

LightPath Technologies Announces Financial Results for the Quarter and Year Ended June 30, 2009

ORLANDO, FL—September 24, 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 quarter and year ended June 30, 2009.

Fourth Quarter Highlights:

- Disclosure backlog scheduled to ship within fiscal 2010 is \$2.3 million.
- Gross margin for the fourth quarter fiscal 2009 improved to 33% compared to 24% for the same period last fiscal year
- EBITDA for the fourth quarter of fiscal 2009 improved to a loss of \$21,000 compared to a loss of \$964,000 in the same period last year and \$483,000 from the third quarter of fiscal 2009.
- Net cash generated was a positive \$200,000 in the fourth quarter of fiscal 2009, an improvement from a usage of \$86,000 in the fourth quarter of the prior year and a usage of \$143,000 in the third quarter of fiscal 2009.
- Revenue for the fourth quarter of fiscal 2009 was \$1.6 million for fiscal 2009 compared to \$2.4 million for the same period in fiscal 2008, a decrease of 33%.

Mr. Jim Gaynor, Chief Executive Officer of LightPath, commented, "During the fourth quarter of fiscal 2009 we continued to address the financial challenges presented by the current market economy. Even though our revenue remained flat compared to the previous quarter and is down compared to the fourth quarter of fiscal 2008, our cost performance has continued to improve. We believe the worst of the market declines are behind us and expect to see stronger bookings 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 have now completed customer qualification and are in production.

"I am pleased to report that we have again increased our gross margins during the fourth quarter of fiscal 2009 and we have continued to reduce our operating costs. Our gross margin for the fourth quarter of fiscal 2009 improved to 33% from 24% compared to the fourth quarter of fiscal 2008, and to 27% for the fiscal year 2009 compared to 14% for the fiscal year 2008. This margin improvement has been accomplished in the face of lower sales and competitive price pressure.

"During the fourth quarter of fiscal year 2009, over 95% of our precision molded optics were produced at our Shanghai facility. Direct labor productivity has improved 71% in the fourth quarter of fiscal 2009 compared to the average for fiscal 2008 in our Shanghai factory. This efficiency improvement combined with the high percentage of product now produced in this facility has significantly reduced our labor cost. Production yields for the fourth quarter of

fiscal 2009 averaged 92% and for the entire fiscal year 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 and this conversion 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 already low direct costs in future quarters.

“In the fourth quarter of fiscal 2009 we saw the full impact of our cost reductions of the previously implemented overhead reductions resulting in a reduction of our cash used in operations by \$737,000 compared to the third quarter of fiscal 2009. For the fiscal year 2009 compared to fiscal 2008, there was a \$1.9 million reduction in cash used in operations.

“These cost improvements along with aggressive cash management which has resulted from the above detailed actions have positioned LightPath so that with modest increases in volume LightPath can become cash positive and reach its goal of profitability.”

Financial Results for Three Months Ended June 30, 2009

Revenue for the fourth quarter of fiscal 2009 ended June 30, 2009 totaled \$1.6 million compared to \$2.4 million for the fourth quarter of fiscal 2008, a decrease of 33%. The decrease from the fourth quarter of last year was primarily attributable to lower sales volumes across all product lines. Growth in sales going forward is expected to be derived primarily from the precision molded optics product line, particularly our low cost lenses being sold in Asia.

Our gross margin percentage in the fourth quarter of fiscal 2009 compared to fourth quarter of fiscal 2008 increased to 33% from 24%. Total manufacturing cost of \$1.1 million was \$755,000 lower in the fourth 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 23% of revenue in the fourth quarter of fiscal 2009, as compared to 26% of revenue in the fourth quarter of fiscal 2008. Gross margins improved as a result of the cost reduction programs we have implemented.

During the fourth quarter of fiscal 2009 total costs and expenses decreased \$975,000 to \$690,000 compared to \$1.7 million for the same period in fiscal 2008. Included in total costs and expenses for the fourth quarter of fiscal 2009 were \$481,000 in selling, general and administrative expenses, which decreased \$896,000 or 65% from \$1.4 million for the same period in the prior fiscal year. In the fourth quarter of fiscal 2009, LightPath benefited from two one time events: receipt of \$186,000 from our D&O insurance carrier as a refund for legal expenses and receipt of \$181,000 gain on funds received from the Chinese government related to the move of our manufacturing facility in Shanghai. Other items creating the reduction were salaries and benefits were lower by \$226,000 comparing the fourth quarter of fiscal 2009 to fiscal 2008 due to reduced headcount and salary reductions and stock compensation was \$90,000 lower and rent & utilities were \$52,000 lower. As a result, total operating loss for the fourth quarter of fiscal 2009 improved to \$159,000 compared to a loss of \$1.1 million for the same period in fiscal 2008.

