and engineers remains high, and we might not be able to hire the kind and number of sales and marketing personnel and applications engineers we need. If we are unable to expand our sales operations, we may not be able to increase market awareness or sales of our products, which would prevent us from increasing our revenues.

If We Are Unable To Make Sales In A Fragmented Market Our Revenues May Not Increase. The markets for optical lenses and laser components are highly fragmented. Consequently, we will need to identify and successfully target particular market segments in which we believe we will have the most success. These efforts will require a substantial, but unknown, amount of effort and resources. The fragmented nature of the optical products market may impede our ability to achieve commercial acceptance for our products. In addition, our success will depend in great part on our ability to develop and implement a successful marketing and sales program. There can be no assurance that any marketing and sales efforts undertaken by us will be successful or will result in any significant product sales.

Our Products Have Long And Variable Sales Cycles Which Reduce Our Ability To Accurately Forecast Revenues. The timing of our revenue is difficult to predict because of the length and variability of the sales and implementation cycles for our products. We do not recognize revenue until a product has been shipped to a customer, all significant vendor obligations have been performed and collection is considered probable. Customers may view the purchase of our products as a significant and strategic decision. As a result, customers typically expend significant effort in evaluating, testing and qualifying our products and our manufacturing process. This is particularly the case with our defense application market. This customer evaluation and qualification process frequently results in a lengthy initial sales cycle (often up to one year). While our customers are evaluating our products and before they place an order with us, we may incur substantial sales, marketing and product development expenses to customize our products to the customer s needs. We may also expend significant management efforts, increase manufacturing capacity and order long lead-time components or materials prior to receiving an order. Even after this evaluation process, a potential customer may not purchase our products. Because of the evolving nature of the optical markets, we cannot predict the length of these sales and development cycles. These long sales cycles may cause our revenues and operating results to vary significantly and unexpectedly from quarter to quarter, which could continue to cause volatility in our stock price.

Current And Pending Litigation May Adversely Impact Operating Results. We may from time to time become involved in other lawsuits and legal proceedings, including our current litigation with Harborview Master Fund, an investor that purchased $500,000 of common stock in our private placement securities offering that we closed in July 2007, as described elsewhere in this report. Litigation is expensive and is subject to inherent uncertainties, and an adverse result in any such matters could adversely impact our operating results or financial condition. Additionally, any litigation to which we are subject could also require significant involvement of our senior management and may divert management s attention from our business and operations.

Sales, Political, Currency And Other Risks Associated With Our International Sales And Supply Could Negatively Impact Our Business. For fiscal 2007, approximately 22% of our net revenues were from sales to international customers; and, in fiscal 2006, approximately 16% of our net revenues were from sales to international customers. Our international sales will be limited if we cannot establish and/or maintain relationships with international distributors, establish foreign operations, expand international sales, and develop relationships with international service providers. Additionally, our international sales may be adversely affected if international economies weaken. We are subject to risks including the following

greater difficulty in accounts receivable collection and longer collection periods;

the impact of recessions in economies outside the United States;

32

- unexpected changes in regulatory requirements;
- unexpected changes in foreign demand in response to exchange rate fluctuations;
- certification requirements;
- reduced protection for intellectual property rights in some countries;
- potentially adverse tax consequences; and
- political and economic instability.

In order to expand our international production capacity and sales, we formed LPOI, our wholly owned manufacturing subsidiary, located in Jiading, People s Republic of China, in November 2005. LPOI s manufacturing facility increased overall production capacity and has enabled us to compete for larger production volumes of optical components and assemblies, and strengthen partnerships within the Asia/Pacific region. It has also provided a launching point to drive our sales expansion in Asia/Pacific.

While we expect our international revenues to be denominated predominantly in U.S. dollars, in the future a portion of our international revenues and expenses may be denominated in foreign currencies. Accordingly, we could experience the risks of fluctuating currencies and corresponding exchange rates.

We also source certain raw materials from outside the United States. Some of those materials, priced in non-dollar currencies, have risen in price due to the recent decline of the U.S. dollar against non-dollar-pegged currencies, especially the Euro. This lowers our margins and reduces our ability to reach positive cash flow and profitability.

