



Transcript of LightPath Technologies (LPTH) Q4 & Year End 2011 Conference Call September 8, 2011

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Participants

Dorothy Cipolla, CFO and Cooperation Vice President
Jim Gaynor, CEO

Presentation

Operator

Greetings and welcome to the fourth quarter 2011 conference call. At this time all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press *0 on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host Ms. Dorothy Cipolla, CFO and Cooperation Vice President. Thank you Ms. Cipolla. You may begin.

Dorothy Cipolla – LightPath Technologies – CFO & Cooperation Vice President

Thank you. Good afternoon. I would like to thank everyone for joining us today for LightPath Technologies fiscal 2011 fourth quarter financial results conference call. If anyone participating on this call this afternoon does not have a copy of our earnings release you can find a copy at our website at lightpath.com or if you are unable to access these materials on line you may call LightPath at 407-382-4003. I would like to start by reviewing the company's Safe Harbor Statement. Statements in this conference call that are not descriptions of historical facts are forward-looking statements relating to future events and as such all forward-looking statements are made pursuant to the Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties and actual results may differ materially. Forward-looking statements when used in this call can be defined by the words anticipate, could, enable, estimate, intend, expect, belief, potential, will, should, project and similar expressions as they relate to LightPath Technologies. Investors are cautioned at all forward-looking statements involve risks and uncertainties which may cause actual results to differ from those anticipated by LightPath Technologies at this time. Factors that can cause a contribute to such differences include those risks fully described in LightPath Technologies' public filing with the US Securities and Exchange Commission which can be viewed at sec.gov. It is now my pleasure to turn the call over to our CEO, Jim Gaynor.

Jim Gaynor – LightPath Technologies – CEO

Thank you Dorothy and good afternoon. I would like to thank everyone for joining us today for LightPath Technologies fiscal 2011 fourth quarter and year end financial results conference call.



For the fiscal year 2011, revenues grew 8% to \$10 million. Backlog increased \$929,000 up 31% and gross margins remained healthy at 39%, albeit down from the previous year as the cost of goods sold was impacted by the ramping up of production volume, competitive price pressures and product mix changes. We have identified the areas of cost increases and continue to work on cost reductions, productivity improvements and to manage our costs closely. LightPath was able to grow its business in spite of uncertain market environment and a weak economy. The work we have done during the year to strengthen our sales network and add new products as we execute our business plan is paying off as shown in the revenue growth from our distribution and catalog channels, each up 18% and solid gains in instrumentation, up 29% and industrial markets up 10%. Unit shipment volume continues to ramp up with a 44% increase in units shipped in the fiscal fourth quarter of 2011 and a 38% unit volume increase for the entire fiscal year of 2011.

LightPath is continuing to improve its overall performance and has reported a positive net income in the fourth quarter of fiscal 2011. Fiscal fourth quarter revenue grew to \$2.8 million, up 14% over the previous quarter and gross margin was 40% and our backlog of orders grew \$240,000 quarter to quarter. EBITDA for the fiscal fourth quarter of 2011 was \$281,000 indicating continued improved performance of the company's core operations. Despite all the economic uncertainty and high unemployment rate, the photonics industry remains an area of high growth. The July 2011 photonics market index, an index of 25 photonics companies which includes LightPath and published by OEM Capital is up 12.1% year to date and up 75% for the last 12 months as compared to the S&P500. While we are cautious about the near term, we believe as the fiscal 2011 results above indicate that our business plan is working. We see continued growth opportunities for LightPath in the low cost commercial markets and infra-red markets that make us very optimistic and excited for our long term business.

While we have seen gross margin erosion in 2011 from competitive price pressure and product mix changes, we do have plans in place to reduce our manufacturing costs and improve our gross margin contribution. These plans include the ability to leverage our unit volume increases to lower purchase costs of glass, improve our tool life, continued productivity improvements and lowering our anti-reflective coating costs. We expect our upward growth trend to continue and anticipate it will accelerate in fiscal 2012.

