

FOR IMMEDIATE RELEASE:

## LightPath Technologies Announces First Quarter Financial Results

*--Revenues Increase 45% Year-over-Year to \$2.25 Million--*  
*--Company Adds Five New High-Volume Customers in Asia--*

ORLANDO, FL—November 11, 2010 -- LightPath Technologies, Inc. (NASDAQ:LPTH) (“LightPath”, the “Company” or “we”), a global manufacturer, distributor and integrator of patented optical components and high-level assemblies, announced today its financial results for the first quarter ended September 30, 2010. Full details are available in the Company’s Quarterly Report on Form 10-Q filed today with the SEC at [www.sec.gov](http://www.sec.gov).

### Highlights:

- Revenue for the first quarter of fiscal 2011 was \$2.25 million, up 45% compared to \$1.56 million for the first quarter of fiscal 2010.
- Backlog scheduled to ship within the next 12 months was \$3.2 million as of September 30, 2010, an increase of \$236,000 from June 30, 2010.
- EBITDA for the first quarter of fiscal 2011 improved to a loss of \$261,000 compared to a loss of \$382,000 in the first quarter of fiscal 2010.
- Cash on hand as of September 30, 2010 was \$1.35 million as compared to \$1.46 million on June 30, 2010.
- Gross margin was 37% for the first quarter of fiscal 2011 as compared to 43% for the first quarter of fiscal 2010.
- Net loss for the first quarter of fiscal 2011 was approximately \$853,000 compared to a loss of approximately \$706,000 for the first quarter of fiscal 2010.
- Unit shipment volume in precision molded optics increased 11% in the first quarter of fiscal 2011 compared to the same period of last year.

Jim Gaynor, President and Chief Executive Officer of LightPath, commented, "During the first quarter, our revenues rose 45% over the same quarter in the prior year. Our cost of goods sold also increased by \$539,000 due to volume and product mix change. Unit shipment volume in precision molded optics continued to show improvement in the first quarter of fiscal 2011 compared to the same period last year. Gross margin decreased to 37% as a result of the product mix change and an under absorption of the fixed overhead costs. EBITDA was a loss of \$261,000, however, this represents a \$121,000 improvement over the loss of \$382,000 in the first quarter of fiscal 2010."

Gaynor continued, "The first quarter of our fiscal year is typically the lowest revenue quarter for LightPath due to the summer vacation period in Europe and seasonal slow period for several of our major customers. We are also in the process of transitioning our business to focus on providing low cost, high volume lenses for products, such as laser levels, range finders, gun sights and projectors.

We are addressing multiple markets such as industrial tools, biomedical instruments, communications and imaging with a focus in Asia.”

Gaynor added, “During the first quarter, we added five large high volume customers and anticipate full production of their orders to commence within the next two quarters. While our volume was up compared to the previous year for the first quarter, it was less than planned as the result of the recent loss of two other high volume customers: one due to market conditions and the other due to non-payment for goods already shipped. While we have more than replaced this business with these new large high volume customers, it has created a short term slowdown in our revenue growth in the first quarter, and decreased our gross margin, resulting in the under absorption of our overhead costs. Lastly, during the first quarter, we reduced our debt by \$732,500, through the conversion of debentures to shares of common stock by certain investors, leaving a remaining balance due to certain investors pursuant to the terms of the debentures of \$1,201,750 which is down from the original \$2,929,000, which is covered by our existing cash on hand. The conversion of the debentures resulted in an accelerated interest charge to the income statement totaling \$200,000 to write off the related unamortized interest and debt issuance costs that were being amortized over the life of the debentures.”

“We expect improvements on our margins based on production efficiencies and reductions in product costs as a result of the shift in the majority of our manufacturing operations to our Shanghai facility. Our direct-to-China sales channels have opened up a greater market opportunity to fill demand for our low-cost lenses used in laser systems, laser tools, biomedical instrumentation, and telecommunications equipment provided by high-volume manufacturers throughout Asia. In the coming quarters, we remain cautiously optimistic, and in the long run believe our strategy offers significant financial rewards for the Company and our shareholders,” Gaynor added.

