

# LightPath Technologies Announces Financial Results for the Third Quarter and First Nine Months of Fiscal 2009

ORLANDO, FL—May 14, 2009 -- LightPath Technologies, Inc. (NASDAQ:LPTH), a manufacturer and integrator of families of precision molded aspheric optics, GRADIUM® glass products, and high-performance fiber-optic collimators and isolators, today announced financial results for the third quarter and first nine months of fiscal 2009 ended March 31, 2009.

## Third Quarter Highlights:

- Disclosure backlog scheduled to ship within the next twelve months is \$3.4 million.
- Third quarter fiscal 2009 gross margin improves to 25% compared to 20% for the same period in the previous fiscal year
- The third quarter EBITDA improved to a loss of \$460,000 compared to a loss of \$1.1 million in the same period last year and \$704,000 from the second quarter of fiscal 2009.
- Cash usage was reduced to \$143,000 in the third quarter of fiscal 2009 from a usage of \$1.1 million in the same quarter in the prior year and \$631,000 from the second quarter of fiscal 2009.

Mr. Jim Gaynor, Chief Executive Officer of LightPath, commented, "During the third quarter of fiscal 2009 we continued to address the financial challenges presented by the current market economy. During this quarter we continued to experience the weakness in the market demand but we believe we are near the bottom and expect to see slightly stronger demand over the next several quarters. We have been working diligently to penetrate new markets for LightPath and have made significant progress with our efforts in the laser tool market, particularly in Asia. These efforts have produced significant orders that we anticipate to be in production over the next 3 to 6 months subject to customer qualifications."

"I am pleased that we were able to continue to manage our costs and increase our gross margins year over year. We have continued to find ways to reduce our costs and continue to efficiently operate our business. Our gross margin for the third quarter of fiscal 2009 improved from 20% to 25% compared to the third quarter of fiscal 2008, and to 26% for the first nine months of fiscal 2009, compared to 10% the first nine months of fiscal 2008. This margin improvement has been accomplished in spite of lower sales and competitive price pressures."

“During the third quarter of fiscal year 2009, over 95% of our precision molded optics were produced at our Shanghai facility where our direct labor productivity has improved 66%. Our improved efficiency, combined with the high percentage of our product now produced in the Shanghai facility has significantly reduced our labor cost. Production yields for the first nine months of fiscal 2009 averaged 87% compared to an average of 67% for the fiscal year 2008. We are also continuing to convert to high temperature, lower cost glass materials, when combined with the 20 percentage point improvement in yield has lowered our material costs. We have also implemented new programs to reduce our service costs aimed at tooling and our anti-reflective coating processes. As these programs come on line we expect to see continued improvement in our direct costs in future quarters.”

“Additionally we have implemented a series of overhead cost reductions. With the transfer of the majority of our manufacturing operations to Shanghai, workforce in Orlando has been reduced by 42% since December 2007. As a result of the productivity improvements in Shanghai, we have reduced the workforce there by 20% since December 2008. In addition we implemented a 20% salary reduction for the majority of our US based personnel in March 2009. All of these changes have resulted in a reduction of our cash used in operations by 94% from the first fiscal quarter of 2009 compared to the third fiscal quarter of 2009 and 81% from the second fiscal quarter of 2009 compared to the third fiscal quarter of 2009. As the full impact of these improvements are realized and our forecasted revenues are achieved, we believe we will see continued reductions of cash used in operations.”

### **Financial Results for Three Months Ended March 31, 2009**

Revenue for the third quarter of fiscal 2009 ended March 31, 2009 totaled \$1.66 million compared to \$2.11 million for the third quarter of fiscal 2008, a decrease of 22%. The decrease from the third quarter of last year was primarily attributable to lower sales volumes of molded optics products and isolators. Growth in sales going forward is expected to be derived primarily from the precision molded optics product line driven by low cost lenses in Asia and our infrared lenses.