Our Business Has Been Subject To Fluctuations In Quarterly Results And Continued Fluctuations Could Negatively Impact Our Stock Price. The market price of our common stock could be subject to wide fluctuations in response to quarterly variations in operating results. Revenues and results of operations are difficult as yet to predict and may fluctuate substantially from quarter to quarter. For example, as a result of revenues associated with any of our key customers, any cancellation of orders from a key customer could result in significant fluctuations in quarterly results. Quarterly results have also been and may continue to be affected by asset write-downs associated with communications market weakness, our headquarters and plant consolidations and other matters, including negative cash flow.

We May Issue Additional Securities With Rights Superior To Those Of The Common Stock, Which Could Materially Limit The Ownership Rights Of Stockholders. We may offer additional debt or equity securities in private and/or public offerings in order to raise working capital or to refinance our debt. Our board of directors has the right to determine the terms and rights of any debt securities and preferred stock without obtaining the approval of the stockholders. It is possible that any debt securities or preferred stock that we sell would have terms and rights superior to those of the common stock and may be convertible into common stock. Any sale of securities could adversely affect the interests or voting rights of the holders of common stock, result in substantial dilution to existing stockholders, or adversely affect the market price of our common stock. We have no present plans to issue any convertible preferred stock or any other preferred stock.

Our Stock Price Has Been, And May Continue To Be, Subject To Large Price Swings, Which We Are Not Able To Control. Broad market fluctuations or fluctuations in our operations may adversely affect the market price of our common stock. The market for our common stock is volatile, the

Table of Contents

bid-ask spread is often large and the trading volume and activity can be low and sporadic. The trading price of our common stock has been and will continue to be subject to:

- volatility in the trading markets generally and in our particular market segment;
- limited trading of our common stock;
- significant fluctuations in response to quarterly variations in operating results;
- announcements regarding our business or the business of our customers or competitors;
- changes in prices of our or our competitors products and services;
- changes in product mix;
- changes in revenue and revenue growth rates; and
- other events or factors.

Statements of or changes in opinions, ratings or earnings estimates made by brokerage firms or industry analysts relating to the markets in which we operate or expect to operate could have an adverse effect on the market price of our common stock. In addition, the stock market as a whole, as well as our particular market segment, have from time to time experienced extreme price and volume fluctuations which have particularly affected the market price for the securities of many companies and which often have appeared unrelated to the operating performance of these companies. Although our shares are publicly traded on Nasdaq, the trading market for our shares can be limited. During fiscal 2007, Nasdaq-reported trading volume for our shares averaged 46,469 shares per trading day. We cannot forecast or control any material increase in the trading volume for our shares. A lack of an active trading market for our shares could negatively impact stockholders ability to sell their shares when they desire and the price, which they could obtain.

The Fact That We Do Not Expect To Pay Dividends May Lead To A Decreased Price For Our Stock. Our board of directors has never declared a dividend on our common stock. We do not anticipate paying dividends on our common stock in the foreseeable future. Due to U.S. tax law changes in 2003, dividends may be more valuable on an after-tax basis as a component of investment return, potentially diminishing the appeal of holding our common stock. It is anticipated that our earnings, if any, will be reinvested in sales growth activities for our business.

Our Management And Principal Stockholders Control A Substantial Amount Of Our Stock And May, Therefore, Influence Our Affairs. If our management and a few principal stockholders act in concert, disposition of matters submitted to stockholders or the election of our entire board of directors may be hindered. We estimate that management, including directors, and our principal stockholders (stockholders owning more than 5% of our common stock) beneficially owned approximately 14% of the aggregate common stock outstanding as of February 12, 2008.