### **Financial Results for Three Months Ended September 30, 2010**

Revenue for the first quarter of fiscal 2011 totaled \$2.25 million compared to \$1.56 million for the first quarter of fiscal 2010, an increase of 45%. This increase was primarily attributable to higher sales volumes of precision molded optics, and increased sales in GRADIUM lenses, collimators and isolators. Our precision molded optics sales units were higher as a result of our increased production capability and our pursuit of high volume low cost lens business. 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 first quarter of fiscal 2011 compared to the first quarter of fiscal 2010 decreased to 37% from 43%. Total manufacturing cost of \$1.43 million was approximately \$539,000 higher in the first quarter of fiscal 2011 compared to the same period of the prior fiscal year. The manufacturing cost increase was a reflection of an increase in costs in order to support higher production and sales volumes and a product mix change including increased sales of isolators and collimators which have a higher material cost. Unit shipment volume in precision molded optics increased by 11% in the first fiscal quarter of 2011 compared to the same period last year. Direct costs, which include material, labor and services increased to 27% of revenue in the first quarter of fiscal 2011, as compared to 17% of revenue in the first quarter of fiscal 2010 due to the product mix change. Gross margins were lower due to reduced overhead absorption and higher material costs due to the product mix change.

During the first quarter of fiscal 2011, total costs and expenses increased \$106,000 to \$1.3 million compared to \$1.2 million for the same period in fiscal 2010. This increase was due to \$63,000 higher wages, \$21,000 higher sales tax for tooling and \$21,000 higher stock compensation expense due to stock options granted in the third quarter of fiscal 2010. Included in total costs and expenses for the first quarter of fiscal 2011 were \$1.1 million in selling, general and administrative expenses. As a result, total operating loss for the first quarter of fiscal 2011 improved to a loss of (\$475,000) compared to a loss of (\$527,000) for the same period in fiscal 2010.

Net interest expense was approximately \$378,000 in the first quarter of fiscal 2011 as compared to \$180,000 in the first quarter of fiscal 2010. The convertible debentures issued in August 2008 accounted for approximately all of the interest expense during the quarter ended September 30, 2010. This includes periodic interest at 8% and amortization of the related debt issuance costs and debt discount, and write off of debt issue costs, prepaid interest and debt discount for debentures converted into shares of common stock during the first quarter of fiscal 2011.

Net loss for the first quarter of fiscal 2011 was (\$853,000) or (\$0.09) per basic and diluted common share, compared with a net loss of (\$706,000) or (\$0.09) per basic and diluted per common share for the same period in fiscal 2010. This represents a \$147,000 increase in net loss compared to the first quarter of fiscal 2010. Weighted-average basic shares outstanding increased to 9,011,214 in the first quarter of fiscal 2011 compared to 7,603,580 in the first quarter in fiscal 2010 which is primarily due to the issuance of shares of common stock related to the private placements in the fourth quarter of fiscal 2010 and debentures converted to shares of common stock in the first quarter of fiscal 2011.

Cash and cash equivalents totaled \$1.35 million at September 30, 2010. Total current assets and total assets at September 30, 2010 were \$4.7 million and \$7.3 million compared to \$4.8 million and \$7.5 million, respectively, at June 30, 2010. Total current liabilities and total liabilities at September 30, 2010 were \$2.3 million and \$2.9 million compared to \$1.1 million and \$3.2 million, respectively, for June 30, 2010. As a result, the current ratio as of September 30, 2010 was 2.01 to 1 compared to 4.41 to 1 as of June 30, 2010. Total stockholders' equity at September 30, 2010 totaled \$4.4 million compared to \$4.2 million at June 30, 2010.

As of September 30, 2010 our backlog of orders scheduled to ship in the next 12 months, was \$3.2 million compared to \$2.9 million as of June 30, 2010.

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

LightPath will host an audio conference call and webcast on Thursday, November 11th at 4:00 p.m. EST to discuss the Company's financial and operational performance for the first quarter of fiscal 2011.