Net loss for the fourth quarter of fiscal 2009 was \$318,000 or \$0.05 per basic and diluted share, compared with a net loss of \$1.1 million or \$0.21 basic and diluted per share for the same period in fiscal 2008. This compared to a net loss of \$756,000 or \$0.11 per basic and diluted share for the third quarter of fiscal 2009. This represents an \$814,000 decrease in net loss from the fourth quarter of fiscal 2008 compared to the fourth quarter of fiscal 2009. Weighted-average shares outstanding increased in the fourth quarter of fiscal 2009 compared to the fourth quarter in fiscal 2008 primarily due to the issuance of common shares related to the partial conversion of debenture.

Financial Results for the Year Ended June 30, 2009

Revenue for the fiscal year ended June 30, 2009 totaled \$7.5 million compared to \$8.8 million for the fiscal year 2008, a decrease of 15%. The decrease from the prior fiscal year was primarily attributable to lower sales volumes of molded optics, collimators and Gadium. Growth in sales going forward is expected to be derived primarily from the precision molded optics, particularly our low cost lenses being sold in Asia.

Our gross margin percentage in the fiscal year 2009 compared to fiscal year 2008 increased to 27% from 14%. Total cost of sales was \$5.4 million which represents a \$2.1 million decrease in the fiscal year 2009 compared to \$7.6 million in the prior fiscal year. Direct costs, which include material, labor and services, were 23% of revenue in fiscal year 2009, as compared to 24% in fiscal year 2008. Gross margins improved as a result of the cost reduction programs the Company has implemented

During the fiscal year 2009 total costs and expenses decreased approximately \$2.1 million to \$4.6 million compared to \$6.7 million for fiscal year 2008. Included in total costs and expenses for fiscal year 2009 were \$3.7 million in selling, general and administrative expenses which decreased \$1.8 million from the same period in the previous fiscal year. In the fourth quarter of fiscal 2009 LightPath benefited from two one time events, receipt of \$186,000 from our D&O insurance carrier as a refund of legal expenses and receipt of \$181,000 from the Chinese government related to the move of our manufacturing facility in Shanghai. Overhead expenses were reduced \$894,000 from fiscal 2008 due to headcount reductions and salary reductions and reduced rent and utilities due to reducing space in Orlando. Total operating loss for the fiscal year 2009 improved to \$2.5 million compared to \$5.5 million for fiscal year 2008.

Net loss for the fiscal year ended June 30, 2009 totaled \$3.8 million or \$0.62 per basic and diluted share, compared with a net loss of \$5.5 million or \$1.03 basic and diluted per share for fiscal year 2008. This represents a \$1.7 million decrease in net loss. The net loss for the fiscal year 2009 includes \$641,000 in charges related to fees, debt costs write offs, and debt discount write-offs associated with the conversion of 25% of the outstanding debentures. Weighted-average shares outstanding increased in fiscal year 2009 compared to fiscal year 2008 primarily due to the issuance of common shares related to the partial conversion of the debentures.

On the balance sheet, cash and cash equivalents totaled \$579,949 at June 30, 2009. Total current assets and total assets at June 30, 2009 were \$3.3 million and \$5.8 million compared to \$3.3 million and \$5.5 million at June 30, 2008, respectively. Total current liabilities and total

liabilities at June 30, 2009 were \$2.0 million and \$4.1 million compared to \$3.0 million and \$3.3 million, respectively, for June 30, 2008. As a result, the current ratio as of June 30, 2009 improved to 1.61 to 1 compared to 1.10 to 1 for the year end June 30, 2008. Total stockholders' equity at June 30, 2009 totaled \$1.7 million compared to \$2.2 million at June 30, 2008.

As of June 30, 2009 the Company's backlog of orders to be filled in less than one year, was to \$2.3 million compared to \$3.4 million as of March 31, 2009.

Jim Gaynor concluded, "Our results for the fiscal year are a positive reflection of much hard work and effort by the team at LightPath, to control costs 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 will continue to reduce cash usage in operations going forward. With the operating efficiencies and low cost structure we have now put in place our focus going forward will be growth. 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 backlog scheduled to ship within the next 12 months of \$2.3 million, and the number of new product proposals we have undertaken in the past year. We currently have over 15 new lenses in development for new customer programs and to fill out our portfolio of lenses addressing our targeted markets. Our efforts to penetrate high volume lower cost commercial markets in Asia show tremendous promise for next fiscal year. Going forward we will continue our focus on the lower cost higher volume market opportunities and implementing channels to 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, September 24th at 4:00 p.m. EDT to discuss the Company's financial and operational performance for the fourth quarter and fiscal year 2009.