Our Charter Documents And Delaware Law May Inhibit A Takeover. In certain circumstances, the fact that corporate devices are in place that will inhibit or discourage takeover attempts could reduce the market value of our common stock. Our Certificate of Incorporation, Bylaws and certain other agreements contain certain provisions that may discourage other persons from attempting to acquire control of us. These provisions include, but are not limited to:

Table of Contents

- staggered-terms of service for our board of directors;
- the authorization of the board of directors to issue shares of undesignated preferred stock in one or more series without the specific approval of the stockholders;
- the fact that in 1998 we adopted a stockholder rights plan and declared a dividend distribution of a right to purchase one share of Series D Participating Preferred Stock for each outstanding share of Class A common stock. The description and terms of such rights are set forth in a Rights Agreement dated as of May 1, 1998 between LightPath and Continental Stock Transfer & Trust Company, as Rights Agent (copy of the Rights Agreement and related documents are filed as Exhibit 1 to the Form 8-A for Registration of Certain Classes of Securities Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934, filed on April 28, 1998);
- the establishment of advance notice requirements for director nominations and actions to be taken at annual meetings; and
- the fact that special meetings of the stockholders may be called only by our Chairman, President or upon the request of a majority of our board of directors.

All of these provisions, as well as the provisions of Section 203 of the Delaware General Corporation Law (to which we are subject), could impede a merger, consolidation, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Outstanding Warrants, Stock Options And Restricted Stock Agreements May Inhibit Our Ability To Accomplish Future Financings And Adversely Affect Our Stock Price. The existence of our outstanding warrants, options and restricted stock and the potential for sales of significant amounts of previously unregistered shares of our common stock in the public market, or the perception that such sales could occur, may adversely affect the terms on which we can obtain additional financing or the prevailing market price of our common stock. As of February 12, 2008, there were issued and outstanding:

- 5,332,625 shares of our common stock;
- warrants issued in private placement and other transactions pursuant to which 280,796 shares of out common stock are issuable, at a weighted average exercise price of approximately $9.38 per share;
- warrants issued to the selling shareholders pursuant to which 219,000 shares of our common stock are issuable at an exercise price of $7.41 per share;
- warrants issued to the selling shareholders pursuant to which 320,000 shares of our common stock are issuable at an exercise price of $5.50 per share;
- outstanding options under our amended and restated omnibus plan to purchase an aggregate of 411,102 shares of our common stock, with an average exercise price of approximately $8.80 per share; and
- restricted stock award grants for 653,600 shares of our common stock that have been granted of which 160,595 have vested.

35

In addition, 680,538 shares of our common stock were reserved as of February 12, 2008, for issuance pursuant to future grants to be made under our Amended and Restated Omnibus Incentive Plan.

For the life of such options and warrants, the holders will have the opportunity to profit from a rise in the price of the underlying common stock, with a resulting dilution in the interest of other holders of common stock upon exercise or conversion. Further, the option and warrant holders can be expected to exercise their options and warrants at a time when we would, in all likelihood, be able to obtain additional capital by an offering of our unissued common stock on terms more favorable than those originally provided by such options or warrants. Of the total number of shares of common stock currently issued and outstanding, there are likely a small number of unregistered shares outstanding, other than those held by the selling stockholders, and some of those shares may be freely traded or may be traded under certain volume and other restrictions set forth in Rule 144 promulgated under the Securities Act of 1933 (the Securities Act).

The eligibility of the foregoing shares to be sold to the public, whether pursuant to an effective registration statement, Rule 144 or an exemption from the registration requirements may have a material adverse effect on the market value and trading price of our common stock, the scope or extent of which effect we cannot predict.

We Have Agreed To Certain Limitations Upon Potential Liability Of Our Directors, Which Could Prevent Recovery Of Monetary Damages. Our Certificate of Incorporation provides that directors will not be personally liable for monetary damages to the Company or its stockholders for a breach of fiduciary duty as a director, subject to limited exceptions. Although such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission, the presence of these provisions in our Certificate of Incorporation could prevent the recovery of monetary damages by the Company or its stockholders.