I would now like to turn the call over to Dorothy, our CFO to discuss our financial results for the fiscal 2011 fourth quarter ended and year ended June 30th, 2011 in greater details.

Dorothy Cipolla – LightPath Technologies – CFO & Cooperation Vice President

Thank you Jim. I will first talk about the results for the three months ended June 30th, which is our fiscal fourth quarter. Revenue for the fourth quarter was \$2.78 million compared to \$2.81 million for the fourth quarter of last year, a decrease of 1%. The decrease from the fourth quarter of last year was primarily attributable to a mix with lower sales volumes of isolators offset by higher sales in collimators. Our precision molded optic sales units were significantly higher as a result of our increased

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production capabilities and our pursuit of high volume, low cost lens business. Growth and sales going forward is expected to be derived primarily from the precision molded optics product lines, our low cost lenses being sold in Asia and a number of new lens designs we have in development.

Our gross margin percentage in the fourth quarter compared to the fourth quarter of last year decreased to 40% from 51%. Total manufacturing costs of \$1.7 million was approximately \$253,000 higher in the fourth quarter compared to the same period last year. The manufacturing cost increase was due to higher wages, increased freight cost and higher tooling expenses primarily associated with increase in our product rates. Unit shipment volume in precision molded optics was up 44% in fourth quarter compared to the same period last year. The manufacturing cost increase was partially offset by a 22% improvement in productivity.

Fourth quarter total costs and expenses decreased \$50,000 to \$1.1 million compared to \$1.2 million for the same period last year. SG&A expenses were \$95,000 less at \$842,000 in the fourth quarter compared to the fourth quarter of last year. The primary cost reduction resulting from [INAUDIBLE] for investor relations activity. This reduction was partially offset by increased spending of \$39,000 on new product development for a total of \$258,249. The net result of the higher cost of goods sold and lower total cost expenses is a net operating income of \$22,000 for the fourth quarter. Interest expense was approximately \$23,000 in the fourth quarter of fiscal 2011 as compared to \$193,000 in the fourth quarter of last year. This decrease in interest expense resulted from a conversion of a majority of the outstanding convertible debentures into shares of our common stock. They also extended the maturity dates of the convertible debentures to August 1, 2013. The convertible debentures issued in August 1, 2008 accounts for approximately \$20,000 of interest during the quarter ended June 30th, 2011. This includes period interest at 8% and amortization of the related debt issuance cost and debt discount. Net income for the fourth quarter was \$429 or \$0.00 per basic and diluted common share, compared with \$92,000 or \$0.01 per basic and diluted share for the same period last year. Weighted average basic shares outstanding increased to \$9.7 million in the fourth quarter compared to \$8.9 million in the fourth quarter last year, primarily due to the issuance of shares of common stock related to the conversion of debentures which happened in fiscal 2010.

Now I would like to talk about the results for the year. Revenue for the fiscal year 2011 totaled \$10 million compared to \$9.3 million for last year, an increase of 8%. The increase from last year would primarily be attributable to our higher sales volumes for precision molded optics, collimators and GRADIUM lenses. Our precision molded optic sales units were significantly higher but our average selling price was lower. This is the result of our pursuit of high volume, low cost lens business. Our growth in sales going forward is expected to be derived primarily from our precision molded optics product lines, our low cost lenses being sold in Asia and our new lens designs currently in development. .

Our gross margin percentage in fiscal 2011 compared to fiscal 2010 decreased to 39% from 47%. Total manufacturing costs of \$6.1 million was \$1.1 million higher in fiscal 2011 compared to the prior year. This increase in manufacturing cost resulted

