

LIGHTPATH TECHNOLOGIES INC  
Form 10-K  
September 22, 2015

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

---

**FORM 10-K**

---

**(Mark One)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended June 30, 2015**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 000-27548**

---

**LIGHTPATH TECHNOLOGIES, INC.**

**(Exact name of registrant as specified in its charter)**

**DELAWARE**

**(State or other jurisdiction of incorporation or organization)**

**<http://www.lightpath.com>**

**86-0708398**

**(I.R.S. Employer Identification No)**

**2603 Challenger Tech Court, Suite 100**

**Orlando, Florida 32826**

**(Address of principal executive offices, including zip code)**

**(407) 382-4003**

**(Registrant's telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act:**

**None**

**None**

**(Title of each class) (Name of each exchange on which registered)**

**Securities registered pursuant to Section 12(g) of the Act:**

**Class A Common Stock, \$.01 par value**

**Series D Participating Preferred Stock Purchase Rights**

**(Title of Class)**

---

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES    NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

YES NO

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer    Accelerated filer    Non-accelerated filer    Smaller reporting company

Indicate by check mark whether the registrant is a shell company, (as defined in Rule 12b-2 in the Exchange Act).

YES NO

The aggregate market value of the registrant's voting stock held by non-affiliates (based on the closing sale price of the registrant's Common Stock on the NASDAQ Capital Market, and for the purpose of this computation only, on the assumption that all of the registrant's directors and officers as well as two parties filing on Form SC 13-G, are affiliates) was approximately \$8,645,439 as of December 31, 2014.

As of September 14, 2015, the number of shares of the registrant's Class A Common Stock outstanding was 15,239,775.



**LightPath Technologies, Inc.**

**Form 10-K**

**Table of Contents**

<u>PART I</u>	1
<u>Item 1. Business</u>	1
<u>Item 2. Properties</u>	8
<u>Item 3. Legal Proceedings</u>	9
<u>PART II</u>	9
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	9
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	10
<u>Item 8. Financial Statements and Supplementary Data</u>	20
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	20
<u>Item 9A. Controls and Procedures</u>	20
<u>Item 9B. Other Information</u>	21
<u>PART III</u>	21
<u>Item 10. Directors and Executive Officers of the Registrant and Corporate Governance</u>	21
<u>Item 11. Executive Compensation</u>	26
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management</u>	35
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	37
<u>Item 14. Principal Accountant Fees and Services</u>	38
<u>PART IV</u>	38
<u>Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K</u>	38
<u>Index to Consolidated Financial Statements</u>	F-1
<u>Signatures</u>	S-1
<u>Certifications</u>	See Exhibits

## CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

*Certain statements and information in this Annual Report on Form 10-K may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” or other comparable terminology. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements represent management’s beliefs and assumptions only as of the date of this Annual Report on Form 10-K. You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

## PART I

### Item 1. Business.

#### General

LightPath Technologies, Inc. (“LightPath”, the “Company”, “we”, “our”, or “us”) was incorporated under Delaware law in 1999 as the successor to LightPath Technologies Limited Partnership, a New Mexico limited partnership formed in 1989, and its predecessor, Integrated Solar Technologies Corporation, a New Mexico corporation formed in 1985. We manufacture optical components and higher level assemblies including precision molded glass aspheric optics, infrared aspheric lenses, GRADIUM glass lenses and other optical materials used to produce products that manipulate light. We design, develop, manufacture and distribute optical components and assemblies utilizing advanced optical manufacturing processes. Our products are incorporated into a variety of applications by our customers in many industries, including defense products, medical devices, laser aided industrial tools, automotive safety applications, barcode scanners, optical data storage, hybrid fiber coax datacom, telecom, machine vision and sensors, among others. All the products that we produce enable lasers and imaging devices to function more effectively. For example:

- *Molded glass aspheres and assemblies* are used in various high performance optical applications primarily based on laser technology;
- *Infrared molded lenses and assemblies* using short (SWIR), mid (MWIR) and long (LWIR) wave materials imaging are used in applications for firefighting, predictive maintenance, homeland security, surveillance, automotive and defense; and
- *GRADIUM* extends the performance of a spherically polished glass lens technology improving optical performance so that it approximates aspheric lens performance.

In November 2005, we formed LightPath Optical Instrumentation (Shanghai) Co., Ltd (“LPOI”), a wholly-owned subsidiary, located in Jiading, People’s Republic of China. Over time, we transitioned a substantial portion of our manufacturing to LPOI, which until recently, operated as our primary manufacturing facility in China.

In December 2013, we formed LightPath Optical Instrumentation (Zhenjiang) Co., Ltd. (“LPOIZ”), a wholly-owned subsidiary located in the New City district, of the Jiangsu province, of the People’s Republic of China. LPOIZ built out a 25,833 square foot manufacturing facility and production at LPOIZ’s new facility commenced in April 2014. We have now shifted our manufacturing operations from LPOI to LPOIZ, as this new facility provides a lower cost structure for production of larger volumes of optical components and assemblies, and further strengthens our partnerships within the Asia/Pacific region. The LPOI facility is now primarily used for sales and engineering functions.

## Product Groups and Markets

During fiscal 2015, we started evaluating our business based on five product groups: low volume precision molded optics (“LVPMO”), high volume precision molded optics (“HVPMO”), specialty products, infrared products, and non-recurring engineering (“NRE”). Our LVPMO product group consists of precision molded optics with a sales price greater than \$10 per lens that are usually sold in smaller lot quantities. Our HVPMO product group consists of precision molded optics with a sales price of less than \$10 per lens that are usually sold in larger lot quantities. Our infrared product group is comprised of both molded lens and assemblies. Our specialty product group is comprised of value added products such as optical subsystems, assemblies, GRADIUM lenses, and isolators. Our NRE product group consists of those products we develop pursuant to product development agreements we enter into with customers. Typically, customers approach us and request that we develop new products or applications for our existing products to fit their particular needs or specifications. The timing and extent of any such product development is outside of our control.

We currently serve the following major markets: distribution and catalog, laser, industrial, instrumentation, telecommunications, and defense. Within our product groups, we have various applications that serve these major markets. For example, our HVPMO lenses are typically used in industrial tools, especially in China. Our HVPMO and LVPMO lenses are also used in applications for the telecommunications market, such as cloud computing, video distribution via digital technology, wireless broadband, and machine to machine connection, and, the laser market, such as laser tools, scientific and bench top lasers, and bar code scanners. Our infrared products can also be used in various applications within our major markets. Currently, sales of our infrared products are primarily for customers in the industrial market that use thermal imaging cameras. Our infrared products can also be used for gas sensing devices, spectrometers, night vision systems, automotive driver systems, thermal weapon gun sights, and infrared counter measure systems, among others. Within the larger overall markets, which are estimated to be in the multi-billions of dollars, we believe there is a market of approximately \$355 million for our current products and capabilities. We continue to believe our products will provide significant growth opportunities over the next several years and, therefore, we will continue to target specific applications in each of these major markets. Our strategy is to leverage our technology, know-how, established low cost manufacturing capability and partnerships to grow our business. We plan to accomplish this growth through the implementation of the following objectives:

***Continue to Drive Operational Excellence and Asset Efficiency.*** Operational excellence, which includes a commitment to safety, environmental stewardship, and improved reliability, is key to our future success. We continually evaluate our business to identify opportunities to increase operational efficiency throughout our production facilities with a focus on maintaining operational excellence and maximizing asset efficiency. We intend to continue focusing on increasing manufacturing efficiencies through selected capital projects, process improvements, and best practices in order to lower unit costs. We will also carefully manage our portfolio and take appropriate actions to address product lines that face challenging market conditions and do not generate returns on invested capital that we believe are sufficient to create long-term shareholder value.

***Focus on Cash Flow Generation.*** Our goal is to focus on cash flow generation and return on invested capital through the continuing optimization of our cost structure, improvement in working capital and supply chain efficiencies, and



a disciplined approach to capital expenditures. We have a proven track record of mitigating fixed cost inflation with cost saving actions and productivity improvements. We intend to continue to identify incremental cost saving opportunities based in large part on benchmarks of industry-leading performance and productivity improvements by utilizing our engineering and manufacturing technology expertise and partnerships with low cost producers. Our goal is to maintain a cost structure that positions us favorably to compete and grow. We intend to continue to upgrade our customer and product mix to increase our sales of value-added, differentiated products, thereby achieving premium pricing to improve margins and enhance cash flow.

We also intend to actively manage our working capital by increasing inventory turnover and reducing finished goods and raw materials inventory without affecting our ability to deliver products to our customers. We strive to improve our supply chain efficiency by focusing on reducing both operating costs and working capital needs. Our supply chain efforts to lower operating costs have consisted of reducing procurement spending, lowering transportation and warehouse costs, and optimizing production scheduling.

We remain focused on disciplined capital allocation among our product groups. We plan to allocate our capital expenditures to projects required to enhance the reliability of our manufacturing operations and maintain the overall asset portfolio. This includes key maintenance and repair activities in each product group, and necessary regulatory and maintenance spending to ensure safe operations. We intend to optimize capital spending on growth projects across our various business based on a thorough comparison of risk-adjusted returns for each project.

***Maintain Strong Customer Focus.*** A key component of our strategy is to produce innovative, high-performance products that offer enhanced value propositions to our customers at competitive prices. Our goal is to continually work closely with our customers to provide solutions and products that optimize their products. This market-driven product development enables us to offer a high-quality product portfolio to our customers and provides our business with the ability to respond quickly and efficiently to changes in market demands.

**Leverage our Leadership to Drive Organic Growth.** We plan to continue to capitalize on our global operations network, distribution infrastructure, and technology to pursue global growth. We will focus our efforts on those geographic areas and end products that we believe offer the most attractive growth and long-term profit prospects.

**Deepen Our Presence in Emerging Markets.** Emerging markets are a strategic priority for our business. We are well positioned not only to leverage our strong market positions in mature but highly sophisticated markets in North America and Europe, but also to participate in the expected growth of emerging markets in Asia and Eastern Europe. We believe that improving living standards and growth in GDP across emerging markets are combining to create increased demand for our products. We expect to capitalize on this growth opportunity by expanding our customer base and local capabilities in order to increase our market share across emerging markets, especially in China. To accelerate our penetration of these markets and maintain our competitive cost position, we may develop relationships with leading local partners, especially in businesses where participation in the fast-growing Chinese market is particularly important for long-term sustainable growth. For example, we are well positioned to leverage our strong production technology in the Chinese market as a result of an increasing percentage of aerospace, automotive, semiconductor, electronics, and telecommunications manufacturing transitioning to China.

**Drive Organizational Alignment.** We believe that maintaining alignment of the efforts of our employees with our overall business strategy and operational excellence goals is critical to our success. We have outstanding people and assets and, with the commitment to values of safety, customer appreciation, simplicity, collective entrepreneurship, and integrity, we believe that we can maintain our competitiveness and help achieve our operational excellence and asset efficiency strategic objectives.