Business Interruptions Could Adversely Affect Our Business. We manufacture our products at manufacturing facilities located in Orlando, Florida and Shanghai, China. Our revenues are dependent upon the continued operation of these facilities. The Orlando facility is subject to a lease that expires in November 2016, and the Shanghai facility is subject to a lease that expires in November 2011. Our operations are vulnerable to interruption by fire, hurricane winds and rain, electric power loss, telecommunications failure and other events beyond our control. We do not have a detailed disaster recovery plan for either facility, and we do not have a backup facility, other than the other facility, or contractual arrangements with any other manufacturers in the event of a casualty to or destruction of any facility or if any facility ceases to be available to us for any other reason. If we are required to rebuild or relocate either of our manufacturing facilities, a substantial investment in improvements and equipment would be necessary. We carry only a limited amount of business interruption insurance, which may not sufficiently compensate us for losses that may occur. Our facilities may be subject to electrical blackouts as a consequence of a shortage of available electrical power. We currently do not have backup generators or alternate sources of power in the event of a blackout. If blackouts interrupt our power supply, we would be temporarily unable to continue operations at such facility. Any losses or damages incurred by us as a result of blackouts, rebuilding, relocation or other business interruptions, including the aforementioned, could result in a significant delay or reduction in manufacturing and production capabilities, impair our reputation, harm our ability to retain existing customers and to obtain new customers, and could result in reduced sales, lost revenue, and/or loss of market share, any of which could substantially harm our business and the results of operations.

The Loss Of, Or Our Inability To Hire, Key Personnel Would Reduce Our Ability To Manage Our Business Effectively. Our future success depends upon the continued services of our executive and non-executive officers and other key engineering, sales, marketing, manufacturing and support personnel. Our

Table of Contents

inability to retain or attract key employees could have a material adverse effect on our business and results of operations. Our operations depend, to a great extent, upon the efforts of our management. We also depend upon our ability to attract additional members to our operations teams to support our strategy. The loss of any of these key employees would adversely affect our business. As of February 12, 2008, we had 176 full-time equivalent employees, with 73 located in Florida and 103 located in China. We also had 5 workers engaged as independent contractors. We expect to continue to hire selectively in the manufacturing, engineering, sales and marketing and administrative functions to the extent consistent with our business levels. Our ability to continue to attract and retain highly skilled personnel will be a critical factor in determining whether we will be successful. Competition for highly skilled personnel is intense. We may not be successful in attracting, assimilating or retaining qualified personnel to fulfill our current or future needs, which could adversely impact our ability to develop and sell our products.

Risks Related To The Optical Networking Industry

Sales Of Some Of Our Products Depend Upon Use Of Optical Networks To Satisfy Increased Bandwidth Requirements. The future success of this market depends on the continuing increase in the amount of data transmitted over communications networks, or bandwidth, and the growth of optical networks to meet the increased demand for bandwidth. If the internet does not continue to expand as a widespread communications medium and commercial marketplace, the need for significantly increased bandwidth across networks and the market for optical networking products may not continue to develop. Future demand for our products is uncertain and will depend to some degree on the continued growth and upgrading of optical networks. If the growth and upgrading of optical networks does not continue, sales of some of our products may decline, which would adversely affect our revenues.

The Optical Networking Market Is Unpredictable And Characterized By Rapid Technological Changes And Evolving Standards. The optical networking market is characterized by rapid technological change, frequent new product introductions, changes in customer requirements and evolving industry standards. It is difficult to predict this market s potential size or future growth rate. It has already gone through a virulent decline. Widespread adoption of optical networks would be helpful to our future success. Potential end-user customers who have invested substantial resources in their existing copper lines or other systems may be reluctant or slow to adopt a new approach, like optical networks. Our success in generating revenues in this emerging market will depend on, among other things:

- maintaining and enhancing our relationships with our customers;
- the education of potential end-user customers and network service providers about the benefits of optical networks;
- the ability of our customer base to grow their businesses that depend on optical networks; and
- our ability to accurately predict and develop our products to meet industry standards.

If we are unable to do any of the foregoing, or if we fail to address changing market conditions, the sales of our products may decline, which would adversely impact our revenues.

Risks Related To Manufacturing Our Products

If We Do Not Accurately Project Demand For Our Products, We Will Have Excess Manufacturing Capacity Or Insufficient Manufacturing Capacity Which Can Adversely Affect Our Financial Results. We currently manufacture our products in our facility located in Orlando, Florida, and in our subsidiary s manufacturing facility located in Jiading, which is near Shanghai in the People s

Republic of China. Based on uncertainty in global economic conditions and particularly in our telecommunication market based products, we believe lower demand for various products will continue through fiscal 2008. We intend to continue to operate at a right-sized production level during fiscal 2008 while retaining flexibility to meet demand if it should increase in the near future. We will accomplish this, in part, by maintaining some of our production workforce as temporary employees or contractors.