#### **Conference Call Details**

Date: Thursday, November 11, 2010

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

Dial-in Number: 1-877-407-8033

International Dial-in Number: 1-201-689-8033

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. The Company's products are used in various markets, including industrial, medical, defense, test and measurement and telecommunications. LightPath has a strong patent portfolio that has been granted or licensed to it in these fields. For more information visit [www.lightpath.com](http://www.lightpath.com).

The discussions of our results as presented in this release include use of non-GAAP terms "EBITDA" and "gross margin." Gross margin is determined by deducting the cost of sales from operating revenue. Cost of sales includes manufacturing direct and indirect labor, materials, services, fixed costs for rent, utilities and depreciation, and variable overhead. Gross margin should not be considered an alternative to operating income or net income, which is determined in accordance with Generally Accepted Accounting Principles ("GAAP"). We believe that gross margin, although a non-GAAP financial measure is useful and meaningful to investors as a basis for making investment decisions. It provides investors with information that demonstrates our cost structure and provides funds for our total costs and expenses. We use gross margin in measuring the performance of our business and have historically analyzed and reported gross margin information publicly. Other companies may calculate gross margin in a different manner.

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, amortization and interest expense. 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, including statements regarding our ability to expand our presence in certain markets, future sales growth, continuing reductions in cash usage and implementation of new distribution channels. 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, INC.**  
EBITDA

	<b>(Unaudited)</b>	
	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
Net Loss	\$ (852,950)	\$ (706,373)
Depreciation and amortization	211,543	145,164
Interest expense	380,510	179,586
EBITDA	<u>\$ (260,897)</u>	<u>\$ (381,623)</u>

**LIGHTPATH TECHNOLOGIES, INC.**

Consolidated Balance Sheets

Assets	(unaudited) September 30, 2010	June 30, 2010
	2010	2010
Current assets:		
Cash and cash equivalents	\$ 1,347,250	\$ 1,464,351
Trade accounts receivable, net of allowance of \$26,221 and \$22,930	1,763,975	1,804,063
Inventories, net	1,221,042	1,137,678
Prepaid interest expense	80,392	167,635
Current debt costs, net	68,008	—
Prepaid expenses and other assets	202,890	223,908
Total current assets	4,683,557	4,797,635
Property and equipment - net	2,429,982	2,344,692
Intangible assets - net	125,784	134,001
Debt costs, net	—	151,530
Other assets	27,737	27,737
Total assets	\$ 7,267,060	\$ 7,455,595
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 826,223	\$ 511,523
Accrued liabilities	140,661	179,370
Accrued payroll and benefits	335,509	396,863
Current 8% convertible debentures to related parties, net of debt discount	228,427	—
Current 8% convertible debentures, net of debt discount	802,604	—
Total current liabilities	2,333,424	1,087,756
Deferred rent	545,749	569,286
8% convertible debentures to related parties, net of debt discount	—	213,890
8% convertible debentures, net of debt discount	—	1,339,975
Total liabilities	2,879,173	3,210,907
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; 9,641,660 and 8,971,638 shares issued and outstanding, respectively	96,417	89,716
Additional paid-in capital	207,290,094	206,277,806
Foreign currency translation adjustment	626	23,466
Accumulated deficit	(202,999,250)	(202,146,300)
Total stockholders' equity	4,387,887	4,244,688
Total liabilities and stockholders' equity	\$ 7,267,060	\$ 7,455,595

**LIGHTPATH TECHNOLOGIES, INC.**  
Consolidated Statements of Operations  
(Unaudited)

	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
Product sales, net	\$ 2,253,922	\$ \$ 1,556,979
Cost of sales	<u>1,427,474</u>	<u>888,343</u>
Gross margin	826,448	668,636
Operating expenses:		
Selling, general and administrative	1,071,198	961,762
New product development	222,585	225,910
Amortization of intangibles	8,217	8,217
Gain on sale of property and equipment	<u>(540)</u>	<u>-</u>
Total costs and expenses	<u>1,301,460</u>	<u>1,195,889</u>
Operating loss	(475,012)	(527,253)
Other income (expense):		
Interest expense	(87,322)	(52,433)
Interest expense - debt discount	(209,666)	(90,928)
Interest expense - debt costs	(83,522)	(36,225)
Investment and other income	<u>2,572</u>	<u>466</u>
Total other expense, net	<u>(377,938)</u>	<u>(179,120)</u>
Net loss	<u>\$ (852,950)</u>	<u>\$ (706,373)</u>
Loss per common share (basic and diluted)	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>
Number of shares used in per share calculation (basic and diluted)	<u>9,011,214</u>	<u>7,603,580</u>