The following further discusses the various products we offer and certain growth opportunities we anticipate for each such product.

**LVPMO and HVPMO Product Groups.** Aspheric lenses are known for their optimal performance. Our glass molding technology enables the production of both low and high volumes of aspheric optics while still maintaining the highest quality at an affordable price. Molding is the most consistent and economical way to produce aspheres and we have perfected this method to offer the most precise molded aspheric lenses available.

In recent years, sales of both our LVPMOs and HVPMOs have increased. We expect this growth to continue for the next several years with what we believe is the beginning of a multi-year growth cycle of the optical market. This multi-year growth cycle is driven by four major trends: cloud computing; video distribution via digital technology; wireless broadband; and machine-to-machine connection. Cloud computing is causing a shift in enterprise technology with increased spending for software-as-a-service (“SAAS”) and infrastructure-as-a-service (“IAAS”) capital investments. Delivery of applications and technology using SAAS or IAAS requires larger and faster network bandwidth. The explosion of mobile devices, which includes smartphones and tablet devices, is also requiring the expansion of network bandwidth as users are receiving and transferring larger amounts of data via their mobile devices. The number of mobile devices exceeded the global population at the beginning of 2015 and is estimated to be 1.5 mobile devices per capita by 2019. Individuals are also streaming more video on their mobile devices or through their smart TVs. This type of video distribution, which is estimated to be 80% of all network traffic by 2019, is creating a huge

demand for larger and faster bandwidth. Finally, machine-to-machine connection technology allows wireless and wired systems to communicate with other devices of the same type. This type of networking often requires bandwidth in order for the machines to communicate with each other. All of these trends require the expansion of bandwidth, and thus, the growth of optical communication networks. Our products, such as our precision molded optical lenses, can be used as a component in optical communication networks. We also anticipate growth in our precision molded aspheres product revenues as we add new product lenses and applications for a variety of markets and industries, including laser tools, telecom transceivers, micro-projectors, scientific and bench top lasers, range finders, medical devices, bar code scanners and laser based spectrometers.

**LVPMOs.** The growth in our LVPMO business is driven by a variety of market applications such as medical endoscopes, medical flow cytometers, scientific and bench-top lasers, laser based spectrometers, military telecom and telescopic weapon sights. These products have precision specifications and 100% testing to verify that our lenses conform to a higher level of performance than most of the competition in these markets.

**HVPMOs.** The continued growth in our HVPMO business is driven by market applications supporting mostly the laser diode applications for high volume markets in laser tools, range finders, laser gun sights, bar code scanners and micro-projectors. The same basic tooling used for high precision in the LVPMO applications allows us to realize a competitive advantage for high volume production that benefits the end customer while maintaining low price targets. Markets for laser diode applications are expected to grow substantially in the next few years as applications such as Lidar, which uses light and radar for distance tracking and speed detection, headlights for automobiles and many other related disciplines begin to rely more and more on laser technology.

***Infrared Product Group.*** Advances in chalcogenide materials have enabled compression molding for MWIR and LWIR optics in a process similar to precision molded lenses. Our molded infrared optics technology enables high performance, cost-effective infrared aspheric lenses that do not rely on traditional diamond turning or lengthy polishing methods. Utilizing precision molded aspheric optics significantly reduces the number of lenses required for typical thermal imaging systems and the cost to manufacture these lenses. Traditional germanium or zinc selenide aspheres are manufactured by diamond turning, which is a time-consuming and expensive process. Diamond turned lenses are made one at a time and the lenses suffer from variations in the surface resulting in variations of performance from lens to lens. The infrared optics molding process allows lenses to be manufactured in high volume with a highly repeatable, consistent performance and allows for sophisticated beam shaping or achromatization over a range of wavelengths to be molded directly into the surfaces of the lens.

Overall, we anticipate growth for infrared optics and increased requirements for systems requiring molded aspheric optics over traditional ground and polished lenses. Infrared systems, which include thermal imaging cameras, gas sensing devices, spectrometers, night vision systems, automotive driver awareness systems such as blind spot detection, thermal weapon gun sights, and infrared counter measure systems, represent a market that is forecasted to grow to greater than \$5.6 billion at the complete systems level by 2020 at a compound annual growth rate of 10%. As infrared imaging systems become widely available, the cost of optical components needs to decrease before the market demand will increase. Our aspheric molding process is an enabling technology for the cost reduction and commercialization of infrared imaging systems because the aspheric shape of our lenses enables system designers to reduce the lens element in a system and provide similar performance at a lower cost.

***Specialty Product Group.*** We have a rapidly growing group of specialty products and assemblies that take advantage of our unique technologies and capabilities. These include custom optical designs, mounted lenses, optical assemblies, and GRADIUM lenses. We expect growth from defense communications programs and commercial optical sub-assemblies.

Our GRADIUM glass is an optical quality glass material with axially varying refractive index, capable of reducing optical aberrations inherent in conventional lenses and performing with a single lens tasks traditionally performed by multi-element, conventional lens systems. Typical applications include surgical lasers, high power YAG lasers for welding, cutting and marking, defense-market uses, and test and measurement. GRADIUM has a unique capability to handle up to 10 kilowatts of power and is servicing a niche market for laser high-power cutting and laser welding.

We design, build, and sell optical assemblies into markets for test and measurement, medical devices, military, industrial, and communications based on our proprietary technologies. Many of our optical assemblies consist of several products that we manufacture.

## **Sales and Marketing**

**Marketing.** Extensive product diversity and varying levels of product maturity characterize the optics industry. Product markets range from consumer (e.g., cameras, copiers) to industrial (e.g., lasers, data storage, infrared imaging), from products where the lenses are the central feature (e.g., telescopes, microscopes, lens systems) to products incorporating lens components (e.g., robotics, semiconductor production equipment) and communications (e.g., various optics are required for bandwidth expansion and improved data transfer for the optical network). As a result, we market our products across a wide variety of customer groups including laser systems manufacturers, laser OEMs, infrared-imaging systems vendors, industrial laser tool manufacturers, telecommunications equipment manufacturers, medical and industrial measurement equipment manufacturers, government defense agencies, and research institutions worldwide.

**Organization Optimization Plan.** In February 2015, we announced our plan to transition to a technical sales process that leverages the success of our existing demand-creation model. To align the organization for specific goals and accountability, we created an executive structure with three direct reporting lines: Operations, China, and Finance. Technical and engineering staffs are now more fully integrated with our sales force, and two new sales positions were created: Executive Sales Manager, combining the responsibility for all sales and marketing, and Marketing Manager. We combined the organizations supporting our aspheric visible lens products and our new line of infrared products. Sales, marketing, engineering, and quality now report to the newly created position of Executive Vice President – Operations.

**Sales Organization.** We have regional sales forces that market and sell our products directly to customers in North America and China. We also have a master distributor in Europe. We have formalized relationships with 14 industrial, laser, and optoelectronics distributors and channel partners located in the United States and various foreign countries to assist in the distribution of our products in highly specific target markets. We also have reseller arrangements with the top three product catalogs in the optics and opto-electronics market. In addition, we also maintain our own product catalog and internet website ([www.lightpath.com](http://www.lightpath.com)) as vehicles for broader promotion of our products. We make use of print media advertisements in various trade magazines and participate in appropriate domestic and foreign trade shows.

All of our partners work diligently to expand opportunities in emerging geographic markets and through alternate channels of distribution. We believe that we provide a high level of support in developing and maintaining our long-term relationships with our customers. Customer service and support are provided through our offices and those of our partners that are located throughout the world.

**Trade Shows.** We display our product line additions and enhancements at one or more trade shows each year. For example, we participated in several United States based shows including Society of Photographic Instrumentation Engineers (“SPIE”) Photonics West in January 2015 and SPIE Defense, Security and Sensing in May 2015. We also participate in shows in China such as the China International Optoelectronic Exposition in Shenzhen. In addition, we partner with key distributors to attend exhibitions such as Laser World of Photonics in Munich, Germany. Such a strategy underscores our strategic directive of broadening our base of innovative optical components and assemblies. These trade shows also provide an opportunity to meet with and enhance existing business relationships, meet and develop potential customers, and to distribute information and samples regarding our products.

## **Competition**

The market for optical components generally is highly competitive and highly fragmented. We compete with manufacturers of conventional spherical lenses and optical components, providers of aspheric lenses and optical components, and producers of optical quality glass. To a lesser extent, we compete with developers of specialty optical components and assemblies. Many of these competitors have greater financial, manufacturing, marketing and other resources than we do.

We believe our unique capabilities in optical design engineering, our low cost structure and our substantial presence in Asia, particularly in China, provides us with a competitive edge and assists us in securing business. Additionally, we believe that we offer value to some customers as a second or backup supply source in the United States should they be unwilling to commit to purchase their entire supply of a critical component from a foreign production source. We also have a broad product offering to satisfy a variety of applications and markets.

**LVP MOs and HVP MOs Product Groups.** Our LVP MO products compete with conventional lenses and optical components manufactured by companies such as Asia Optical, Anteryon, RPO, and Sunny Optics.

Aspheric lenses that improve the shortcomings of conventional lenses significantly compete with our molded glass aspheric lenses, which are part of our HVP MO product group. Aspheric lens system manufacturers include Panasonic, ALP’s, Hoya Corporation, as well as newer competitors from China and Taiwan such as E-pin Optical Industry Co. and Kinik Company. The use of aspheric surfaces provides the optical designer with a powerful tool in correcting spherical aberrations and enhancing performance in state-of-the-art optical products. However, we believe that our

optical design expertise and our flexibility in providing custom high performance optical components at a low price are key competitive advantages for us over these competitors.

Plastic molded aspheres and hybrid plastic/glass aspheric optics, on the other hand, allow for high volume production, but primarily are limited to low cost consumer products that do not place a high demand on performance (such as plastic lenses in disposable or mobile phone cameras). Molded plastic aspheres appear in products that stress cost or weight as their measure of success over performance and durability. Our low cost structure allows us to compete with these lenses based on higher performance and durability from our glass lenses at only a small premium in price over plastic or plastic/glass hybrid lenses.

***Infrared Product Group.*** Our infrared molded aspheric optics competes with traditional infrared lenses manufactured from germanium, such as those produced by Janos Technologies, Ophir Optics or Elcan Optical Technologies. These traditional infrared lenses can either be polished spherical or are diamond turned aspherical. Our molded lenses compete with spherical lenses because like all aspheres they can replace doublets or triplets based on the higher performance of an aspheric lens. Diamond turned aspheres from germanium are expensive to produce in high volumes and time consuming to manufacture. We believe our low cost, high volume lens business strategy enables us to compete with the manufacturers of traditional infrared lens.