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from an increase in cost associated with ramping up production volumes, competitive price pressures and product mix changes. We incurred increased labor costs such as [INAUDIBLE] for additional staff needed to manage our increased production volumes, an increase in the Chinese labor rate totaled \$238,000, higher freight costs of \$124,000 and one-time costs of \$229,000 associated with increasing the amount of total inventory to support higher production levels. In addition, the changes in our product mix increased our costs by \$286,000. The product mix change was due to higher sales of isolators, collimators and GRADIUM lenses which all have a higher material cost. Unit shipment volume and precision molded optics was up 38% in fiscal 2011 compared to last year. Direct costs which include material, labor and services were 27% of revenue in fiscal 2011 as compared to 24% during last year. Even with these cost increases, we were able to decrease our average cost per unit by 10%. However, this cost improvement was offset by an average selling price decline of 21%. This decrease in selling price was primarily attributable to competitive pricing pressure of precision molded optic lenses and product mix changes. We intend to continue implementing our cost reduction plans and product improvements to improve our financial result.

During fiscal 2011, total costs and expenses were higher by \$626,000 at \$4.8 million compared to \$4.2 million for last year. Last year there were several one-time events that netted a decrease in spending of \$625,000. These one-time events included D&O insurance payments to refund legal expense and reversal of accrual for litigation and royalty payments. In fiscal 2011, we had higher salaries and benefits costs of \$154,000 and increase of \$95,000 in stock compensation, offset by a decrease of \$262,000 in legal costs. Interest expense was approximately \$606,000 for fiscal 2011 as compared to approximately \$728,000 for last year. Approximately \$5,600 of the interest expense for the last year is attributable to our equipment term loan in our capital equipment leased. The convertible debentures issued on August 1st, 2008 account for approximately \$606,000 and \$722,000 of interest during fiscal 2011 and 2010 respectively. This represents periodic interest of 8%, amortization and write-offs of related debt issuance costs and debt discounts. Included in these costs are related to debt discounts, debt issuance costs and prepaid interest for \$262,500 of our debentures which were converted into common stock during fiscal 2010. And it also includes \$132,000 for loss on extinguishment of debt which was incurred when we extended the term of the debentures.

Net loss for fiscal 2011 was \$1.6 million or \$0.17 per basic and diluted common share compared with a net loss of \$561,000 or \$0.07 per basic and diluted common share for last year. Weight average shares outstanding increased to \$9.5 million in fiscal 2011 compared to \$8.1 million last year primarily due to the issuance of shares and common stock related to the conversion of debentures to common stock which happened during fiscal 2011.

And now I want to talk about a few areas on the balance sheet. Cash and cash equivalents totaled \$929,000 at June 30th, 2011. Total current assets and total assets at June 30th, 2011 were \$4.6 million and \$7.1 million and this compared to \$4.8 million and \$7.5 million respectively. Total current liabilities and total liabilities at June 30th, 2011 \$1.5 million and \$3.1 million compared \$1 million and \$3.2 million respectively for last year. As a result, the current ratio as of June 30th, 2011 decreased to 3.01:1

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compared to 4.41:1 of June 30th 2010. Total stockholders equity at June 30th, 2011 totaled \$4 million compared to \$4.2 million as of June 30th 2010. As of June 30th, 2011 our backlog of orders scheduled to ship in the next 12 months was \$3.9 million compared to \$.2.9 million as of June 30th 2010.

I would now like to turn the call back over to Jim for some closing comments.

Jim Gaynor – LightPath Technologies – CEO

Thank you Dorothy. The company has made good progress in the fourth quarter of fiscal 2011 and we are excited by the opportunity LightPath has going forward. We have positioned the company well to participate in some very large markets that total in the billions of dollars with our existing and recently released new products. Our three part strategy is to A, grow the low cost aspheric lens business. B, use our tradition aspheric lenses, isolators, collimators and GRADIUM products to continue to generate cash flow to support the business, and C, continue to invest in the development and production scaling of our molded infra-red lenses for our future strategic growth. We believe the ability to mold infra-red materials is an enabling technology to further commercialize infra-red imaging and sensing devices.

