

# **LIGHTPATH TECHNOLOGIES, INC.**

## **AUDIT COMMITTEE CHARTER**

### **MISSION STATEMENT**

The Audit Committee will assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reporting process, the system of internal control, the audit process and the Company's process for monitoring compliance with laws and regulations. The Committee will provide an open avenue of communication with the Board of Directors, management and the external auditors. To achieve these objectives the Committee will obtain an understanding of the Company's business, operations, risks, and any other issues that may affect the financial reporting process. Except as restricted by law, the Company's Articles of Incorporation or its By-Laws, the Audit Committee shall have and may exercise all authority that is vested in the Board of Directors with respect to the Company's financial reporting, risk management, internal controls and auditing.

It is the intent of this Committee to be in full compliance with Nasdaq and SEC rules and regulations, including those hereafter promulgated, regarding the element of governance contributed by Audit Committees.

### **ORGANIZATION**

1. The Committee will consist of at least three members of the Board of Directors appointed by the Board under its nominating provisions for a term of one year. Each member of the Committee must be independent as defined by Nasdaq Rule 4200(a)(15) and Rule 10A-3 of the Securities Exchange Act.
2. The Committee will meet at least semi-annually with management. The independent auditors or others may be invited to attend at the discretion of the Committee.
3. The members of the Committee shall be able to read and understand fundamental financial statements and at least one member of the Committee shall have accounting, related financial management expertise, or any other comparable experience or background that results in the individual's financial sophistication.
4. No member of the Committee shall be employed or otherwise affiliated with the Company's independent accountants.

### **ROLES AND RESPONSIBILITIES**

The Committee shall have any and all necessary authority to permit it to comply with Rule 10A-3 under the Securities Exchange Act and such other duties as is enumerated below. This Charter shall be reviewed at least annually by the Committee and assessed for continued adequacy and validity under the law. If, as and when appropriate as a result of this review, this Charter shall be modified or amended.

## **INTERNAL CONTROLS**

1. Evaluate whether management is setting the appropriate tone at the top by communicating the importance of internal controls and ensuring that all individuals possess an understanding of their roles and responsibilities.
2. Understand the status of recommendations made by the external auditors and the implementation of those recommendations, as appropriate.
3. Ensure that the independent auditors inform the Committee of fraud, illegal acts, deficiencies in internal controls and any other matters they deem appropriate.

## **FINANCIAL REPORTING**

1. Review significant accounting and reporting issues and the impact of new pronouncements on the financial statements.
2. Review issues involving management's judgment such as in the valuation of assets and liabilities.
3. Review the annual and quarterly financial statements for completeness and consistency with particular attention to complex and unusual items.
4. Review other information in the annual report for adequacy and consistency.
5. Meet with management and the external auditors to review the financial statements, results of the audit and any internal control recommendations on at least an annual basis.

## **COMPLIANCE WITH LAWS AND REGULATION**

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of any investigation and follow-up on any fraudulent acts or accounting irregularities.
2. Review the findings on any examinations by regulatory agencies, including the Securities and Exchange Commission and the Nasdaq Stock Market.
3. Obtain satisfaction that all regulatory compliance matters have been considered in the preparation of the financial statements.

## **EXTERNAL AUDIT**

1. Inquire as to the auditors' independent qualitative judgments about the appropriateness, not just the acceptability, of the accounting principles and the clarity of the financial disclosure practices used or proposed to be adopted by the Company.
2. Inquire as to whether the auditors view management's choices of accounting principles as conservative, moderate, or aggressive from the perspective of income recognition, asset valuation, and liability recognition, and whether those principles reflect the majority or minority practice.
3. Oversee the external audit including engagement letters, estimated fees, and review and solely approve of any permitted non-audit services performed by the auditors.

4. Review the proposed audit scope and approach prior to commencement of work by the auditors to ensure completeness of coverage and effective use of resources.
5. Review the performance of the auditors and recommend their appointment or recommend a change in auditors on an annual basis.
6. Review any serious difficulties or disputes with management encountered during the audit, as well as any other matters required to be communicated to the Audit Committee under generally accepted auditing standards.
7. On an annual basis, the Committee should review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditor's independence. Review such facts to determine if auditors appear to be independent in both fact and appearance.

#### **OTHER RESPONSIBILITIES**

1. Meet with external auditors and management in separate executive sessions, as needed to discuss any matters that the committee or these groups believe should be discussed privately.
2. Review with legal counsel any legal or regulatory matters that could have a significant impact on the Company's financial statements.
3. Manage the Company's compliance with and execution of duties regarding its role to facilitate an available form and mechanism for the confidential and anonymous submission of concerns regarding questionable accounting or auditing matters by employees or other constituents of the Company ("whistleblower" access).
4. Perform other oversight functions as requested by the full Board of Directors.
5. The Committee shall have the power to conduct or authorize investigations into any matters within its scope of responsibilities and shall be empowered to retain legal counsel, accountants, or others to assist in the conduct of any investigation.
6. Annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement.

#### **REPORTING RESPONSIBILITIES**

The Committee will regularly update the Board of Directors as to its activities and make recommendations for action, as it deems appropriate.

Louis Leeburg  
Chairman of the Audit Committee  
Updated May 10, 2004