Our molded infrared optics competes with products manufactured by Umicore, Kiro, and Free Form. We believe that our optical design expertise and our flexibility in providing custom, high performance infrared optical components are key advantages over the products manufactured by these competitors. A specific advantage over Umicore, a foreign company, is that the infrared market is highly dependent on the United States defense industry, which prefers to purchase from United States based companies such as LightPath.

***Specialty Product Group.*** GRADIUM lenses are often used for products in the niche high power laser optics market. GRADIUM lenses are produced using a unique, well-established technology that no other manufacturer possesses, which provides us with a competitive advantage. However, there are other competing technologies, such as traditional fused silica doublets and triplets as well as newer large diameter aspheres, such as those manufactured by Asphericon or Edmund Optics.

## **Manufacturing**

**Facilities.** Our manufacturing is largely performed in our 26,000 square foot production facility in Orlando, Florida and in LPOIZ's 26,000 square foot production facility in Zhenjiang. Prior to the transition of our manufacturing in China to LPOIZ's facility, such manufacturing was performed in LPOI's 16,000 square foot facility near Shanghai, which is now used primarily for sales and engineering functions. With space remaining in the Zhenjiang and Orlando facilities, we believe our facilities are adequate to accommodate our needs for the foreseeable future. We are currently reviewing our options with respect to the Shanghai facility since our lease terminates in 2016. Management currently anticipates relocating to a smaller facility with a lower monthly rent amount given the extra capacity provided by LPOIZ's Zhenjiang facility.

Our manufacturing facilities feature areas for each step of the manufacturing process, including coating work areas, preform manufacturing and a clean room for pressing and integrated assembly. Our Orlando and Zhenjiang facilities include new product development laboratories and space that includes development and metrology equipment. Our Zhenjiang facility has anti-reflective coating equipment to coat our lenses in-house.

**Production and Equipment.** Our Orlando facility contains a manufacturing area for our molded glass aspheres, a tooling and machine shop to support new product development, commercial production requirements for our machined parts, the fabrication of proprietary press work stations and mold equipment, and a clean room for our molding and assembly workstations. We also have glass coring equipment to meet our current needs of GRADIUM product sales worldwide. The Orlando facility is also International Traffic in Arms and Regulation (ITAR) compliant. LPOIZ's Zhenjiang facility features a molded glass aspheres manufacturing area, clean room, and an area for anti-reflective coating. Our Orlando, Shanghai, and Zhenjiang facilities are ISO 9001:2008 certified. For more information regarding our facilities, please see Item 2. Properties in this Annual Report.

**Subcontractors and Strategic Alliances.** We believe that low-cost manufacturing is crucial to our long-term success. In that regard, we generally use subcontractors in our production process to accomplish certain processing steps requiring specialized capabilities. For example, we presently use a number of qualified subcontractors for fabricating, polishing, and coating certain lenses as necessary. We have taken steps to protect our proprietary methods of repeatable high quality manufacturing by patent disclosures and internal trade secret controls.

**Suppliers.** We utilize a number of glass compositions in manufacturing our molded glass aspheres and lens array products. These glasses or equivalents are available from a large number of suppliers, including CDGM Glass Company, Ohara, and Sumita. Base optical materials, used in both GRADIUM and collimator products, are manufactured and supplied by a number of optical and glass manufacturers. We believe that a satisfactory supply of such production materials will continue to be available at reasonable prices, although there can be no assurance in this regard.



We also rely on local and regional vendors for component materials and services such as housings, fixtures, magnets, chemicals and inert gases, specialty ceramics, UV and AR coatings, and other specialty coatings. In addition, certain products require external processing such as anodizing and metallization. To date, we are not dependent on any of these manufacturers and have found a suitable number of qualified vendors and suppliers for these materials and services.

We currently purchase a few key materials from single or limited sources. We believe that a satisfactory supply of production materials will continue to be available at competitive prices, although there can be no assurance in this regard.

### **Patents and Other Proprietary Intellectual Property**

Our policy is to protect our technology by, among other things, patents, trade secret protection, trademarks, and copyrights. The products and technologies that we employ use patents that are either owned and maintained by us or licensed to us by others. Patents have been issued, and/or patent applications have been filed, in the areas of glass composition, glass molding, gradient geometries, and certain production processes such as fiber attachment and micro-fabrication. The first of our issued patents expired in 2006; the remainder expire at various times through 2023.

Issued patents owned or available to us may not afford us adequate protection or may be challenged, invalidated, infringed, or circumvented. Patent applications relating to our products may not result in patents being issued. Patent rights granted to us for technologies that we may license in the future may not provide competitive advantages to us. Patents that are owned or licensed by us that are issued in one jurisdiction may not be issued in any other jurisdiction. The validity of any of our patents may not be upheld if challenged by others in litigation or if such litigation alleges that our activities infringe upon patents owned by others.

In addition to patent protection, certain process inventions, lens designs and innovations are retained as trade secrets. A key feature of GRADIUM glass is that, once fabricated, it does not reveal our formula upon inspection and, to our knowledge, cannot be reverse-engineered.

We own several registered and unregistered service marks and trademarks which are used in the marketing and sale of our products. The following sets forth our registered and unregistered service marks and trademarks, if registered, the country in which the mark is filed, and the renewal date for such mark.

<b><u>Mark</u></b>	<b><u>Type</u></b>	<b><u>Registered</u></b>	<b><u>Country</u></b>	<b><u>Renewal Date</u></b>
LightPath®	service mark	Yes	United States	October 22, 2022
GRADIUM™	trademark	Yes	United States	February 5, 2017
Circulight	trademark	No	—	—
BLACK DIAMOND	trademark	No	—	—
GelTech	trademark	No	—	—
Oasis	trademark	No	—	—
LightPath®	service mark	Yes	People’s Republic of China	Application filed

### **Environmental and Governmental Regulation**

Currently, emissions and waste from our manufacturing processes are at such low levels that no special environmental permits or licenses are required. In the future, we may need to obtain special permits for disposal of increased waste by-products. The glass materials we utilize contain some toxic elements in a stabilized molecular form. However, the high temperature diffusion process results in low-level emissions of such elements in gaseous form. If production reaches a certain level, we believe that we will be able to efficiently recycle certain of our raw material waste, thereby reducing disposal levels. We believe that we are presently in compliance with all material federal, state, and local laws and regulations governing our operations and have obtained all material licenses and permits necessary for the operation of our business.

We also utilize certain chemicals, solvents, and adhesives in our manufacturing process. We believe we maintain all necessary permits and believe we are in full compliance with all applicable regulations.

To our knowledge there are currently no United States federal, state or local regulations that restrict the manufacturing and distribution of our products. Certain end-user applications require government approval of the complete optical system, such as United States Food and Drug Administration approval for use in endoscopy. In these cases, we will generally be involved on a secondary level and the OEM customer will be responsible for the license and approval process.

The Dodd-Frank Wall Street Reform and Consumer Protection Act imposes disclosure requirements regarding the use of “conflict minerals” mined from the Democratic Republic of Congo and adjoining countries in products, whether or

not these products are manufactured by third parties. The conflict minerals include tin, tantalum, tungsten and gold, and their derivatives. Pursuant to these requirements, we are required to report on Form SD the procedures we employ to determine the sourcing of such minerals and metals produced from those minerals. There are costs associated with complying with these disclosure requirements, including for diligence in regards to the sources of any conflict minerals used in our products, in addition to the cost of remediation and other changes to products, processes, or sources of supply as a consequence of such verification activities. In addition, the implementation of these rules could adversely affect the sourcing, supply, and pricing of materials used in our products. We strive to only use suppliers that source from conflict-free smelters and refiners; however, in the future, we may face difficulties in gathering information regarding our suppliers and the source of any such conflict minerals.

### **New Product Development**

For many years, we engaged in basic research and development that resulted in the invention of GRADIUM glass and certain proprietary processes for fabricating GRADIUM glass lenses. Thereafter, our new product development efforts led to the development of our capabilities in molded aspheric lenses and infrared lenses. We incurred expenditures for new product development during fiscal years 2015 and 2014 of approximately \$1.1 million and \$1.2 million, respectively. We concentrated our efforts to support existing and new customers in the design and manufacture of items in two of our product lines: lenses and infrared products.

We are continuing to focus our new product development efforts on infrared optics products for imaging and sensing, fiber lasers, defense, medical devices, industrial, optical data storage, machine vision, sensors, and environmental monitoring. We currently plan to expend approximately \$1.2 million for new product development during fiscal 2016, which could vary depending upon revenue levels, customer requirements, and perceived market opportunities.

For more difficult or customized products, we bill our customers for engineering services as a non-recurring engineering fee.

### **Concentration of Customer Risk**

In fiscal 2015 and fiscal 2014, we had sales to three customers that comprised an aggregate of approximately 28% of our annual revenue with one customer at 11% of our sales, another customer at 10% of our sales, and the third customer at 7% of our sales. We continue to diversify our business in order to minimize our sales concentration risk. The loss of any of these customers, or a significant reduction in sales to any such customer, would adversely affect our revenues.

In fiscal 2015, 54% of our net revenue was derived from sales outside of the United States, with 90% of our foreign sales derived from customers in Europe and Asia.

### **Employees**

As of June 30, 2015, we had 173 full-time equivalent employees, with 67 in Florida and 106 in China. Any employee additions or terminations over the next twelve months will be dependent upon the actual sales levels realized during fiscal 2016. We have 27 employees engaged in management, administrative, and clerical functions, 11 employees in new product development, 10 employees in sales and marketing, and 125 employees in production and quality control functions. We have used and will continue utilizing part-time help, temporary employment agencies, and outside consultants, where appropriate, to qualify prospective employees and to ramp up production as required from time to time. None of our employees are represented by a labor union.

### **Item 2. Properties.**

We occupy a 26,000 square foot facility in Orlando, Florida, which includes a 6,000 square foot clean room and houses our corporate headquarters, engineering, marketing, internal sales, manufacturing management and some manufacturing operations. At our Orlando facility, our molded glass aspheres manufacturing area includes lens pressing equipment, high precision mold production equipment, advanced metrology and inspection equipment, and coating facilities. It also features a tooling and machine shop, which can support new product development, commercial production requirements for our machined parts, and the fabrication of propriety press workstations and mold equipment. Our Orlando facility has glass coring equipment for our current needs of GRADIUM product sales and also includes a clean room for our molding and assembly workstations, which include our proprietary laser fusion

and housing equipment, automated testing processes, and laser polishing stations. Our Orlando facility is International Traffic in Arms Regulations (ITAR) compliant.