We plan on growing our low cost aspheric lens business by 1, increasing share in the laser tool market and 2, broadening our customer base through direct sales in China and expansion of our distribution sales channel. Our continuing efforts to reduce our costs through productivity improvements, leveraging purchasing volume and improving tool life will enable us to reach a broader market with lower average selling prices. As we continue to successfully implement this strategy, we anticipate significant growth for the company in the future which we believe offers significant financial rewards for the company and our shareholders. This concludes my comments and at this time, I would like to open the call for questions. So Robin, would you please start the Q&A portion of the call.

Operator

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press *1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press *2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the * keys. One moment please while we poll for questions. Our first question comes from the line of Michael Diet, a private investor. You may proceed with your question.

<Q>: Thank you Jim and Dorothy, thank you for the great report. It really sounds exciting. I have a couple of specific questions, thinking back to prior conference calls. You told us about some of the new distribution contracts in Europe where you expanded, I think, from Germany throughout Europe, and then I recall one in Southeast Asia, maybe Singapore. And I wonder if you could just give us a little sense of the geographic spread of this 18% increase in distribution and catalog sales. And related to that is the idea of Japan, which I thought has had some softness. Does that represent at all any part of your market?

Jim Gaynor – LightPath Technologies – CEO

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Okay, well let's start with what we did in Europe Michael. You know, we went to a master distributor from having a number of small reps and distributors all around Europe and when we went to this master distributors, which is AMS technologies, they have, I believe it's five offices you know, in the various countries in Europe with their head quarters in Germany and we have seen almost a doubling of the business that we do in that part of the world through that arrangement. So that part has worked very well for us. In addition to that, when we first did this, we had to open another agreement with another distributors who had quite a big operation in Asia and was opening some channels in North America where we didn't have distribution coverage. That particular distributor really hasn't done anything for us in Asia but he has done pretty well in North America. So that is still a building relationship. And we have since added, I believe it is four additional optical distributors in China and that has worked, or we believe will work very well. Now those are relatively new so we are still building that relationship but we expect that channel to start to contribute very well. Now, in addition to that, we have expanded our direct sales in China and that is where we are really seeing some really good traction in the laser tool market and industrial tools and that is where a lot of the unit volume growth that we spoke about has come from. So we believe it is working very well and we are getting much wider coverage and as these new distributors come online, we expect that that will continue to contribute in the Asian market. Japan is certainly a part of that. We do have some representation in Japan but we don't do a great deal of business there to date. Now we also changed representatives in Israel to a much larger company and we also believe that that is going to pay off big dividends. He is very well connected into the defense industry in that country and we are doing an awful lot of quotes. So that's a very good sign. That's the beginning so we really feel that we're going to get some good traction out of that expansion and doing that through that type of sales channel.

<Q>: Great, just to shift the focus back to the US, over many conference calls you've talked about the Navy contract and how that's been really good at helping develop your high-end capabilities. And I wondered if you could tell us a bit more. Just over the past quarter, have there been any follow-up sales or related activity under this Navy work?

Jim Gaynor – LightPath Technologies – CEO

Well, I mean we are capitalizing on the work that we did under that SBIR contract for our purposes. There really hasn't been a lot of direct followup through that but it did teach us how to mold larger optics. We got quite a bit of information about the material systems that we were using and you know, we are doing, we are growing that infra-red business quite well, at a good pace and we learned an awful lot about how to mold **tricalgonite** material through that contract. So it was a very worthwhile contract. And I expect indirectly we'll get great dividends out of that going forward. Now that's an area, you know, that's where we really think our strategic growth is going to come from as we continue to develop that process. Now the process works very well. It is too expensive given what the market place, what we would like to do in the market place, so the next step for us is to take the actions that we have got lined out in our business plan for that product line to reduce that cost and we would anticipate that we would be able to reduce that cost by at least and if we get close to that, we are going to be very successful in that market place because that means we will be able to provide a molded optic into the infra-red space at a very competitive

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price, particularly compared to a germanium diamond turned lens which is kind of the standard today.

<Q>: That sounds great, last question. As I think you mentioned on the last call, getting a lot of new equipment over in Shanghai. Is that in place so you can take added volumes without any more capital investment?