Conference Call Details

Date: Thursday, September 24, 2009

Time: 4:00 p.m. (EDT)

Dial-in Number: 1-877-407-0778

International Dial-in Number: 1-201-689-8566

It is recommended that participants dial-in approximately 5 to 10 minutes prior to the start of the 4:00 p.m. call. A transcript archive of the webcast will be available for viewing or download on the company web site shortly after the call is concluded.

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

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

	Actual Q1 2008	Actual Q2 2008	Actual Q3 2008	Actual Q4 2008
Revenue	2,308,753	2,021,566	2,114,196	2,381,956
Cost of sales	2,070,042	2,016,257	1,694,679	1,814,420
Gross margin	238,711 10%	5,309 0%	419,517 20%	567,536 24%
Total operating costs and expenses	1,753,554	1,669,438	1,602,495	1,665,083
Operating loss	(1,514,843)	(1,664,129)	(1,182,978)	(1,097,547)
Other income (expense)	11,795	20,978	(7,291)	(33,754)
Net Loss	(1,503,048)	(1,643,151)	(1,190,269)	(1,131,301)
EBITDA	(1,381,348)	(1,522,452)	(1,053,747)	(964,070)

	Actual Q1 2009	Actual Q2 2009	Actual Q3 2009	Actual Q4 2009
Revenue	2,337,762	1,905,202	1,656,889	1,589,692
Cost of sales	1,706,758	1,438,234	1,242,291	1,059,235
Gross margin	631,004 27%	466,968 25%	414,598 25%	530,457 33%
Total operating costs and expenses	1,505,922	1,343,723	1,011,596	689,876
Operating loss	(874,918)	(876,755)	(596,998)	(159,419)
Other income (expense)	(148,891)	(848,753)	(159,177)	(158,149)
Net Loss	(1,023,809)	(1,725,508)	(756,175)	(317,568)
EBITDA	(688,434)	(727,717)	(483,258)	(21,143)

LIGHTPATH TECHNOLOGIES, INC.
Consolidated Balance Sheets

Assets	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current assets:		
Cash and cash equivalents	\$ 579,949	\$ 358,457
Trade accounts receivable, net of allowance of \$26,131 and \$44,862	973,634	1,334,856
Other receivables	183,413	—
Inventories, net	983,278	1,323,555
Prepaid interest	366,219	—
Prepaid expenses and other assets	206,625	277,359
Total current assets	<u>3,293,118</u>	<u>3,294,227</u>
Property and equipment - net	1,991,828	1,937,741
Intangible assets - net	166,869	199,737
Debt costs, net	299,080	—
Other assets	78,701	57,306
Total assets	<u>\$ 5,829,596</u>	<u>\$ 5,489,011</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,376,599	\$ 1,827,461
Accrued liabilities	181,318	196,125
Accrued severance	—	97,401
Accrued payroll and benefits	332,609	423,222
Secured note payable	—	260,828
Note payable, current portion	152,758	166,645
Capital lease obligation, current portion	5,050	18,603
Total current liabilities	<u>2,048,334</u>	<u>2,990,285</u>
Deferred rent	644,056	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	174,568	—
8% convertible debentures, net of debt discount	1,271,412	—
Total liabilities	<u>4,138,370</u>	<u>3,329,250</u>
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; 6,696,992 and 5,331,664 shares issued and outstanding	66,970	53,317
Additional paid-in capital	203,151,364	199,847,356
Foreign currency translation adjustment	58,233	21,369
Accumulated deficit	<u>(201,585,341)</u>	<u>(197,762,281)</u>
Total stockholders' equity	<u>1,691,226</u>	<u>2,159,761</u>