The monthly rental payments for our Orlando facility average approximately \$29,000 through April 2022, which excludes all charges, common area maintenance, escalation, and certain pass-through of taxes and other operating costs. In July 2014, we negotiated a new lease which increased our space from approximately 22,000 square feet to approximately 26,000 square feet, or by 20%. The additional space allowed us to relocate our administration functions to new office space and reclaim needed manufacturing space for our business. We were also able to take advantage of local market conditions and decrease our overall rent expense by an estimated 25%.

Over time, we transitioned a majority of our manufacturing requirements for our precision molded optic line and our assembly product line to LPOI's Shanghai facility and, now, most recently from LPOI's Shanghai facility to LPOIZ's Zhenjiang facility. As we transitioned our manufacturing overseas, we reduced the leased space in our Orlando facility from 41,063 square feet to 21,557 square feet, as reflected in the third, fourth and fifth amendments to the Orlando facility lease, effective December 1, 2007, May 1, 2009 and May 1, 2012, respectively. The sixth amendment, effective July 2, 2014, extended the lease term through April 2022 and increased the leased space from 21,557 square feet to 26,077 square feet. The seventh amendment dated January 31, 2015 corrected the square footage to 25,847 square feet. Minimum rental rates for the extension term were established based on annual increases of two and one half percent and start in the third year of the extension period. Additionally, there are two 3-year extension options exercisable by us. The minimum rental rates for such additional extension options will be determined at the time an option is exercised and will be based on a "fair market rental rate" as determined in accordance with the third lease amendment.

Our wholly-owned subsidiary, LPOI, also leases an approximately 16,000 square foot facility located in Jiading, People's Republic of China. The lease expires in April 2016 and houses 19 employees. LPOI's Shanghai facility is now primarily used for sales and engineering functions. The rent is approximately \$8,000 per month. We plan to relocate to a smaller facility upon expiration of the current lease, and anticipate that our monthly rental amount will decrease as a result of such relocation.

LPOIZ leases an approximately 26,000 square foot facility located in Zhenjiang, Jiangsu Province, People's Republic of China. LPOIZ's Zhenjiang facility features a molded glass aspheres manufacturing area, which includes lens pressing equipment, advanced metrology and inspection equipment. The clean room in LPOIZ's Zhenjiang facility features assembly manufacturing equipment and automated dispensing systems. The Zhenjiang facility also houses our precision dicing equipment and anti-reflective coating equipment.

LPOIZ signed a five year lease that will expire March 31, 2019. The Zhenjiang facility houses 87 employees. The rent is approximately \$2,000 per month.

We are ISO 9001:2008 certified at all three of our facilities. Much of our product qualification is performed in-house at our facilities. Our test and evaluation capabilities include damp heat, high/low temp storage, and a thermal shock oven, which are representative of the equipment required to meet Telecordia requirements and other customer required product specifications. Our New Product Development department has computer aided design (CAD) tools and technical support. The continuing implementation of various statistical process controls (SPCs) is being pursued to improve product yields and allows us to reduce costly manual testing operations. Quality control in manufacturing to ensure a quality end product is critical to our ability to bring our products to market, as our customers may demand rigorous testing prior to their purchase of our products.

With space remaining in the Shanghai, Zhenjiang and Orlando facilities, we believe our facilities are adequate to accommodate our needs over the next year. We are in the process of adding additional production equipment and will add additional work shifts to increase the capacity and meet forecasted demand.

Our territorial sales personnel maintain an office from their homes to serve their geographical territories.

### **Item 3. Legal Proceedings.**

From time to time, we are involved in various legal actions arising in the normal course of business. We currently have no legal proceeding to which we are a party to or to which our property is subject to and, to the best of our knowledge, no adverse legal activity is anticipated or threatened.

## **PART II**

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

#### **Market Information**

Our Class A common stock is traded on the NASDAQ Capital Market ("NCM") under the symbol "LPTH".

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

The following table sets forth the range of high and low bid prices for our Class A common stock for the periods indicated, as reported by NCM. The quotation information below reflects inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions. The closing ask price on June 30, 2015 was \$1.76 per share.

	<b>Class A Common Stock</b>	
	<b>High</b>	<b>Low</b>
<b>Fiscal Year Ended June 30, 2015</b>		
Quarter ended June 30, 2015	\$1.81	\$0.88
Quarter ended March 31, 2015	\$1.32	\$0.89
Quarter ended December 31, 2014	\$1.48	\$0.90
Quarter ended September 30, 2014	\$1.56	\$1.17
Fiscal Year Ended June 30, 2014		
Quarter ended June 30, 2014	\$1.63	\$1.28
Quarter ended March 31, 2014	\$1.76	\$1.35
Quarter ended December 31, 2013	\$1.55	\$1.17
Quarter ended September 30, 2013	\$1.83	\$1.17

## Holders

As of July 15, 2015, we estimate there were approximately 235 holders of record and approximately 4,168 street name holders of our Class A common stock.

**Dividends**

We have never declared or paid any cash dividends on our Class A common stock and do not intend to pay any cash dividends in the foreseeable future. We currently intend to retain all future earnings in order to finance the operation and expansion of our business. In addition, the payment of dividends, if any, in the future, will depend on our earnings, capital requirements, financial conditions and other relevant factors.

**Securities Authorized For Issuance Under Equity Compensation Plans**

The following table sets forth information with respect to compensation plans under which our equity securities are authorized for issuance as of the end of fiscal 2015:

	Award Shares Authorized	Award Shares Outstanding at June 30, 2015	Available for Issuance at June 30, 2015
Equity Compensation Arrangement			
Amended and Restated Omnibus Incentive Plan	3,915,625	1,797,783	1,478,778
Employee Stock Purchase Plan	400,000	—	400,000
	4,315,625	1,797,783	1,878,778

Please see section titled “Equity Compensation Plan Information” in Item 12 of this Annual Report on Form 10-K for information relating to compensation plans approved and not approved by our stockholders.

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*You should read the following discussion and analysis by our management of our financial condition and results of operations in conjunction with our consolidated financial statements and the accompanying notes.*

*The following discussion contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results could differ materially from those discussed in the forward-looking statements. Please also see the cautionary language at the beginning of this Annual Report on*



*Form 10-K regarding forward-looking statements.*

## **Results of Operations**

### Operating Results for Fiscal Year Ended June 30, 2015 compared to the Fiscal Year Ended June 30, 2014:

Revenue for fiscal 2015 totaled approximately \$13.66 million compared to approximately \$11.83 million for fiscal 2014, an increase of 15%. The 15% increase in revenue primarily resulted from an increase in specialty products due to higher collimators volume, and growth in our infrared products. Unit shipment volume in precision molded optics in fiscal 2015 decreased by 28% as compared to fiscal 2014 but the average selling price improved 38% period over period due to a product mix shift with lower volumes in the industrial tool business offset by new applications in fiber laser delivery systems, medical applications, and telecommunications. The sales price mix of the precision molded optics also changed in fiscal 2015. Revenue for LVPMO (low volume precision molded optics with selling price of greater than \$10) units sold increased by 11%, or \$629,000, while revenue for HVPMO (high volume precision molded optics with selling price of less than \$10) units sold decreased by 22%, or (\$707,000). We expect continued growth in sales to be derived primarily from our specialty products and our precision molded optics product line, particularly our HVPMOs sold in Asia, and our infrared product line based upon recent quote activity and market trends.

Gross margin percentage for fiscal 2015 was 44% compared to 46% in fiscal 2014. Gross margin percentage decreased in fiscal 2015 due to changes in the product mix. The product mix change was a result of changes in both the sales volume and sales prices of our products. Our sales of LVPMOs increased; however, the lenses were sold at a lower price. Similarly, our sales of infrared products increased; however, the products were sold at production prices versus prices we charge when a product is a prototype. These changes were partially offset by a decrease in HVPMOs sold at higher prices and an increase in sales of specialty products at stable prices. Total manufacturing costs were approximately \$7.68 million, an increase of approximately \$1.24 million as compared to fiscal 2014. This increase in manufacturing costs resulted from costs associated with the increase of \$1.83 million in revenue.

We plan to continue emphasizing unit cost reductions now that we have completed the consolidation of production in LPOIZ's facility, efficiently purchasing raw materials and continuing to increase the amount of anti-reflective coating we do in-house versus outsourcing this service. We also anticipate efficiency improvements in production at LPOIZ's Zhenjiang facility as the employees become a more experienced workforce. We expect lower direct costs due to the lower labor and service costs in Zhenjiang.

Selling, general and administrative expenses increased by approximately \$618,000 to \$5.13 million in fiscal 2015 as compared to \$4.51 million in fiscal 2014. This increase was primarily due to an increase of approximately \$574,000 in wages due to an increase in headcount and bonus expense for our named executive officers as a result achieving certain performance goals, and an increase of approximately \$51,000 in commission expenses due to increased sales. Our fiscal 2016 operating plan projects our selling, general and administrative expenses to increase by \$413,000 to \$5.54 million as compared to fiscal 2015 due to an increase in commissions and bonus payments to our named executive officers as a result of an increase in forecasted sales.

New product development costs in fiscal 2015 decreased by approximately \$106,000 to \$1.11 million. This decrease was primarily due to a decrease of \$52,000 in wages, and a decrease of \$54,000 in materials and services costs. These additional costs in the prior year were to support ongoing product development projects. Our fiscal 2016 operating plan projects product development spending of \$1.15 million, a slight increase as compared to fiscal 2015.

In fiscal 2014, the amortization of intangibles, which consisted of our patents, was approximately \$35,000. Our patents were fully amortized in fiscal 2014. Interest expense was approximately \$32,000 for fiscal 2015 as compared to approximately \$37,000 for fiscal 2014. In fiscal 2015, interest expense consisted of amortization of debt costs of approximately \$13,000 pursuant to that certain Amended and Restated Loan and Security Agreement dated December 23, 2014 (the "Amended LSA") with Avidbank Corporate Finance, a division of Avidbank ("Avidbank") related to our invoice-based working capital revolving line of credit (the "Invoiced Based Line") and interest of approximately \$18,000 on capital leases. In fiscal 2014, interest expense consisted of amortization of debt costs related to our revolving line of credit pursuant to our initial Loan and Security Agreement dated September 30, 2013 (the "LSA") with Avidbank.

In fiscal 2015 and 2014, we recognized approximately \$464,000 in expense and approximately \$94,000 in income, respectively, related to the change in the fair value of derivative warrants issued in connection with our June 2012 private placement. This fair value will be re-measured each reporting period throughout the five year life of the warrants, or until exercised.

Investment and other income increased by approximately \$35,000 to \$41,000 in fiscal 2015 primarily from the impact of the foreign exchange rate reflecting the rate change during the receipt of payable invoices and payment of those invoices.

We execute all foreign sales from our Orlando facility and inter-company transactions in United States dollars, mitigating the impact of foreign currency fluctuations. Assets and liabilities denominated in non-United States currencies, primarily the Chinese Renminbi, are translated at rates of exchange prevailing on the balance sheet date, and revenues and expenses are translated at average rates of exchange for the year. During the years ended June 30, 2015 and 2014, we incurred a loss of \$1,001 and \$1,055 on foreign currency translation, respectively.