Jim Gaynor – LightPath Technologies – CEO

Yes. I mean the capacity expansion that we did is in place and operating and you're starting to see; one of the reasons you saw a bigger increase in unit volume in the fourth quarter as compared to the whole year is we are starting to see the acceleration of that volume build in that business and one of the reasons we are able to do that is because we have expanded that capacity. If things go the way we planned, we will be looking to expand that again to set up our fiscal year 2013.

<Q>: Great. Thank you very much.

Jim Gaynor – LightPath Technologies – CEO

Okay, thank you Michael.

Operator

Our next question comes from the line of Steve Donovan, a private investor. You may proceed with your question.

<Q>: Hi there Jim and Dorothy.

Jim Gaynor – LightPath Technologies – CEO

Hi Steve.

Dorothy Cipello – LightPath Technologies – CFO

Hi Steve.

<Q>: First of all, I was really glad to see you eked out a profit in the fourth quarter of \$429.

Jim Gaynor – LightPath Technologies – CEO

Well, it's better than being minus \$400

<Q>: I think it's very significant. And that is the second profitable quarter in LightPath's history, isn't it?

Jim Gaynor – LightPath Technologies – CEO

I think it's maybe, at least in my tenure, we had three profitable quarters a year ago but they were somewhat helped by these one-time accruals that we were able to do. But now we are doing it without any help so it's a significant difference and I think the other thing that is significant Steve is that we are at an operating level, you know, we are generating positive cash flow. Now we are spending a little more cash but all of that difference between what we are generating and spending is being put into growth and capacity expansion.

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<Q>: I find it very encouraging that you're able to do that at revenues that aren't that robust.

Jim Gaynor – LightPath Technologies – CEO

Right, I mean and that's been the plan, as we continue to push that top-line higher then I think we will start to see the kind of results that we would all like to see on the bottom line. And I don't think that's very far in the future.

<Q>: Couple of things here. On the instrumentation side it was up 29%. Can you mention what applications that was for and perhaps who the customers are?

Jim Gaynor – LightPath Technologies – CEO

Well those are things like the, I mean those really have to do in a great deal with sometimes collimators, but from a lens point of view, we developed a family of lenses that we call blue lenses which are short wavelength, around 400 micron type things and those are for microscope type instruments or medical instruments like cytometers where you take a sample and put it in a fluid and shoot a laser through it and use it to count cells. Those are the types of applications. So you know, it's companies like mind ray that we sell that kind of thing to and I think there's a company called Benchmark that we do, that does a lot of medical instruments and those kinds of applications. So that's a high-end lens. It's a very high performance lens and the shorter the wavelength, you know, you can see smaller and smaller things so it allows them to get more information about the characteristics of these cells as they are using them in these various instruments and that about, more than expands my knowledge of how they are used because it is a pretty technical field.

<Q>: Thank you. In the same vein, the IR growth, can you mention the application there and who the customers might be?

Jim Gaynor – LightPath Technologies – CEO

Yeah, I think you know, the kinds of applications that we are going after in the infra-red have, in part of it have to do with paramilitary or defense type applications where you are doing IR counter measure type devices or thermal weapon sites is one that we would like to be involved in and are starting to see some activity in. Firefighting cameras where you are doing heat sensing type things. On the commercial side you have these quantum cascade lasers now which are coming out and there's a big, a lot of applications particularly in sensing devices. Gas sensing is one, where you're looking for different kinds of gases. Again, preventive maintenance type applications where you are looking for hotspots and then there's the night vision, security cameras and those types of things. So you know, as we get the costs down and we have had in infra-red technology, the cost was always determined by the sensors and these focal plane arrays had to be cooled. Well now the technology has progressed that you have uncooled focal planar arrays which makes them a lot less expensive. So that cost has come down. All the components in these cameras etc., have been reduced with the exception of the optics. So the optics are the thing that have to come down and that is why we are so excited about this molding technology, being able to reduce the cost of these optics for these types of devices and why we think it is such an opportunity for LightPath.