Our Failure To Accurately Forecast Material Requirements Could Cause Us To Incur Additional Costs, Have Excess Inventories Or Have Insufficient Materials To Build Our Products. We primarily use forecasts based on actual or anticipated product orders to determine our materials requirements. It is very important that we accurately predict both the demand for our products and the lead times required to obtain the necessary materials. Lead times for materials that we order vary significantly and depend on factors such as specific supplier requirements, the size of the order, contract terms and current market demand for the materials at a given time. If we overestimate our material requirements, we may have excess inventory, which would increase our costs. If we underestimate our material requirements, we may have inadequate inventory, which could interrupt our manufacturing and delay delivery of our products to our customers. Any of these occurrences would negatively impact our results of operations. Additionally, in order to avoid excess material inventories we may incur cancellation charges associated with modifying existing purchase orders with our vendors.

If We Do Not Achieve Acceptable Manufacturing Yields Or Sufficient Product Reliability, Our Ability To Ship Products To Our Customers Could Be Delayed. The manufacture of our products involves complex and precise processes. Our manufacturing costs for several products are relatively fixed, and, thus, manufacturing yields are critical to our results of operations. Changes in our manufacturing processes or those of our suppliers, or the use of defective materials, could significantly reduce our manufacturing yields and product reliability. In addition, we may experience manufacturing delays and reduced manufacturing yields upon introducing new products to our manufacturing lines. We may experience lower than targeted product yields in the future which could adversely affect our operating results.

If Our Customers Do Not Qualify Our Manufacturing Lines For Volume Shipments, Our Operating Results Could Suffer. Generally, customers do not purchase our products, other than limited numbers of evaluation units, prior to qualification of the manufacturing line for volume production. Our existing manufacturing lines, as well as each new manufacturing line, must pass through varying levels of qualification with our customers. Customers may require that we be registered under international quality standards, such as ISO 9001. This customer qualification process determines whether our manufacturing lines meet the customers quality, performance and reliability standards. If there are delays in qualification of our products, our customers may drop the product from a long-term supply program, which would result in significant lost revenue opportunity over the term of that program.

We Depend On Single Or Limited Source Suppliers For Some Of The Key Materials Or Process Steps In Our Products, Which Makes Us Susceptible To Supply Shortages, Poor Performance Or Price Fluctuations. We currently purchase several key materials or have outside vendors perform process steps, such as lens coatings, used in or during the manufacture of our products from single or limited source suppliers. We may fail to obtain required materials or services in a timely manner in the future, or could experience further delays from evaluating and testing the products or services of these potential alternative suppliers. Any interruption or delay in the supply of any of these materials or services, or the inability to obtain these materials or services from alternate sources at acceptable prices and within a reasonable amount of time, would impair our ability to meet scheduled product deliveries to our customers and could cause customers to cancel orders, negatively affecting our business.

Table of Contents

Our Products May Contain Unknown Defects Which Would Adversely Affect Our Business. Some of our products are designed to be deployed in large and complex optical networks. Because of the nature of these products, they can only be fully tested for reliability when deployed in networks for long periods of time. Our fiber optic products may contain undetected defects when first introduced or as new versions are released, and our customers may discover defects in our products only after they have been fully deployed and operated under peak stress conditions. In addition, our products often are combined with products from other vendors. As a result, should problems occur, it may be difficult to identify the source of the problem. If we are unable to fix defects or other problems, we could experience, among other things:

- loss of customers;
- damage to our brand reputation;
- failure to attract new customers or achieve market acceptance;
- diversion of development and engineering resources; and
- legal actions by our customers or third parties.

The occurrence of any one or more of the foregoing factors could cause our net revenues to decline or otherwise have an adverse effect on our business.

We Face Product Liability Risks Which Could Adversely Affect Our Business. The sale of our optical products involves the inherent risk of product liability claims by others. We do not currently maintain product liability insurance coverage. Product liability insurance is expensive, subject to various coverage exclusions and may not be obtainable on terms acceptable to us if we decide to procure such insurance in the future. Moreover, the amount and scope of any coverage may be inadequate to protect us in the event that a product liability claim is successfully asserted. Should any such claim be asserted and successfully litigated by an adverse party, there could be a material adverse effect to our financial position and results of operations.