LIGHTPATH TECHNOLOGIES, INC.
Consolidated Statements of Operations

Unaudited

	Three months ended June 30,		Twelve months ended June 30,	
	2009	2008	2009	2008
Product sales, net	\$ 1,589,692	\$ 2,381,956	\$ 7,489,545	\$ 8,826,471
Cost of sales	<u>1,059,235</u>	<u>1,814,420</u>	<u>5,446,518</u>	<u>7,595,398</u>
Gross margin	530,457	567,536	2,043,027	1,231,073
Operating expenses:				
Selling, general and administrative	480,838	1,377,286	3,636,093	5,440,366
New product development	200,821	290,220	887,400	1,214,269
Amortization of intangibles	8,217	8,217	32,868	32,868
Loss (Gain) on sale of property & equipment	<u>-</u>	<u>(10,640)</u>	<u>(5,244)</u>	<u>3,067</u>
Total costs and expenses	<u>689,876</u>	<u>1,665,083</u>	<u>4,551,117</u>	<u>6,690,570</u>
Operating loss	(159,419)	(1,097,547)	(2,508,090)	(5,459,497)
Other income (expense):				
Interest expense	(162,942)	(38,516)	(1,336,520)	(86,801)
Investment and other income	<u>4,793</u>	<u>4,762</u>	<u>21,550</u>	<u>78,529</u>
Net loss	<u>\$ (317,568)</u>	<u>\$ (1,131,301)</u>	<u>\$ (3,823,060)</u>	<u>\$ (5,467,769)</u>
Loss per share (basic and diluted)	<u>\$ (0.05)</u>	<u>\$ (0.21)</u>	<u>\$ (0.62)</u>	<u>\$ (1.03)</u>
Number of shares used in per share calculation	<u>6,691,966</u>	<u>5,331,664</u>	<u>6,167,827</u>	<u>5,327,419</u>

LIGHTPATH TECHNOLOGIES, INC.

Consolidated Statements of Cash Flows

	Years Ended	
	June 30,	
	2009	2008
Cash flows from operating activities		
Net loss	\$ (3,823,060)	\$ (5,467,769)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	565,988	459,351
Interest from amortization of debt discount	640,695	-
Fair value of warrants issued to induce debenture conversion	215,975	-
Interest from amortization of debt costs	255,228	-
Issuance of common stock for interest on convertible debentures	97,633	-
Gain (Loss) on disposal of equipment	(5,244)	3,067
Stock based compensation	156,267	415,238
Provision for doubtful accounts receivable	(18,731)	15,894
Deferred rent	421,238	61,140
Common stock issued for payment of consulting services	61,799	-
Changes in operating assets and liabilities:		
Trade accounts receivables	379,953	58,065
Inventories	340,277	529,769
Prepaid expenses and other current assets	(102,288)	(56,499)
Accounts payable and accrued liabilities	(653,683)	525,780
Net cash used in operating activities	(1,467,953)	(3,455,964)
Cash flows from investing activities		
Purchase of property and equipment	(563,764)	(660,003)
Proceeds from sale of equipment	37,791	17,640
Net cash used in investing activities	(525,973)	(642,363)
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	44,549
Borrowings on 8% convertible debenture, net of issuance costs	2,568,749	-
Payments on secured note payable	(260,828)	260,828
Payments on capital lease obligation	(18,603)	(16,285)
Payments on note payable	(124,984)	(166,644)
Net cash provided by financing activities	2,178,554	3,100,992
Effect of exchange rate on cash and cash equivalents	36,864	64,428
Increase in cash and cash equivalents	184,628	(997,335)
Cash and cash equivalents, beginning of period	358,457	1,291,364
Cash and cash equivalents, end of period	\$ 579,949	\$ 358,457
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$ 34,817	\$ 86,801
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
Year ended June 30, 2008 and 2009

	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>
		\$	\$	\$	\$	\$
Balances at June 30, 2007	4,512,543	\$ 45,125	\$ 196,417,217	\$ (43,059)	\$ (192,294,512)	\$ 4,124,771
Private placement of common stock	800,000	8,000	2,970,544	-	-	2,978,544
Issuance of common stock under the						
Employee Stock Purchase Plan	14,121	142	44,407	-	-	44,549
Issuance of restricted stock awards,	5,000	50	(50)	-	-	-
net of vesting and forfeitures				-	-	-
Stock based compensation	-	-	415,238	-	-	415,238
Comprehensive loss:						
Foreign currency translation						
adjustment				64,428		64,248
Net Loss					(5,467,769)	(5,467,769)
Comprehensive loss						(5,403,521)
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 future 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	74,839	748	61,051	-	-	61,799
Vested restricted stock units	33,400	334	(334)	-	-	-
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	-	-	156,267	-	-	156,267
Foreign currency translation adjustment				36,864		36,864
Net loss	-	-	-	-	(3,823,060)	(3,823,060)
Comprehensive loss						(3,786,196)
Balances at June 30, 2009	6,696,992	\$ 66,970	\$ 203,151,364	\$ 58,233	\$ (201,585,341)	\$ 1,691,226