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<Q>: Thanks so much. Another question, how could I get a hold of the list of the 25 photonics companies that is in that index?

Jim Gaynor – LightPath Technologies – CEO

I'll tell you, two ways Steve. I can send it to you or I could put you to their website. It's OEM Capital and their website is oemcapital.com and I will see that they have, they put out a monthly performance thing that has these companies in it. We are by far the smallest company on the list but we are in there with the Coherents and JDS Uniphases and Finisar and II-VI, Oclaro, Ophir and those kinds of people. So it's a pretty prestigious list of photonics companies and how they are performing in the market place. It is an interesting newsletter and they put it out once a month.

<Q>: Great, I'll get a hold of that and that 75% refers to the stock price?

Jim Gaynor – LightPath Technologies – CEO

Yes, compared against the S&P index, S&P 500 index.

<Q>: Okay, got it. Okay, moving along here, I always like to get the head count, both in Orlando and in Shanghai. Can you give that to me?

Jim Gaynor – LightPath Technologies – CEO

Yeah, I think we're at about 200 total with 56 in Orlando and the balance in Shanghai.

<Q>: Okay, and then finally, you saved \$60,000 by eliminating Investor Relations. And when I just look over all the press releases that you've had in the last couple of years, there's been a real absence of press releases on anything, except the quarterly reports in the last 6 to 12 months. Do you plan to leave things like that?

Jim Gaynor – LightPath Technologies – CEO

Well I think as it makes sense Steve, we will continue to try and do a better job of communicating to the investment community and if we need to do some more investor relations type work, I am certainly open to doing that. It is a matter of how I fit it into the budget and you know, if I spend money on that versus developing a new product or pushing our strategy forward and how that priority works. But as we get that top-line going and we generate better cash flow, then we will certainly be doing some more of that.

<Q>: I'm just glad that you sacrificed that and got a profit.

Jim Gaynor – LightPath Technologies – CEO

Thanks.

<Q>: Okay, many thanks. Good luck.

Jim Gaynor – LightPath Technologies – CEO

Thank you.

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Again, it is *1 if you would like to ask a question. Our next question comes from the line of Bob Ainbinder with JP Turner. You may proceed with your question.

<Q>: Good afternoon Jim and Dorothy.

Jim Gaynor – LightPath Technologies – CEO

Hey Bob.

<Q>: Jim, my question is regarding the annual results. We've seen a big jump in the cost of goods and I know you touched upon it in your presentation. I believe it was up a little over \$1 million, as far as the cost of the goods. What specifically do you plan on doing to counter that increase in cost?

Jim Gaynor – LightPath Technologies – CEO

Okay, well you know that cost was driven by two things. First, there are some expense in there that were associated with ramping up the production. You know, we had to hire a bunch of people in China. We put in a bunch of new machinery and we spent a significant amount of money increasing the tooling inventory to a level so that we could support this unit volume. You know, now those costs won't necessarily repeat unless of course we repeat that growth which is not a bad thing. So that was a piece of it. The other piece where you know, we had some headwinds that we have to overcome in other ways. We had some increases in the Chinese labor rates, there were increased freight costs. I mean these are things that just cost more money to operate and we need to offset those and we have a very good planned cost reduction program to address costs in general and continue to improve our manufacturing costs and those things include changing the way we do our AR coding and bringing that in-house. We believe that we can reduce significantly our coding costs by doing that, maybe as much as 50%. You saw that we had a 22% increase in productivity over the course of the year. We certainly will expect that to continue. We have some plans to improve that and certainly as our operators gain experience, they will get better. We had a lot of new people this year. So that just alone will help that and as we get these higher and higher volumes, you know, now instead of buying tens of thousands of performs and glass materials, now we are buying millions of pieces and that leverage translates into lower purchase costs for glass that we can do, you know, when we were smaller we didn't have much leverage in the market place. And now we are beginning to develop some leverage and we are certainly going to use that partner with the right kind of people that can help us reduce our materials costs. And then a big one is continuing to improve our tool life as we go forward. We spent a lot of effort working on our hard coating systems and stabilizing that and improving that so that we get a much better life out of our tools. We have some other things that are working on oxygen in the pressing stations to prevent oxidation on those tools which is a big factor in their life and so we will continue to make those improvements and we see a path to significantly improve our tool life which is a big cost factor as we go forward. So we have a very well-defined and specific plan to reduce our costs and you know, obviously we continue to look for opportunities to do that and we will address that and fight those cost increases as we go forward.