Risks Related To Our Intellectual Property

If We Are Unable To Protect And Enforce Our Intellectual Property Rights, We May Be Unable To Compete Effectively. We believe that our patents and other intellectual property rights are important to our success and our competitive position, and we rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Although we have devoted substantial resources to the establishment and protection of our intellectual property rights, the actions taken by us may be inadequate to prevent imitation or improper use of our products by others or to prevent others from claiming violations of their intellectual property rights by us.

In addition, we cannot assure that our patent applications will be approved, that any patents that we may be issued will protect our intellectual property or that third parties will not challenge any issued patents. Other parties may independently develop similar or competing technology or design around any patents that may be issued to us. We also rely on confidentiality procedures and contractual provisions with our employees, consultants and corporate partners to protect our proprietary rights, but we cannot assure the compliance by such parties with their confidentiality obligations, which could be very time consuming and expensive to enforce.

Table of Contents

It may be necessary to litigate to enforce our patents, copyrights, and other intellectual property rights, to protect our trade secrets, to determine the validity of and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Such litigation can be time consuming, distracting to management, expensive and difficult to predict. Our failure to protect or enforce our intellectual property could have an adverse effect on our business, financial condition, prospects and results of operation.

We Do Not Have Patent Protection For Our Formulas And Processes, And A Loss Of Ownership Of Any Of Our Formulas And Processes Would Negatively Impact Our Business. We believe that we own our formulas and processes. However, we have not sought, and do not intend to seek, patent protection for all of our formulas and processes. Instead, we rely on the complexity of our formulas and processes, trade secrecy laws, and employee confidentiality agreements. However, we cannot assure you that other companies will not acquire our confidential information or trade secrets or will not independently develop equivalent or superior products or technology and obtain patent or similar rights. Although we believe that our formulas and processes have been independently developed and do not infringe the patents or rights of others, a variety of components of our processes could infringe existing or future patents, in which event we may be required to modify our processes or obtain a license. We cannot assure you that we will be able to do so in a timely manner or upon acceptable terms and conditions and the failure to do either of the foregoing would negatively affect our business, results of operations, financial condition and cash flows.

We May Become Involved In Intellectual Property Disputes And Litigation Which Could Adversely Affect Our Business. We anticipate based on the size and sophistication of our competitors and the history of rapid technological advances in our industry, that several competitors may have patent applications in progress in the United States or in foreign countries that, if issued, could relate to products similar to ours. If such patents were to be issued, the patent holders or licensees may assert infringement claims against us or claim that we have violated other intellectual property rights. These claims and any resulting lawsuits, if successful, could subject us to significant liability for damages and invalidate our proprietary rights. The lawsuits, regardless of their merits, could be time-consuming and expensive to resolve and would divert management time and attention. Any potential intellectual property litigation could also force us to do one or more of the following, any of which could harm our business:

- stop selling, incorporating or using our products that use the disputed intellectual property;
- obtain from third parties a license to sell or use the disputed technology, which license may not be available on reasonable terms, or at all; or
- redesign our products that use the disputed intellectual property.

Necessary Licenses Of Third-Party Technology May Not Be Available To Us Or May Be Very Expensive. From time to time we may be required to license technology from third parties to develop new products or product enhancements. We can provide no assurance that third-party licenses will be available to us on commercially reasonable terms, or at all. The inability to obtain any third-party license required to develop new products and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at greater cost, either of which could seriously harm our ability to manufacture and sell our products.