Our gross margin percentage in the third quarter of fiscal 2009 compared to third quarter fiscal 2008 increased to 25% from 20%. Total manufacturing cost of \$1.2 million was \$0.5 million lower in the third quarter of fiscal 2009 compared to the same period of the prior fiscal year. Direct costs, which include material, labor and services were reduced 3% to 21% of revenue in the third quarter of fiscal 2009, as compared to 24% of revenue in the third quarter of fiscal 2008. Gross margins improved as a result of the cost reduction programs the Company has implemented.

During the third quarter of fiscal 2009 total costs and expenses decreased \$591,000 to \$1.0 million compared to \$1.6 million for the same period in fiscal 2008. Included in total costs and expenses for fiscal 2009 were \$817,000 in selling, general and administrative expenses which for the third quarter of fiscal 2009 decreased \$455,000 or 36% from \$1.3

million for the same period in the prior year. As a result, total operating loss for the third quarter of fiscal 2009 improved to \$0.6 million compared to a loss of \$1.2 million for the same period in fiscal 2008.

Net loss for the third quarter of fiscal 2009 ended March 31, 2009 was \$756,000 or \$0.11 per basic and diluted share, compared with a net loss of \$1.2 million or \$0.22 per basic and diluted share for the same period in fiscal 2008. This compared to a net loss of \$1.7 million or \$0.29 per basic and diluted share for the second quarter of fiscal 2009 ended December 31, 2008. This represents a \$969,000 decrease in net loss. The net loss for the quarter ended December 31, 2008 included \$641,000 in charges related to fees, debt costs, and debt discount write-offs associated with the conversion of 25% of outstanding debentures into common stock. Weighted-average shares outstanding increased in the third quarter of fiscal 2009 compared to the third quarter in fiscal 2008 primarily due to the issuance of common shares related to the debenture conversion and the prepayment of interest in common shares.

### **Financial Results for the Nine Months Ended March 31, 2009**

Revenue for the nine months ended March 31, 2009 totaled \$5.9 million compared to \$6.4 million for the first nine months of fiscal 2008, a decrease of 8%. The decrease from the prior fiscal year was primarily attributable to lower sales volumes of molded optics, collimators and gradium. Growth in sales going forward is expected to be derived primarily from the precision molded optics driven by low cost lenses in Asia and infrared lenses.

Our gross margin percentage in the first nine months of fiscal 2009 compared to first nine months of fiscal 2008 increased to 26% from 10%. Total cost of sales was \$4.4 million which represents a \$1.4 million decrease in the first nine months half of fiscal 2009 compared to \$5.8 million in the same period of the prior fiscal year. Direct costs, which include material, labor and services, remain stable at 23% of revenue in the first nine months of fiscal 2009, as compared to 23% in the first nine months of fiscal 2008. Gross margins improved as a result of the cost reduction programs the Company has implemented. In addition, we incurred a one-time inventory valuation adjustment of approximately \$374,000 for the nine months ended March 31, 2008 that was not incurred during the nine months ended March 31, 2009.

During the first nine months of fiscal 2009 total costs and expenses decreased approximately \$1.2 million to \$3.9 million compared to \$5.0 million for the same period in fiscal 2008. Included in total costs and expenses for the first nine months of fiscal 2009 were \$3.2 million in selling, general and administrative expenses which decreased \$908,000 from the same period in the previous fiscal year. As a result, total operating loss for the first nine months of fiscal 2009 improved to \$2.3 million compared to \$4.4 million for the same period in fiscal 2008.

Net loss for the nine months ended March 31, 2009 totaled \$3.5 million or \$0.58 per basic and diluted share, compared with a net loss of \$4.3 million or \$0.81 per basic and diluted share for the same period in fiscal 2008. This represents an \$831,000 decrease in

net loss. The net loss for the first nine months includes \$641,000 in charges related to fees, debt costs, and debt discount write-offs associated with the conversion of 25% of the outstanding debentures. Weighted-average shares outstanding increased in the first nine months of fiscal 2009 compared to the first nine months of fiscal 2008 primarily due to the issuance of common shares related to the conversion of the debentures.