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<Q>: Okay, and as far as margin deterioration, we have seen record volumes, yet we've continued to see pricing pressure. Do you see that stabilizing as we go forward?

Jim Gaynor – LightPath Technologies – CEO

I think the pricing pressure is going to continue but I don't think it is going to present itself as aggressively as it did this past year. I think you know, we're kind of through this. We're getting down to the prices where I don't think people can get much lower. So as long as we can compete down there, we will. The other thing is we are getting to the point now, where as I said, we've got, I think right now, we've got 25 new lenses in development and we have a lot of opportunities with those and the majority of those are at pretty good prices. So now we have got this volume to a level where we can start to pick and choose a little bit more which opportunities make the best business sense and so I think that will also help stabilize our pricing as we move forward.

<Q>: Okay, and just in trying to understand the overall strategy as you move forward, could you just give us a little more color as to what the going forward plan is, with regard to the entire business?

Jim Gaynor – LightPath Technologies – CEO

Yeah, I think, you know, we have really transformed LightPath into a different company and we really aggressively went after reducing our cost structure, we were very successful doing that and now we are aggressively going after growth and I think we really need to start looking at LightPath as a growth company. And the way we are going to accomplish that, you know, as I outlined, I just want to emphasize it. It is a very, very straightforward, simple strategy. It has three elements to it. The first element is to continue to expand the low cost PMO or precision molded optics business and really go after increasing our share in this laser tool market where we have been really successful and continue that effort and also while we are doing that, we are going to broaden that customer base and that, we talked about how we broadened and added to our distribution sales channel and increased our direct sales in China and those two things are really to address that growth and that is where we expect the company to be able to grow in this coming fiscal year, or in the fiscal year we are currently in. That's the short term growth that we have got underway and we can see our way to growing pretty substantially through that effort. And, at the same time, just those cost reductions that I just talked about, go along with that, to help protect that margin and improve that margin as we go forward. Then the traditional business, you know the legacy PMO business, the isolator business, the collimators, the GRADIUM, those product lines will continue to generate cash to support the business and that is where we will get our major cash flow going forward. And then the third part of it is the strategic growth, where we will be investing in the infra-red product lines, and you know, in the coming years, in the next couple of years after this fiscal year, we should see significant growth in that product line as we get that scaled up and established in the market place. So that's really the three steps to our strategy and you know, I think that even though there is a little bit of chop in the tactics as we go through, driven by the macro economics that we have to deal and you know, some of our successes and failures as we go forward, the key point is the major elements of that strategy are working and the company is growing and we're moving it forward and we are really excited about the potential and opportunities and I would be extremely

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disappointed if we aren't able to grow the company somewhere between 20 and 30% this year.

<Q>: Excellent. Okay, great. We'll look forward to the next call.

Jim Gaynor – LightPath Technologies – CEO

Okay, thank you Bob.

Operator

It appears there are no further questions at this time. I would like to turn the floor back over to management for closing comments.

Jim Gaynor – LightPath Technologies – CEO

Well thank you operator. I would like to thank our shareholders and everyone who participated on today's call. I'd also like again thank the team at LightPath for their hard work and dedication and I look forward to updating you again on our fiscal 2012 first quarter conference call and if you have any further questions, please feel free to contact myself or Dorothy and you can visit us online at www.lightpath.com. And with that, I wish you all a great day.

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