Net loss for fiscal 2015 was approximately \$715,000 compared with a net loss of approximately \$313,000 in fiscal 2014, an increase of approximately \$402,000. This increase in net loss from fiscal 2014 to fiscal 2015 is primarily due to the change in the fair value of our warrant liability. Net loss for fiscal 2015, adjusted for the effect of the change in the fair value of the warrant liability, was \$251,000 compared with a net loss for fiscal 2014, adjusted for the effect of the change in the fair value of the warrant liability, was \$407,000, a decrease of approximately \$156,000.

### **Liquidity and Capital Resources**

At June 30, 2015, we had working capital of \$5.68 million and total cash and cash equivalents of \$1.64 million, of which \$822,000 of the total cash was held by our foreign subsidiaries. As of June 30, 2015 and June 30, 2014, we had an accumulated deficit of approximately \$205 million. On September 14, 2015 we had a book cash balance of \$2,065,448.

Cash and cash equivalents held by our foreign subsidiaries in China were generated in China as a result of foreign earnings. Before any funds can be repatriated the retained earnings in China must equal at least 150% of the registered capital. As of June 30, 2015 we have retained earnings of \$1.9 million and we need to have \$11.3 million before repatriation will be allowed. We currently do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event that funds from foreign operations are needed to fund operations in the United States and, if United States taxes have not been previously provided on the related earnings, we would provide for and pay additional United States taxes at the time we change our intention with regard to the reinvestment of those earnings.

We generally rely on cash from operations and equity and debt offerings, to the extent available, to satisfy our liquidity needs. From February 1996 (when our initial public offering occurred) through the end of fiscal 2015, inclusive, we raised a net total of approximately \$106 million from the issuance of common and preferred stock, the sale of convertible debt and the exercise of options and warrants for shares of our common stock.

On December 23, 2014, we entered into an Amended LSA with Avidbank for an Invoice Based Line. The Amended LSA amended and restated the LSA. Pursuant to the Amended LSA, Avidbank will, in its discretion, make loan advances to us up to a maximum aggregate principal amount outstanding not to exceed the lesser of (i) One Million Dollars (\$1,000,000) or (ii) eighty percent (80%) (the "Maximum Advance Rate") of the aggregate balance of our eligible accounts receivable, as determined by Avidbank in accordance with the Amended LSA. Avidbank may, in its discretion, elect to not make a requested advance, determine that certain accounts are not eligible accounts, change the Maximum Advance Rate or apply a lower advance rate to particular accounts and terminate the Amended LSA.

Amounts borrowed under the Amended LSA may be repaid and re-borrowed at any time prior to December 23, 2015, at which time all amounts shall be immediately due and payable. The advances under the Amended LSA bear interest, on the outstanding daily balance, at a per annum rate equal to three percent (3%) above the prime rate (or 6.25% at June 30, 2015). Interest payments are due and payable on the last business day of each month. Payments received with respect to accounts upon which advances are made will be applied to the amounts outstanding under the Amended LSA.

Our obligations under the Amended LSA are secured by a first priority security interest (subject to permitted liens) in cash, U.S. inventory and accounts receivable.

The Amended LSA contains customary covenants, including, but not limited to: (i) limitations on the disposition of property; (ii) limitations on changing our business or permitting a change in control; (iii) limitations on additional indebtedness or encumbrances; (iv) restrictions on distributions; and (v) limitations on certain investments.

Late payments are subject to a late fee equal to the lesser of five percent (5%) of the unpaid amount or the maximum amount permitted to be charged under applicable law. Amounts outstanding during an event of default accrue interest at a rate of five percent (5%) above the interest rate applicable immediately prior to the occurrence of the event of default. The Amended LSA contains other customary provisions with respect to events of default, expense reimbursement, and confidentiality. The amount outstanding on the Amended LSA was \$51,585 as of June 30, 2015. During fiscal 2015, the highest balance drawn on the LSA was \$512,000.

Management developed an operating plan for fiscal 2016 and believes we have adequate financial resources to achieve this plan and to sustain our current operations in the coming year. We have established milestones that will be tracked

to ensure that as funds are expended we are achieving results before additional funds are committed. The fiscal 2016 operating plan and related financial projections we have developed anticipate sales growth primarily from precision molded optics, with the emphasis on HVPMO applications, specialty products, and infrared products. We also expect to be better positioned to accelerate our revenue growth and profitability as a result of certain strategic growth initiatives and an organizational optimization plan we announced in February 2015. Under these plans, we transitioned to a technical sales process that leverages the success of our existing demand-creation model. These growth initiatives and organizational modifications are intended to further enhance our incremental organic growth position for our core aspheric lens business, prime our operations for the anticipated high growth of our new infrared products, and allow for the integration of strategic acquisitions. An ancillary benefit of these plans is an estimated annual reduction of operating expenses of 5% to 10% or savings of approximately \$200,000 to \$375,000 per year upon complete implementation. These plans are now fully implemented and we realized the cost reductions starting in the fourth quarter of fiscal 2015. We are also benefiting from a substantial increase in revenue generating opportunities and broader market applications as a result of our investments in technologies that decreased our lens production costs and expanded our production capacity. We believe we can further improve upon our track record of growth – and do so far more profitably.

Our future capital requirements will depend on many factors including a decline in revenue or a lack of anticipated sales growth, increased material costs, increased labor costs, planned production efficiency improvements not being realized, increases in property, casualty, benefit and liability insurance premiums, and increases in other discretionary spending, particularly sales and marketing related. We will also continue efforts to keep costs under control as we seek renewed sales growth. Our efforts are directed toward reaching positive cash flow and profitability. If these efforts are not successful, we will need to raise additional capital. Should capital not be available to us at reasonable terms, other actions may become necessary in addition to cost control measures and continued efforts to increase sales. These actions may include exploring strategic options for the sale of the Company, the sale of certain product lines, the creation of joint ventures or strategic alliances under which we will pursue business opportunities, the creation of licensing arrangements with respect to our technology, or other alternatives.

*Cash Flows – Financings:*

Net cash provided by financing activities was approximately \$963,000 in fiscal 2015 compared to approximately \$1.50 million in fiscal 2014. In fiscal 2014, we received approximately \$1.5 million in the exercise of warrants, net of costs. In connection with the exercise of warrants during fiscal 2014, we issued 1,136,143 shares of Class A common stock. The exercise prices ranged from \$0.87 to \$1.89 per share of Class A common stock.

On January 20, 2015, we closed a sale of our securities in accordance with that certain Securities Purchase Agreement with Pudong Science & Technology Investment (Cayman) Co., Ltd. (“Pudong Investment”), as previously disclosed in our Current Report on Form 8-K filed on April 16, 2014. Prior to the closing, the Securities Purchase Agreement was amended (as amended, the “SPA”) and assigned by Pudong Science & Technology (Cayman) Co., Ltd. (“Pudong”) to its affiliate, Pudong Investment.

In connection with the closing, we sold to Pudong Investment 930,790 shares of Class A common stock at a price of \$1.40 per share, which was adjusted from the initial per share purchase price of \$1.62 pursuant to the terms of the SPA. We received gross cash proceeds from the issuance of the Class A common stock in the amount of approximately \$1,303,000. The costs associated with this equity raise were approximately \$181,000, leaving net proceeds of approximately \$1,122,000. We used the sale proceeds to provide working capital in support of our continued growth, particularly new product development, sales and marketing of our infrared product line, and capital expenditures related to the acquisition of new equipment.

Immediately following the issuance of the shares of Class A common stock pursuant to the SPA, Pudong Investment beneficially owned 14.9% of our outstanding shares of Class A common Stock.

The shares of Class A common stock issued were exempt from the registration requirements of the Securities Act of 1933, as amended (the “Act”). The shares of Class A common stock are restricted securities that have not been registered under the Act and may not be offered or sold absent registration or applicable exemption from the registration requirements.

*Cash Flows – Operating and Investing:*

Cash flow provided by operations was approximately \$179,000 for the year ended June 30, 2015, an increase of approximately \$268,000 from fiscal 2014. Our cash flow provided by operations was approximately \$747,000 for the fourth quarter of fiscal 2015, compared to cash flow provided by operations of approximately \$39,000 for the fourth

quarter of fiscal 2014. Our fiscal 2016 operating plan and related financial projections anticipate improvement in our cash flows provided by operations in future years due to sales growth and continued margin improvements based on production efficiencies and reductions in product costs, offset by marginal increases in selling, administrative, and new product development expenditures. For example, we expect lower operating costs as a result of moving the majority of our manufacturing operations to LPOIZ's Zhenjiang facility, and lower coating costs due to larger unit volumes and due to our ability to coat the lenses in house rather than out-sourcing this service.

During fiscal 2015, we expended approximately \$694,000 for capital equipment as compared to \$1.36 million during fiscal 2014. In fiscal 2015, we initiated capital leases in the amount of \$524,000 for manufacturing equipment. The majority of our capital expenditures during both fiscal 2015 and fiscal 2014 were related to the purchase of equipment used to enhance or expand our production capacity, tooling for our precision molded products, and equipment and facility improvements for our new facility in Zhenjiang. We anticipate an increase in capital expenditures during fiscal 2016; however, the total amount expended will depend on opportunities and circumstances.

*License Agreement:*

On April 28, 2015, we entered into a License Agreement with one of our specialty products customers (the "Customer") whereby we granted an irrevocable license of certain technology to be used by the Customer to manufacture fiber collimator assemblies. We will provide process work instructions, training and inventory. Pursuant to the License Agreement, we will receive \$200,000 in fees in consideration of our disclosure of the technology and the grant of a license to the Customer to use the technology to manufacture specific fiber collimator assemblies used by the Customer. The license fees are due in two installments. The first installment of \$100,000 was received in May 2015 and the second installment of \$100,000 was received in August 2015. The transaction will be accounted for under the guidance of ASC 605-10, Revenue Recognition and will be recognized over the ninety-day training period which was completed in August 2015. Pursuant to the License Agreement, the Customer also agreed to order and purchase from us a certain number of fiber collimator assemblies. We recognized approximately \$124,000 of revenue in fiscal 2015, with expenses of \$18,000. The costs associated with this License Agreement are estimated to be approximately \$33,000.