On the balance sheet, cash and cash equivalents totaled \$380,068 at March 31, 2009. Total current assets and total assets at March 31, 2009 were \$3.2 million and \$5.5 million, respectively, compared to \$3.3 million and \$5.5 million at June 30, 2008, respectively. Total current liabilities and total liabilities at March 31, 2009 were \$2.0 million and \$3.5 million, respectively, compared to \$3.0 million and \$3.3 million, respectively, for June 30, 2008. As a result, the current ratio as of March 31, 2009 improved to 1.65 to 1 compared to 1.10 to 1 for the year end June 30, 2008. Total stockholders' equity at March 31, 2009 totaled \$1.9 million compared to \$2.2 million at June 30, 2008.

As of March 31, 2009 the Company's backlog of orders to be filled in less than one year, was \$3.4 million compared to \$3.0 million as of December 31, 2008.

Jim Gaynor concluded, "Our results for the first nine months of this year are a positive reflection of much hard work and effort by the team at LightPath, to control cost and mitigate expenses. Despite a decrease in our revenues we managed to dramatically enhance our gross margins and decrease our loss over the previous year. We expect the full effect of the efficiencies we have implemented to lower cash usage going forward compared to the third quarter of fiscal 2009. Our cash balance at March 31, 2009 was \$380,000. We have taken certain actions to conserve our cash including extending payment terms with certain of our suppliers. We have negotiated payment plans with some key vendors and are working with other vendors to develop payment plans.

"We believe LightPath currently has sufficient cash to fund its operations through October 31, 2009 assuming our revenue stays at current levels and no additional sources of capital are used. This quarter we expect to receive approximately \$276,000 for a D&O insurance settlement from a claim filed in 2007. These funds should provide additional flexibility in sustaining operations.

"The extent to which we can sustain our operations beyond this timeframe will depend on our ability to increase revenues from low cost and infrared lenses or a sale of non-strategic assets or from future equity or debt financing. Recent booking trends have been slower than planned given the current economic condition. However, we believe that taking the current booking rate combined with the existing order backlog that we will be able to generate increased revenues.

"We remain confident that the changes we have made over the past year will reap positive rewards as we generate more sales and build our pipeline of business. We remain encouraged by our disclosure backlog at \$3.4 million and the number of new product proposals we have undertaken in the past nine months. Our efforts to penetrate high volume lower cost commercial markets in Asia show tremendous promise for the

remainder of our fiscal year. Going forward we will continue to focus on the lower cost higher volume market opportunities and broaden our exposure in the Asian precision optic lens market.”

### **Investor Conference Call and Webcast Details:**

LightPath will host an audio conference call and webcast on Thursday, May 14th at 4:15 p.m. EDT to discuss the Company's financial and operational performance for the third quarter and first nine months of fiscal 2009.

#### **Conference Call Details**

Date: Thursday, May 14, 2009

Time: 4:15 p.m. (EDT)

Dial-in Number: 1-877-941-6009

International Dial-in Number: 1-480-629-9770

It is recommended that participants dial-in approximately 5 to 10 minutes prior to the start of the 4:15 p.m. call. The call is also being webcast and may be accessed at LightPath's website at [www.lightpath.com](http://www.lightpath.com). A transcript archive of the webcast will be available for viewing or download on the company web site shortly after the call is concluded.

A replay of the conference call will be available approximately 3 hours after the completion of the call for 7 days, until May 21, 2009. To listen to the replay, dial 1-800-406-7325 if calling within the U.S. and 1-303-590-3030 if calling internationally and enter the pass code 4068699.

The call is also being webcast and may be accessed at the call organizer website of ViaVid at [www.viavid.net](http://www.viavid.net). The webcast will be archived and accessible on the Company website.