**LIGHTPATH TECHNOLOGIES, INC.**

Consolidated Statements of Cash Flows

(unaudited)

**Three months ended**

**September 30,**

	<b>2010</b>	<b>2009</b>
Cash flows from operating activities		
Net loss	\$ (852,950)	\$ (706,373)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	211,543	145,164
Interest from amortization of debt discount	209,666	90,928
Interest from amortization of debt costs	83,522	36,225
Common stock issued for legal settlement	-	50,000
Gain on sale of property and equipment	(540)	-
Stock based compensation	50,387	33,271
Change in provision for doubtful accounts receivable	3,291	17,656
Deferred rent	(23,537)	3,979
Changes in operating assets and liabilities:		
Trade accounts receivables	36,797	(10,340)
Other receivables	-	183,413
Inventories	(83,364)	(71,734)
Prepaid expenses and other assets	108,261	1,681
Accounts payable and accrued liabilities	214,637	(478,222)
Net cash used in operating activities	<u>(42,287)</u>	<u>(704,352)</u>
Cash flows from investing activities		
Purchase of property and equipment	(288,616)	(7,452)
Proceeds from sale of equipment	540	-
Net cash used in investing activities	<u>(288,076)</u>	<u>(7,452)</u>
Cash flows from financing activities		
Proceeds from exercise of stock options	5,653	-
Proceeds from sale of common stock, net of costs	-	1,473,400
Proceeds from sale of common stock from employee stock purchase plan	4,888	3,082
Costs associated with debenture conversions	(6,098)	-
Exercise of warrants	231,659	-
Payments on capital lease obligation	-	(5,050)
Payments on note payable	-	(83,457)
Net cash provided by financing activities	<u>236,102</u>	<u>1,387,975</u>
Effect of exchange rate on cash and cash equivalents	(22,840)	(11,693)
Increase (decrease) in cash and cash equivalents	(117,101)	664,478
Cash and cash equivalents, beginning of period	1,464,351	579,949
Cash and cash equivalents, end of period	<u>\$ 1,347,250</u>	<u>\$ 1,244,427</u>
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$ 80	\$ 4,767
Income taxes paid	110	-
Supplemental disclosure of non-cash investing & financing activities:		
Convertible debentures converted into common stock	732,500	37,500

**LIGHTPATH TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**Three months ended September 30, 2010**  
**(unaudited)**

	Class A		Additional	Foreign	Accumulated	Total
	Common Stock		Paid-in	Currency	Deficit	Stockholders'
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Translation</u>	<u>Deficit</u>	<u>Equity</u>
				Adjustment		
Balance at June 30, 2010	8,971,638	\$ 89,716	\$ 206,277,806	\$ 23,466	\$ (202,146,300)	\$ 4,244,688
Issuance of common stock for:						
Employee Stock Purchase Plan	3,237	32	4,856	-	-	4,888
Exercise of employee stock options	5,384	54	5,599	-	-	5,653
Conversion of debentures	475,656	4,757	721,645	-	-	726,402
Cashless exercise of warrants	56,695	567	(567)	-	-	-
Exercise of warrants	129,050	1,291	230,368	-	-	231,659
Stock based compensation on stock						
options and restricted stock units	-	-	50,387	-	-	50,387
Foreign currency translation adjustment	-	-	-	(22,840)	-	(22,840)
Net loss	-	-	-	-	(852,950)	(852,950)
Comprehensive loss						(875,790)
Balance at September 30, 2010	<u>9,641,660</u>	<u>\$ 96,417</u>	<u>\$ 207,290,094</u>	<u>\$ 626</u>	<u>\$ (202,999,250)</u>	<u>\$ 4,387,887</u>