## How We Operate

We have continuing sales of two basic types: occasional sales via ad-hoc purchase orders of mostly standard product configurations (our “turns” business) and the more challenging and potentially more rewarding business of customer product development. In this latter type of business we work with customers to help them determine optical specifications and even create certain optical designs for them, including complex multi-component designs that we call “engineered assemblies.” This is followed by “sampling” small numbers of the product for the customers’ test and evaluation. Thereafter, should a customer conclude that our specification or design is the best solution to their product need; we negotiate and “win” a contract (sometimes called a “design win”) – whether of a “blanket purchase order” type or a supply agreement. The strategy is to create an annuity revenue stream that makes the best use of our production capacity as compared to the turns business, which is unpredictable and uneven. This annuity revenue stream can also generate low-cost, high-volume type orders. A key business objective is to convert as much of our business to the design win and annuity model as is possible. We face several challenges in doing so:

- Maintaining an optical design and new product sampling capability, including a high-quality and responsive optical design engineering staff;

- The fact that as our customers take products of this nature into higher volume, commercial production (for example, in the case of molded optics, this may be volumes over one million pieces per year) they begin to work seriously to reduce costs – which often leads them to turn to larger or overseas producers, even if sacrificing quality; and
- Our small business mass means that we can only offer a moderate amount of total productive capacity before we reach financial constraints imposed by the need to make additional capital expenditures – in other words, because of our limited cash resources and cash flow, we may not be able to service every opportunity that presents itself in our markets without arranging for such additional capital expenditures.

Despite these challenges to winning more “annuity” business, we nevertheless believe we can be successful in procuring this business because of our unique capabilities in optical design engineering that we make available on the merchant market, a market that we believe is underserved in this area of service offering. Additionally, we believe that we offer value to some customers as a source of supply in the United States should they be unwilling to commit to purchase their entire supply of a critical component to foreign merchant production sources. We also continue to have the proprietary GRADIUM lens glass technology to offer to certain laser markets.

## Our Key Performance Indicators

Usually on a weekly basis, management reviews a number of performance indicators. Some of these indicators are qualitative and others are quantitative. These indicators change from time to time as the opportunities and challenges in the business change. They are mostly non-financial indicators such as units of shippable output by product line, production yield rates by major product line, and the output and yield data from significant intermediary manufacturing processes that support the production of the finished shippable product. These indicators can be used to calculate such other related indicators as fully yielded unit production per-shift, which varies by the particular product



and our state of automation in production of that product at any given time. Higher unit production per shift means lower unit cost, and, therefore, improved margins or improved ability to compete where desirable for price sensitive customer applications. The data from these reports is used to determine tactical operating actions and changes. We believe that our non-financial production indicators, such as those noted, are proprietary information.

*The discussions of our results as presented in this Annual Report include use of the non-GAAP terms “EBITDA” and “gross margin.” EBITDA is discussed below. 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 are determined in accordance with 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.*

Financial indicators that are usually reviewed at the same time include the major elements of the micro-level business cycle:

- sales backlog;
  
- revenue dollars and units by product group;
  
- EBITDA;

- inventory levels; and
- accounts receivable levels and quality.

These indicators are similarly used to determine tactical operating actions and changes and are discussed in more detail below.

### ***Sales Backlog:***

Sales growth has been and continues to be our best indicator of success. Our best view into the efficacy of our sales efforts is in our “order book.” Our order book equates to sales “backlog.” It has a quantitative and a qualitative aspect: quantitatively, our backlog’s prospective dollar value and qualitatively, what percent of the backlog is scheduled by the customer for date-certain delivery. We define our “12-month backlog” as that which is requested by the customer for delivery within one year and which is reasonably likely to remain in the backlog and be converted into revenues. This includes customer purchase orders and may include amounts under supply contracts if they meet the aforementioned criteria. Generally, a higher 12-month backlog is better for us.

Momentum in bookings during fiscal 2015 was strong, which we believe bodes well for revenue growth in future periods. Our 12-month backlog at June 30, 2015 was approximately \$6.49 million compared to \$4.28 million as of June 30, 2014. Backlog growth rates for fiscal 2015 and 2014 are:

Quarter	Backlog (\$ 000)	Change	
		From Prior Year End	From Prior Quarter End
<b>Q1 2014</b>	\$4,423	7 %	7 %
<b>Q2 2014</b>	\$5,156	24 %	17 %
<b>Q3 2014</b>	\$4,690	13 %	-9 %
<b>Q4 2014</b>	\$4,275	3 %	-9 %
<b>Q1 2015</b>	\$5,340	25 %	25 %
<b>Q2 2015</b>	\$5,592	31 %	5 %
<b>Q3 2015</b>	\$6,153	44 %	10 %
<b>Q4 2015</b>	\$6,493	52 %	6 %

Our order intake remained strong in the second half of fiscal 2015 with solid bookings across all of the major markets we serve with the exception of the industrial tool business in China. During the third quarter of fiscal 2015, bookings for our specialty products, which included an order of fiber collimators assemblies from the Customer, was approximately \$1 million. We also had continued improvement in our infrared product group, with an 80% increase in infrared product bookings during fiscal 2015 compared to fiscal 2014. Because of our product diversification, the continued weakness of the China industrial tool market, which is impacting our HVP MO product group, did not significantly impact our 12-month backlog. Bookings for HVP MO lenses during fiscal 2015 decreased by 5% compared to fiscal 2014.

We have been able to diversify our business by developing new applications for our products in markets such as digital imaging, laser tools, telecommunications, digital projectors, industrial equipment, weapon sights, and green lasers. Examples of these new applications are: 2D scanning, fiber laser delivery systems, disposable medical instruments and infrared sensor applications. Based on recent quote activity, we expect to show increases in revenue of our LVPMOs, HVP MOs, specialty products and infrared products for fiscal 2016.

**Revenue Dollars and Units by Product Group:**

The following table sets forth revenue dollars and units by our five product groups for the three and twelve month periods ended June 30, 2015 and 2014:

		(unaudited)			
		Three months ended		Twelve months ended	
		June 30,		June 30,	
		2015	2014	2015	2014
<b>Revenue</b>	LVPMO	1,807,282	1,616,175	6,495,943	5,867,177
	HVPMO	853,328	712,097	2,535,199	3,242,474
	Infrared Products	417,174	151,075	1,193,035	437,982
	Speciality Products	1,281,423	602,696	3,165,804	2,067,944
	NRE	147,341	28,900	271,589	218,538
		4,506,548	3,110,943	13,661,570	11,834,115
<b>Units</b>	LVPMO	81,054	58,855	280,438	203,009
	HVPMO	303,004	380,909	1,216,310	1,883,117
	Infrared Products	9,226	1,934	22,761	3,630
	Speciality Products	60,844	69,265	189,310	127,964
	NRE	9	24	75	45
		454,137	510,987	1,708,894	2,217,765

Overall, our global diversification strategies have resulted in revenue increasing 45% in the fourth quarter of fiscal 2015 as compared to the same period in the prior year, and 15% for fiscal 2015 as compared to the same period in the prior year, with growth in shipments for the LVPMO, infrared, and specialty products groups.

There was a 38% increase in the unit shipment volume of LVPMO lenses in fiscal 2015 compared to the same period of the prior fiscal year, which offset the decrease in revenue derived from our HVPMO lenses. Revenue from our HVPMO product group is typically derived from the industrial tool market in China, which has experienced six years of declining growth. This regional trend has been more than offset by increases in revenues from our other product groups.

We also had significant growth in the infrared product group. Our infrared product group revenue increased 176% in the fourth quarter of fiscal 2015 as compared to the prior year period, and 172% in fiscal 2015 as compared to the prior year period, albeit from a small initial base. The increase in revenue is primarily derived from sales to customers in the industrial market.

During the third quarter of fiscal 2015, our specialty products group booked a \$1 million fiber collimator assemblies order by the Customer pursuant to the Licensing Agreement.

***EBITDA:***

EBITDA and Adjusted EBITDA are non-GAAP financial measures 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 our core operations and for planning purposes. We calculate EBITDA by adjusting net income (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."

We also calculated an Adjusted EBITDA, which excludes the effect of the non-cash expense associated with the mark-to-market adjustments, related to our June 2012 Warrants. We believe this Adjusted EBITDA is helpful for investors to better understand the financial results of our business operations.

The following table sets forth EBITDA and Adjusted EBITDA for the three and twelve month periods ended June 30, 2015 and 2014:

	<b>(Unaudited)</b>			
	<b>Three months ended</b>		<b>Year ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	2015	2014	2015	2014
Net income (loss)	\$(367,234)	\$102,451	\$(715,280)	\$(313,249)
Depreciation and amortization	145,055	122,255	537,143	666,322
Interest expense	5,217	13,219	31,549	36,681
EBITDA - Non GAAP Measure	\$(216,962)	\$237,925	\$(146,588)	\$389,754
Change in fair value of warrant liability	839,347	(278,183)	464,039	(93,520 )
Adjusted EBITDA - Non GAAP Measure	\$622,385	\$(40,258 )	\$317,451	\$296,234

Our Adjusted EBITDA for the three months ended June 30, 2015 was approximately \$622,000, compared to approximately (\$40,000) for the three months ended June 30, 2014. The difference in Adjusted EBITDA between periods was principally caused by a higher net loss recognized in the three months ended June 30, 2015, offset by lower expense related to the change in the fair value of our warrant liability with respect to the June 2012 Warrants during the three months ended June 30, 2015.

Our Adjusted EBITDA for the twelve months ended June 30, 2015 was approximately \$317,000, compared to approximately \$296,000 for the twelve months ended June 30, 2014. The difference in Adjusted EBITDA between periods was principally caused by a higher net loss recognized in the twelve months ended June 30, 2015, as well as lower depreciation, offset by higher expense related to the change in the fair value of our warrant liability with respect to the June 2012 Warrants during the twelve months ended June 30, 2015.

### ***Inventory Levels:***

We manage inventory levels to minimize investment in working capital but still have the flexibility to meet customer demand to a reasonable degree. We review our inventory for obsolete items quarterly. While the mix of inventory is an important factor, including adequate safety stocks of long lead-time materials, an important aggregate measure of inventory in all phases of production is the quarter's ending inventory expressed as a number of days' worth of the quarter's cost of sales, also known as "days cost of sales in inventory," or "DCSI." It is calculated by dividing the quarter's ending inventory by the quarter's cost of goods sold, multiplied by 365 and divided by 4. Generally, a lower DCSI measure equates to a lesser investment in inventory, and, therefore, more efficient use of capital. The table below shows our DCSI for the immediately preceding eight fiscal quarters:

**Fiscal**

<b>Quarter Ended</b>	<b>DCSI (days)</b>
Q4-2015 6/30/2015	122
Q3-2015 3/31/2015	195
Q2-2015 12/31/2014	145
Q1-2015 9/30/2014	197
<b>Fiscal 2015 average</b>	<b>165</b>
Q4-2014 6/30/2014	174
Q3-2014 3/31/2014	175
Q2-2014 12/31/2013	154
Q1-2014 9/30/2013	128
<b>Fiscal 2014 average</b>	<b>158</b>

Our average DCSI for fiscal 2015 was 165, compared to 158 for fiscal 2014. The increase in DCSI from the prior fiscal year is primarily a result of the reclassification in the second quarter of fiscal 2014 of tooling from fixed and prepaid assets to inventory. Previously, the majority of our tooling costs were classified as property and equipment in the consolidated balance sheet. The periodic amortization of such costs was included in the pool of production overhead costs, a portion of which was capitalized into inventory.