### About LightPath Technologies

LightPath manufactures optical products including precision molded aspheric optics, GRADIUM® glass products, proprietary collimator assemblies, laser components utilizing proprietary automation technology, higher-level assemblies and packing solutions. LightPath has a strong patent portfolio that has been granted or licensed to us in these fields. LightPath common stock trades on the NASDAQ Capital Market under the stock symbol LPTH. For more information visit [www.lightpath.com](http://www.lightpath.com)

EBITDA is a non-GAAP financial measure used by management, lenders and certain investors as a supplemental measure in the evaluation of some aspects of a corporation's financial position and core operating performance. Investors sometimes use EBITDA as it allows for some level of comparability of profitability trends between those businesses differing as to capital structure and capital intensity by removing the impacts of depreciation and amortization. EBITDA also does not include changes in major working

capital items such as receivables, inventory and payables, which can also indicate a significant need for, or source of, cash. Since decisions regarding capital investment and financing and changes in working capital components can have a significant impact on cash flow, EBITDA is not a good indicator of a business's cash flows. We use EBITDA for evaluating the relative underlying performance of the Company's core operations and for planning purposes. We calculate EBITDA by adjusting net loss to exclude net interest expense, income tax expense or benefit, depreciation and amortization, thus the term "Earnings Before Interest, Taxes, Depreciation and Amortization" and the acronym "EBITDA."

This news release includes statements that 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. Except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission, we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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**LightPath Technologies**  
**EBITDA Comparison**

	<u>Actual</u> <u>Q1 2008</u>	<u>Actual</u> <u>Q2 2008</u>	<u>Actual</u> <u>Q3 2008</u>	<u>Actual</u> <u>Q4 2008</u>	<u>Actual</u> <u>Q1 2009</u>	<u>Actual</u> <u>Q2 2009</u>	<u>Actual</u> <u>Q3 2009</u>
Revenue	2,308,753	2,021,566	2,114,196	2,381,956	2,337,762	1,905,202	1,656,889
Cost of sales	<u>2,070,042</u>	<u>2,016,257</u>	<u>1,694,679</u>	<u>1,814,420</u>	<u>1,706,758</u>	<u>1,438,234</u>	<u>1,242,291</u>
Gross margin	238,711 10%	5,309 0%	419,517 20%	567,536 24%	631,004 27%	466,968 25%	414,598 25%
Total operating costs and expenses	<u>1,753,554</u>	<u>1,669,438</u>	<u>1,602,495</u>	<u>1,665,083</u>	<u>1,505,922</u>	<u>1,343,723</u>	<u>1,011,596</u>
Operating loss	(1,514,843)	(1,664,129)	(1,182,978)	(1,097,547)	(874,918)	(876,755)	(596,998)
Other income (expense)	11,795	20,978	(7,291)	(33,754)	(148,891)	(848,753)	(159,177)
Net Loss	<u>(1,503,048)</u>	<u>(1,643,151)</u>	<u>(1,190,269)</u>	<u>(1,131,301)</u>	<u>(1,023,809)</u>	<u>(1,725,508)</u>	<u>(756,175)</u>
EBITDA	<u>(1,381,348)</u>	<u>(1,522,452)</u>	<u>(1,053,747)</u>	<u>(964,070)</u>	<u>(688,434)</u>	<u>(727,717)</u>	<u>(483,258)</u>

