



2603 Challenger Tech Ct. Ste 100, Orlando, Florida USA 32826 (407) 382-4003

Dear Shareholders,

March 16, 2004

Yesterday, we proactively applied to NASDAQ for a transfer of our listing from the National Market System (NMS) to the Small Cap Market (SCM). Clearly we would have preferred to remain on the NMS. Nasdaq classifies listings on the basis of several company metrics, some quantitative and some qualitative. LightPath currently meets all of the criteria for NMS inclusion except one that requires maintenance of a minimum of \$10 million in stockholders' equity on our financial statements. Due to both our losses over the last few years as we have "right-sized" the business to the reduction in telecom demand and the on-going non-cash charges from acquisition assets we still maintain on the books, our shareholder equity fell below the \$10 million requirement when we reported our December quarter. In order to maintain our listing on the Nasdaq, your Board of Directors looked at the effect of our stock being traded on the SCM vs. the NMS and concluded that there was very little difference or effect to you as a shareholder.

In considering this matter, your Board reviewed and evaluated the following points, among others:

- There is no effect on how we do business from day to day in serving customers' needs.
- We still have the same disclosure and governance requirements imposed on us by both the SEC and Nasdaq as we did on the NMS.
- We recognize that it is difficult for public companies with a market capitalization of less than \$100 million to attract institutional interest in their stock regardless of the market where they are traded. That was certainly our recent experience when we resided on the NMS as well as currently as we move to the SCM. However, it should be noted that we are still able to attract capital as evidenced by the recent \$1.95 million investment by several individual private investors.
- We do not believe that any fewer market makers will quote our stock or that our typical bid-asked spread will increase significantly.
- We have been informed by Nasdaq that order flow from broker-dealers to their market for SCM companies is still processed through Nasdaq's SuperMontage, an aggregated order board of quotations from all sources and reputed to offer the most complete and transparent electronic market.
- Alternative market venues that broker-dealers may use, such as ECN's and ATS's, must still meet national best-bid and offer (NBBO) obligations for SCM company trades and report those trades through the Nasdaq system on a timely basis as defined by regulation.

In short, we believe there is little or no practical effect to our transfer of listing to the SCM. At the same time, the Board concluded that in the future, as the business continues to grow, we would consider transferring our listing back to the NMS.

As we stated in yesterday's press release, we currently have a pro-forma \$4.5 million of cash and cash equivalents on our balance sheet and believe we are on-track to reduce the second fiscal quarter burn rate of \$830,000 to a cash-flow breakeven rate at or before the end of calendar 2004. We do not foresee a need for additional liquidity to support our business at current levels at this

time or in the foreseeable future. Our reported loss of \$1.98 million in the quarter ended December 31, 2003, included \$893,000 of non-cash charges (intangible amortization, depreciation, equity compensation charges, and warrant amortization). We believe we will make excellent progress in getting to a breakeven in cash flow from operations (excluding non-cash charges) by the end of this calendar year.

While we are in the process of increasing revenues and improving product gross margins, we believe we will need at least four quarters to overcome the effects of these non-cash charges on our operating results and the resultant stockholders' equity.

The last few years have been very difficult for LightPath, refocusing our sales and marketing efforts, restructuring and consolidating the business from three locations down to one, and finally dealing with the day-to-day growth issues for a company that has some truly differentiated products with a great team of people supporting the entire business.

Thank you for staying with us and supporting us. We are working hard for you.

Sincerely,

/s/ Ken  
Ken Brizel  
President & CEO

*This letter includes statements which constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This information may involve risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, factors detailed by LightPath Technologies, Inc. in its public filings with the Securities and Exchange Commission.*