**Accounts Receivable Levels and Quality:**

Similarly, we manage our accounts receivable to minimize investment in working capital. We measure the quality of receivables by the proportions of the total that are at various increments past due from our normally extended terms, which are generally 30 days. The most important aggregate measure of accounts receivable is the quarter's ending balance of net accounts receivable expressed as a number of day's worth of the quarter's net revenues, also known as "days sales outstanding," or "DSO." It is calculated by dividing the quarter's ending net accounts receivable by the quarter's net revenues, multiplied by 365 and divided by 4. Generally, a lower DSO measure equates to a lesser investment in accounts receivable, and therefore, more efficient use of capital. The table below shows our DSO for the preceding eight fiscal quarters:

<b>Fiscal</b>	
<b>Quarter Ended</b>	<b>DSO (days)</b>
Q4-2015 6/30/2015	62
Q3-2015 3/31/2015	67
Q2-2015 12/31/2014	66
Q1-2015 9/30/2014	72
<b>Fiscal 2015 average</b>	<b>67</b>
Q4-2014 6/30/2014	73
Q3-2014 3/31/2014	74
Q2-2014 12/31/2013	73
Q1-2014 9/30/2013	65
<b>Fiscal 2014 average</b>	<b>71</b>

Our average DSO for fiscal 2015 was 67 compared to 71 for fiscal 2014. During the fourth quarter of fiscal 2015, 43% of our quarterly sales were shipped in the third month of the quarter, as compared to 45% in the same period last year. This trend improved our DSO. Revenues generated by shipments during the third month of a quarter are often not collected before the quarter ends, which can negatively impact our DSO. Also international sales, which are approximately one half of our revenues, have a longer collection cycle. We plan to monitor our collections efforts to keep this key indicator as low as reasonably possible. We strive to have DSO no higher than 65.

**Other Key Indicators:**

Other key indicators include various operating metrics, some of which are qualitative and others are quantitative. These indicators change from time to time as the opportunities and challenges in the business change. They are mostly non-financial indicators such as on time delivery trends, units of shippable output by major product line, production yield rates by major product line, and the output and yield data from significant intermediary manufacturing processes that support the production of the finished shippable product. These indicators can be used to calculate such other related indicators as fully-yielded unit production per-shift, which varies by the particular product and our state of automation in production of that product at any given time. Higher unit production per shift means lower unit cost,



and, therefore, improved margins or improved ability to compete where desirable for price sensitive customer applications. The data from these reports is used to determine tactical operating actions and changes.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expense during the reporting periods presented. Our critical estimates include the allowance for trade receivables which is made up of reserves for bad debts, inventory reserves for obsolescence, revenue recognition, valuation of compensation expense on stock-based awards and warrant valuation related to a private placement. Although we believe that these estimates are reasonable, actual results could differ from those estimates given a change in conditions or assumptions that have been consistently applied.

Management has discussed the selection of critical accounting policies and estimates with our board of directors (the "Board"), and the Board has reviewed our disclosure relating to critical accounting policies and estimates in this prospectus. The critical accounting policies used by management and the methodology for its estimates and assumptions are as follows:

**Allowance for accounts receivable** is calculated by taking 100% of the total of invoices that are over 90 days past due from due date and 10% of the total of invoices that are over 60 days past due from the due date for U.S. based accounts and 100% on invoices that are over 120 days past due for China based accounts without an agreed upon payment plan. Accounts receivable are customer obligations due under normal trade terms. We perform continuing credit evaluations of our customers' financial condition. Recovery of bad debt amounts which were previously written off is recorded as a reduction of bad debt expense in the period the payment is collected. If our actual collection experience changes, revisions to our allowance may be required. After attempts to collect a receivable have failed, the receivable is written off against the allowance.

**Inventory obsolescence reserve** is calculated by reserving 100% for items that have not been sold in two years or that have not been purchased in two years or which we have more than a two year supply. These items as identified are reserved at 100%, as well as reserving 50% for other items deemed to be slow moving within the last twelve months and reserving 25% for items deemed to have low material usage within the last six months. The parts identified are adjusted for recent order and quote activity to determine the final inventory reserve.

**Revenue** is recognized from product sales when products are shipped to the customer, provided that we have received a valid purchase order, the price is fixed, title has transferred, collection of the associated receivable is reasonably assured, and there are no remaining significant obligations. Revenues from product development agreements are recognized as milestones as completed in accordance with the terms of the agreements and upon shipment of products, reports or designs to the customer. Invoiced amounts for value-added taxes (VAT) related to sales are posted to the balance sheet and not included in revenue.

**Stock based compensation** is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. We estimate the fair value of each stock option as of the date of grant using the Black-Scholes-Merton pricing model. Most options granted under the Amended and Restated Omnibus Incentive Plan (the "Plan") vest ratably over two to four years and generally have ten-year contract lives. The volatility rate is based on four-year historical trends in common stock closing prices and the expected term was determined based primarily on historical experience of previously outstanding options. The interest rate used is the U.S. Treasury interest rate for constant maturities. The likelihood of meeting targets for option grants that are performance based are evaluated each quarter. If it is determined that meeting the targets is probable then the compensation expense will be amortized over the remaining vesting period.

**Management estimates.** Management makes estimates and assumptions during the preparation of our consolidated financial statements that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes available, which in turn could impact the amounts reported and disclosed herein.

**Derivative financial instruments.** We account for derivative instruments in accordance with ASC 815, which requires additional disclosures about our objectives and strategies for using derivative instruments, how the derivative instruments and related hedged items are accounted for, and how the derivative instruments and related hedging items affect the financial statements.

We do not use derivative instruments to hedge exposures to cash flow, market or foreign currency risk. Terms of convertible debt instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract, and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results.

Freestanding warrants issued by us in connection with the issuance or sale of debt and equity instruments are considered to be derivative instruments. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required to be classified as equity or as a derivative liability.

#### **Recent accounting pronouncements**

There are several new accounting pronouncements issued by the Financial Accounting Standards Board (“FASB”) which are not yet effective. Management does not believe any of these accounting pronouncements will have a material impact on our financial position or operating results.

In July 2015, the FASB issued No. 2015-11, *Inventory - Simplifying the Measurement of Inventory* (ASU 2015-11). ASU 2015-11 is additional guidance regarding the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. This guidance is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Interest -Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and the accounting for debt issue costs under the International Financial Reporting Standards. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, in August 2015, the FASB issued ASU 2015-15, *Interest -Imputation of Interest (Subtopic 835-30)*, which clarifies ASU 2015-03 by stating that the staff of the Securities and Exchange Commission (“SEC”) would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is effective for the annual period ending after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments in ASU 2015-03 is permitted for financial statements that have not been previously issued. We do not expect the adoption of this guidance will have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers” (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 provides that an entity should apply a five-step approach for recognizing revenue, including (1) identifying the contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when, or as, the entity satisfies a performance obligation. Also, the entity must provide various disclosures concerning the nature, amount and timing of revenue and cash flows arising from contracts with customers. The effective date will be the first quarter of our fiscal year ending June 30, 2019, using one of two retrospective application methods. We are currently analyzing the impact of this new accounting guidance.

## **Item 8. Financial Statements and Supplementary Data.**

The information required by this Item is incorporated by reference to the consolidated financial statements and supplementary data set forth in “Item 15 - Exhibits, Financial Statement Schedules” of Part IV of this Annual Report on Form 10-K.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

As previously disclosed by us in a Current Report on Form 8-K filed on August 5, 2015 with the SEC, on August 1, 2015, we were notified that effective August 1, 2015, the accounting practice of Cross, Fernandez & Riley LLP

(“CFR”), our former independent public accountant, was combined with BDO USA, LLP (“BDO”), and, as a result, CFR’s professional employees and partners joined BDO either as employees or partners. Accordingly, effective August 1, 2015, CFR resigned as our auditors and with the approval of the Audit Committee, BDO was engaged as our independent public accountant for the year ended June 30, 2015, in connection with the audit of our financial statements, and the review of our quarterly reports for fiscal 2016.

Prior to engaging BDO, we did not consult with BDO regarding (a) the application of accounting principles to a specific completed or contemplated transaction or regarding the type of audit opinions that might be rendered by BDO on our financial statements, and BDO did not provide any written or oral advice that was an important factor considered by us in reaching a decision as to any such accounting, auditing, or financing reporting issue, or (b) a disagreement or reportable event as described under Item 304(a)(2)(ii) of Regulation S-K.

The Report of Independent Registered Public Accounting Firm of CFR regarding our financial statements for the fiscal years ended June 30, 2014 and 2013 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended June 30, 2014 and 2015, and during the interim period from the end of the most recently completed fiscal year through August 1, 2015, the date of resignation, there were no (a) disagreements, as described under Item 304(a)(1)(iv) of Regulation S-K, with CFR on any matter of accounting principles or disagreements, if not resolved to the satisfaction of CFR would have caused it to make reference to such disagreement in its reports, or (b) reportable events, as described under Item 304(a)(1)(v) of Regulation S-K.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

As of the end of the fiscal year ended June 30, 2015, we carried out an evaluation, under the supervision and with the participation of members of our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the “Exchange Act”). Our CEO and our CFO have concluded, based on their evaluation, that as of June 30, 2015, our disclosure controls and procedures were effective at the end of the fiscal year to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

## **Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Internal control over financial reporting is a process, including policies and procedures, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our management assessed our internal control over financial reporting based on the *Internal Control—Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of this assessment, our management concluded that our internal control over financial reporting was effective as of June 30, 2015 based on such criteria.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met under all potential conditions, regardless of how remote, and may not prevent or detect all errors and all fraud. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within LightPath have been prevented or detected. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

## **Auditor’s Report on Internal Control over Financial Reporting**

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management’s report in this Annual Report.

## **Changes in Internal Controls over Financial Reporting**

In connection with our continued monitoring and maintenance of our controls procedures as part of the implementation of Section 404 of the Sarbanes-Oxley Act, we continue to review, test and improve the effectiveness of our internal controls. There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter and since the year ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

Each of our directors and officers serves until his or her successor is elected and qualified. The Class I directors' term expires at the annual meeting of stockholders proposed to be held in fiscal 2017. The Class II directors' term expires at the annual meeting of stockholders proposed to be held in fiscal 2016. The Class III directors' term expires at the annual meeting of stockholders proposed to be held in fiscal 2018. The table below lists each director, each such director's committee memberships, the chairman of each Board committee, and each such director's class.