**LIGHTPATH TECHNOLOGIES, INC.**  
Condensed Consolidated Balance Sheets

Assets	<b>Unaudited March 31, 2009</b>	<b>June 30, 2008</b>
	<b>2009</b>	<b>2008</b>
Current assets:		
Cash and cash equivalents	\$ 380,068	\$ 358,457
Trade accounts receivable, net of allowance of \$44,304 and \$44,862	1,052,949	1,334,856
Inventories, net	1,207,970	1,323,555
Prepaid expenses and other assets	581,801	277,359
Total current assets	3,222,788	3,294,227
Property and equipment - net	1,666,410	1,937,741
Intangible assets - net	175,086	199,737
Debt costs, net	331,744	—
Other assets	57,306	57,306
Total assets	\$ 5,453,334	\$ 5,489,011
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,342,987	\$ 1,827,461
Accrued liabilities	178,693	196,125
Accrued severance	—	97,401
Accrued payroll and benefits	271,696	423,222
Secured note payable	—	260,828
Note payable, current portion	152,624	166,645
Capital lease obligation, current portion	9,936	18,603
Total current liabilities	1,955,936	2,990,285
Deferred rent	220,066	222,818
Capital lease obligation, excluding current portion	—	5,050
Note payable, excluding current portion	—	111,097
8% convertible debentures to related parties, net of debt discount	120,891	—
8% convertible debentures, net of debt discount	1,243,093	—
Total liabilities	3,539,986	3,329,250
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; 40,000,000 shares authorized; 6,676,453 and 5,331,664 shares issued and outstanding, respectively	66,765	53,317
Additional paid-in capital	203,089,544	199,847,356
Foreign currency translation adjustment	24,812	21,369
Accumulated deficit	(201,267,773)	(197,762,281)
Total stockholders' equity	1,913,348	2,159,761
Total liabilities and stockholders' equity	\$ 5,453,334	\$ 5,489,011

**LIGHTPATH TECHNOLOGIES, INC.**  
Condensed Consolidated Statements of Operations

	Unaudited		Unaudited	
	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Product sales, net	\$ 1,656,889	\$ 2,114,196	\$ 5,899,853	\$ 6,444,515
Cost of sales	<u>1,242,291</u>	<u>1,694,679</u>	<u>4,387,283</u>	<u>5,780,978</u>
Gross margin	414,598	419,517	1,512,570	663,537
Operating expenses:				
Selling, general and administrative	816,805	1,272,269	3,155,255	4,063,080
New product development	184,111	308,302	686,579	924,049
Amortization of intangibles	8,217	8,217	24,651	24,651
Loss (Gain) on sale of property & equipment	<u>2,463</u>	<u>13,707</u>	<u>(5,244)</u>	<u>13,707</u>
Total costs and expenses	<u>1,011,596</u>	<u>1,602,495</u>	<u>3,861,241</u>	<u>5,025,487</u>
Operating loss	(596,998)	(1,182,978)	(2,348,671)	(4,361,950)
Other income (expense):				
Interest expense	(161,330)	(19,357)	(1,173,578)	(48,285)
Investment and other income	<u>2,153</u>	<u>12,066</u>	<u>16,757</u>	<u>73,767</u>
Net loss	<u>\$ (756,175)</u>	<u>\$ (1,190,269)</u>	<u>\$ (3,505,492)</u>	<u>\$ (4,336,468)</u>
Foreign currency translation adjustment	<u>3,061</u>	<u>9,771</u>	<u>3,443</u>	<u>51,181</u>
Comprehensive loss	<u>\$ (753,114)</u>	<u>\$ (1,180,498)</u>	<u>\$ (3,502,049)</u>	<u>\$ (4,285,287)</u>
Loss per share (basic and diluted)	<u>\$ (0.11)</u>	<u>\$ (0.22)</u>	<u>\$ (0.58)</u>	<u>\$ (0.81)</u>
Number of shares used in per share calculation	<u>6,674,453</u>	<u>5,332,655</u>	<u>5,993,114</u>	<u>5,326,003</u>