Table of Contents

INCLUDE ALL RISKS OR REVISED RISKS

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 Number	Description	Notes
3.1.1	Certificate of Incorporation of Registrant, filed June 15, 1992 with the Secretary of State of Delaware	1
3.1.2	Certificate of Amendment to Certificate of Incorporation of Registrant, filed October 2, 1995 with the Secretary of State of Delaware	1
3.1.3	Certificate of Designations of Class A common stock and Class E-1 common stock, Class E-2 common stock, and Class E-3 common stock of Registrant, filed November 9, 1995 with the Secretary of State of Delaware	1
3.1.4	Certificate of Designation of Series A Preferred Stock of Registrant, filed July 9, 1997 with the Secretary of State of Delaware	2
3.1.5	Certificate of Designation of Series B Stock of Registrant, filed October 2, 1997 with the Secretary of State of Delaware	3
3.1.6	Certificate of Amendment of Certificate of Incorporation of Registrant, filed November 12, 1997 with the Secretary of State of Delaware	3
3.1.7	Certificate of Designation of Series C Preferred Stock of Registrant, filed February 6, 1998 with the Secretary of State of Delaware	4
3.1.8	Certificate of Designation, Preferences and Rights of Series D Participating Preferred Stock of Registrant filed April 29, 1998 with the Secretary of State of Delaware	5
3.1.9	Certificate of Designation of Series F Preferred Stock of Registrant, filed November 2, 1999 with the Secretary of State of Delaware	6
3.1.10	Certificate of Amendment of Certificate of Incorporation of Registrant, filed February 28, 2003 with the Secretary of State of Delaware	7

3.2	Bylaws of Registrant	1
4.0	Rights Agreement dated May 1, 1998	5

Table of Contents

Exhibit Number	Description	Notes
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
10.13	Securities Purchase Agreement dated as of July 26, 2007, among LightPath Technologies, Inc., and the selling stockholders signatory thereto	15
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
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.

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.

11. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2000 and is incorporated herein by reference thereto.

12. This exhibit was filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on February 14, 2006 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 March 22, 2006, and is incorporated herein by reference thereto.

14. This exhibit was filed as an exhibit to our Current Report on Form 10-Q filed with the Securities and Exchange Commission on February 14, 2007, 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 July 26, 2007, 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 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.

* Filed herewith.

Table of Contents

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: February 14, 2008	By: /s/ J. James Gaynor *President and Chief Executive Officer*
Date: February 14, 2008	By: /s/ Dorothy M. Cipolla *Chief Financial Officer*

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description	Notes
3.1.1	Certificate of Incorporation of Registrant, filed June 15, 1992 with the Secretary of State of Delaware	1
3.1.2	Certificate of Amendment to Certificate of Incorporation of Registrant, filed October 2, 1995 with the Secretary of State of Delaware	1
3.1.3	Certificate of Designations of Class A common stock and Class E-1 common stock, Class E-2 common stock, and Class E-3 common stock of Registrant, filed November 9, 1995 with the Secretary of State of Delaware	1
3.1.4	Certificate of Designation of Series A Preferred Stock of Registrant, filed July 9, 1997 with the Secretary of State of Delaware	2
3.1.5	Certificate of Designation of Series B Stock of Registrant, filed October 2, 1997 with the Secretary of State of Delaware	3
3.1.6	Certificate of Amendment of Certificate of Incorporation of Registrant, filed November 12, 1997 with the Secretary of State of Delaware	3
3.1.7	Certificate of Designation of Series C Preferred Stock of Registrant, filed February 6, 1998 with the Secretary of State of Delaware	4
3.1.8	Certificate of Designation, Preferences and Rights of Series D Participating Preferred Stock of Registrant filed April 29, 1998 with the Secretary of State of Delaware	5
3.1.9	Certificate of Designation of Series F Preferred Stock of Registrant, filed November 2, 1999 with the Secretary of State of Delaware	6
3.1.10	Certificate of Amendment of Certificate of Incorporation of Registrant, filed February 28, 2003 with the Secretary of State of Delaware	7
3.2	Bylaws of Registrant	1
4.0	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

Table of Contents

Exhibit Number	Description	Notes
10.12	Employee Agreement dated February 14, 2007, among LightPath Technologies, Inc., and its CEO & President	14
10.13	Securities Purchase Agreement dated as of July 26, 2007, among LightPath Technologies, Inc., and the selling stockholders signatory thereto	15
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
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.

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.

46

Table of Contents

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.

11. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2000 and is incorporated herein by reference thereto.

12. This exhibit was filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on February 14, 2006 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 March 22, 2006, and is incorporated herein by reference thereto.

14. This exhibit was filed as an exhibit to our Current Report on Form 10-Q filed with the Securities and Exchange Commission on February 14, 2007, 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 July 26, 2007, 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 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.

* Filed herewith.