**LIGHTPATH TECHNOLOGIES, INC.**  
Condensed Consolidated Statements of Cash Flows

**Unaudited**  
**Nine Months Ended**  
**March 31,**

	<b>2009</b>	<b>2008</b>
Cash flows from operating activities		
Net loss	\$ (3,505,492)	\$ (4,336,468)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	432,505	330,636
Foreign exchange translation adjustment	3,443	51,181
Interest from amortization of debt discount	558,699	-
Fair value of warrants issued to induce debenture conversion	215,975	-
Amortization of debt costs	222,564	-
Issuance of common stock for interest on convertible debentures	97,633	-
Gain on sale of property and equipment	(5,244)	(7,000)
Stock based compensation	106,241	280,525
Provision for doubtful accounts receivable	(558)	17,901
Loss on abandonment of fixed assets	-	20,707
Deferred rent	(2,752)	-
Common stock issued for payment of consulting services	49,800	-
Changes in operating assets and liabilities:		
Trade accounts receivables	282,465	3,743
Inventories	115,585	400,431
Prepaid expenses and other assets	686	(93,734)
Accounts payable and accrued liabilities	(750,833)	213,762
Net cash used in operating activities	<u>(2,179,283)</u>	<u>(3,118,316)</u>
Cash flows from investing activities		
Purchase of property and equipment	(123,884)	(646,020)
Proceeds from sale of equipment	37,791	7,000
Net cash used in investing activities	<u>(86,093)</u>	<u>(639,020)</u>
Cash flows from financing activities		
Proceeds from sale of common stock, net of costs	-	2,978,544
Proceeds from sale of common stock from employee stock purchase plan	14,220	44,548
Borrowings on 8% convertible debenture, net of issuance costs	2,672,430	-
Payments on secured note payable	(260,828)	-
Payments on capital lease obligation	(13,717)	(12,008)
Payments on note payable	(125,118)	(124,983)
Net cash provided by financing activities	<u>2,286,987</u>	<u>2,886,101</u>
Increase in cash and cash equivalents	21,611	(871,235)
Cash and cash equivalents, beginning of period	358,457	1,291,364
Cash and cash equivalents, end of period	<u>\$ 380,068</u>	<u>\$ 420,129</u>
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$ 31,568	\$ 29,993
Supplemental disclosure of non-cash investing & financing activities:		
Landlord credits for leasehold improvements	\$ -	\$ 161,678
Convertible debentures exchanged into common stock	\$ 732,250	\$ -
Fair value of warrants issued to broker of debt financing	\$ 194,057	\$ -
Fair value of warrants & incentive shares issued to debenture holders	\$ 790,830	\$ -
Intrinsic value of beneficial conversion feature underlying convertible debentures	\$ 600,635	\$ -

**LIGHTPATH TECHNOLOGIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**Nine months ended March 31, 2009**  
**Unaudited**

	Class A		Additional	Foreign		Total
	Common Stock		Paid-in	Currency	Accumulated	Stockholders'
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Translation</u>	<u>Deficit</u>	<u>Equity</u>
				<u>Adjustment</u>		
Balances at June 30, 2008	5,331,664	\$ 53,317	\$199,847,356	\$ 21,369	\$(197,762,281)	\$ 2,159,761
Issuance of common stock for:						
Current interest on convertible debentures	103,971	1,040	96,593			97,633
Incentive to participate in convertible debenture placement, recorded as debt discount	73,228	732	74,399			75,131
Prepayment of interest on convertible debentures	589,614	5,896	448,099			453,995
Conversion of 25% of debentures	475,496	4,755	727,495			732,250
Payment on consulting service arrangements	60,000	600	49,200			49,800
Vested restricted stock units	27,700	277	(277)			-
Employee Stock Purchase Plan	14,780	148	14,072			14,220
Issuance of warrants to private placement agent recorded as debt costs			194,057			194,057
Debt discount and beneficial conversion feature on convertible debentures			1,316,334			1,316,334
Issuance of warrants as inducement to convert debentures			215,975			215,975
Stock based compensation on stock options and restricted stock units			106,241			106,241
Foreign currency adjustment				3,443		3,443
Net loss					(3,505,492)	(3,505,492)
Balances at March 31, 2009	<u>6,676,453</u>	<u>\$ 66,765</u>	<u>\$203,089,544</u>	<u>\$ 24,812</u>	<u>\$(201,267,773)</u>	<u>\$ 1,913,348</u>