Name	Audit	Compensation	Finance	Class
Robert Ripp				I
J. James Gaynor				I
Sohail Khan				II
Steven Brueck				II
Louis Leeburg				III
M. Scott Faris				II
Xudong Zhu				III
Committee Chairman: Leeburg	Ripp		Khan	

The following is an overview of the biographical information for each of our directors and officers, including their age, the year they became directors or officers, their principal occupations or employment for at least the past five years, and certain of their other directorships.

#### Class I Directors

Robert Ripp, 74 Director (Chairman of the Board)	Mr. Ripp has served as one of our directors since 1999 and as Chairman of the Board since November 1999. During portions of fiscal year 2002 he also served as our Interim President and Chief Executive Officer. Mr. Ripp has previous management experience, including serving as AMP Incorporated's Chairman and Chief Executive Officer from August 1998 until April 1999 and as Vice President and Treasurer of IBM of Armonk, New York from 1989 to 1993. Mr. Ripp graduated from Iona College and received a Masters of Business Administration degree from New York University. Mr. Ripp is currently on the board of directors of Ace, Ltd., PPG Industries, and Axiall Corporation, all of which are listed on the New York Stock Exchange. Mr. Ripp's extensive business, executive management, and financial expertise gained from various executive positions coupled with his ability to provide leadership skills to access strategic plans, business operational performance, and potential mergers and acquisitions, qualify him for service as one of our directors.
J. James Gaynor, 64 President & Chief Executive Officer, Director	Mr. Gaynor has served as our President, Chief Executive Officer, and as a director since February 2008, and, prior to that served as Interim Chief Executive Officer commencing in September 2007. From July 2006 to September 2007, Mr. Gaynor previously served as our Corporate Vice President of Operations. Mr. Gaynor is also a director of LPOI and LPOIZ. Mr. Gaynor is a mechanical engineer with over 25 years business and manufacturing experience in volume component manufacturing in the electronics and optics industries. Prior to joining us, Mr. Gaynor served as Director of Operations and Manufacturing for Puradyn Filter Technologies, the Vice President of Operations and General Manager for JDS Uniphase Corporation's Transmission Systems Division and has also held various executive positions with Spectrum Control, Rockwell International, and Corning Glass Works. Mr. Gaynor holds a Bachelor of Mechanical Engineering degree from the Georgia Institute of Technology and has worked in the manufacturing industries since 1976. His experience includes various engineering, manufacturing, and management positions in specialty glass, electronics, telecommunications components, and mechanical assembly operations. His global business experience encompasses strategic planning, budgets, capital investment, employee development, cost reduction programs with turnaround and startup companies, acquisitions, and management. Mr. Gaynor has an in-depth knowledge of the optics industry gained through over 25 years of working in various capacities in the industry and understands the



engineering aspects of our business, due to his engineering background. Mr. Gaynor's experience and knowledge is necessary to lead us and qualify him for service as one of our directors.

**Class II Directors**

Mr. Khan has served as one of our directors since February 2005. From September 2015, he serves as the President and CEO of ViSX Systems Inc., a pioneer and leader in media processing semiconductor solutions for video over IP streaming solutions. From May 2013 to July 2014, he served as the Chief Executive Officer of Lilliputian Systems, a developer of portable power products for consumer electronics. Since August 2011 has served as the managing partner of K5 Innovations, a technology consulting venture. He was the President and Chief Executive Officer and a member of the board of directors of SiGe Semiconductor (“SiGe”), a leader in silicon based radio frequency front-end solutions from April 2007 until it was acquired by Skyworks Solutions Inc. in June 2011. Prior to SiGe, Mr. Khan was Entrepreneur in Residence and Operating Partner of Bessemer Venture Partners, a venture capital group focused on technology investments. From 2007 to 2012, Mr. Khan served on the board of directors for Gainspan Corporation. Mr. Khan received a Bachelor of Science in Electrical Engineering from the University of Engineering and Technology in Pakistan. Additionally, he received a Masters of Business Administration from the University of California at Berkeley. Mr. Khan is currently on the board of directors of Intersil Corporation, which is listed on the NASDAQ Global Select Market. Mr. Khan’s experience in venture financing, specifically technology investments, is an invaluable asset Mr. Khan contributes to the Board composition. In addition, Mr. Khan’s significant experience in executive management, profit and loss management, mergers and acquisitions, and capital raising, as well as his background in engineering qualifies him for service as one of our directors.

Dr. Steven Brueck, 71  
 Director

Dr. Brueck has served as one of our directors since July 2001. He is a Distinguished Professor, Emeritus, of Electrical and Computer Engineering and of Physics at the University of New Mexico in Albuquerque, New Mexico, which he joined in 1985. Although he retired in 2014, he remains active as a University of New Mexico Research Professor. From 1986 to 2013, he served as Director of the Center for High Technology Materials. He is a graduate of Columbia University with a Bachelor of Science degree in Electrical Engineering and a graduate of the Massachusetts Institute of Technology where he received his Masters of Science degree in Electrical Engineering and Doctorate of Science degree in Electrical Engineering. Dr. Brueck is a fellow of The Optical Society, the Institute of Electrical and Electronics Engineers, and the American Association for the Advancement of Science. Dr. Brueck’s expertise in optics and optics applications, as well as his extensive forty years of research experience in optics, lasers, detectors, lithography, nonlinear optics, and related fields qualify him for service as one of our directors.

M. Scott Faris, 50  
 Director

Mr. Faris has served as a director of the Company since December 2011. Mr. Faris is an experienced entrepreneur with almost two decades of operating, venture-financing and commercialization experience, involving more than 20 start-up and emerging-growth technology companies. In June 2013, Mr. Faris founded Aerosonix, Inc. (formerly MicroVapor Devices, LLC), a privately held developer and manufacturer of advanced medical devices, and served as its Chief Executive Officer. Mr. Faris also founded the Astralis Group, a strategy advisor that provides consulting to start-up companies, in 2002 and, since 2004, Mr. Faris serves as its Chief Executive Officer. In June 2007, Mr. Faris founded Planar Energy, a company that developed transformational ceramic solid state battery technology and products, and served as its Chief Executive Officer until June 2012. Planar Energy is a spin-out of the U.S. Department of Energy’s National Renewable Energy Laboratory. From October 2004 to June 2007, Mr. Faris was a partner with Corporate IP Ventures (formerly known as MetaTech Ventures), an early stage venture fund specializing in defense technologies. Mr. Faris also previously served as the Chairman and Chief Executive Officer of Waveguide Solutions, a developer of planar optical light wave circuit and micro system products. and as a director and Chief Operating Officer of Ocean Optics, Inc., a precision-optical-component and fiber-optic-instrument spin-out of the University of South Florida. Mr. Faris was also the founder and Chief Executive Officer of

Enterprise Corporation, a technology accelerator, served as a director of the Florida Seed Capital Fund and Technology Commercialization at the Center for Microelectronics Research, and the chairman of the Metro Orlando EDC. Mr. Farris received a Bachelor of Science degree in Management Information Systems from Penn State University in 1988. Mr. Faris is currently on the board of directors of MicroVapor Devices, LLC, Spectra Health, Inc., and Open Photonics, Inc., all of which are private companies. Mr. Faris's significant experience in executive management positions at various optical component companies, his experience in the commercialization of optical and opto-electronic component technology, and his background in optics, technology, and venture capital qualify him for service as one of our directors.

**Class III Directors**

Louis Leeburg, 61 Director Mr. Leeburg has served as one of our directors since May 1996. Mr. Leeburg is currently a self-employed business consultant. Since 1993, Mr. Leeburg has served as the senior financial advisor of The Fetzer Institute. and before that he served as the Vice President for Finance. Mr. Leeburg was an audit manager for Price Waterhouse & Co. until 1980. He is a member of Financial Foundation Officers Group and the treasurer and trustee for the John E. Fetzer Memorial Trust Fund. Mr. Leeburg received a Bachelor of Science degree in Accounting from Arizona State University. Mr. Leeburg has a broad range of experience in accounting and financial matters. His expertise gained in various roles in financial management and investment oversight for over thirty years, coupled with his knowledge gained as a certified public accountant, add invaluable knowledge to our Board and qualify him for service as one of our directors.

Xudong Zhu, 50 Director Dr. Zhu has served as one of our directors since April 2015. Dr. Zhu is the President of Pudong Investment. Pudong Investment currently holds 14.9% of our outstanding common stock, including shares purchased from us in a private placement. Dr. Zhu is also the President of Pudong, the parent of Pudong Investment. Pudong is a Shanghai-based investment management company with a leading professional management team, diversified business lines, strong financial position and rich strategic recourses. Although Dr. Zhu’s appointment as one of our directors was not a contractual condition to Pudong Investment’s purchase of shares of our common stock in the private placement, his appointment was discussed at the time of the private placement. Dr. Zhu also serves as the Vice Chairman of Shanghai Association for Science and Technology in which role he oversees its Productivity Promotion Centers, Science Information Center, and Science & Technology Investment Corporation. Dr. Zhu currently serves as a director for Pudong, Montage Technology Global Holdings, Ltd., Shanghai Puxin Investment Management Co., Ltd., and Shanghai Pudong Technology Venture Capital Investment Co. Ltd. Previously, Dr. Zhu also severed as the Executive Director of Shanghai Pudong High-tech Investment Co., Ltd. from October 2014 to June 2015, and Independent Director of Shanghai Shyndec Pharmaceutical Co., Ltd. from May 2012 to April 2015. Dr. Zhu received a Doctor of Engineering degree in Traffic Engineering from Tongji University. Dr. Zhu has a broad range of experience in financial matters and the high-tech sector, coupled with his expertise gained in his roles with Pudong and Pudong Investment, add invaluable experience and expertise to our Board and qualify him for service as one of our directors.

**Executive Officers Who Do Not Serve as Directors**

Dorothy  
Cipolla, 59  
Chief  
Financial  
Officer,  
Secretary and  
Treasurer

Ms. Cipolla has served as our Chief Financial Officer, Secretary, and Treasurer since February 2006. Ms. Cipolla has also served as a director of LPOI since 2006 and LPOIZ since 2013. From March 2004 to February 2006, Ms. Cipolla was Chief Financial Officer and Secretary of LaserSight Technologies, Inc. (“LaserSight”). Prior to joining LaserSight, she served in various financial management positions. From 1994 to 1999, she was Chief Financial Officer and Treasurer of Network Six, Inc., a NASDAQ-listed professional services firm. From 1999 to 2002, Ms. Cipolla was Vice President of Finance with Goliath Networks, Inc., a privately held network consulting company. From 2002 to 2003, Ms. Cipolla was Department Controller of Alliant Energy Corporation, a regulated utility. She received a Bachelor of Science degree in Accounting from Northeastern University and is a Certified Public Accountant in Massachusetts.

Alan  
Symmons, 43  
Executive  
Vice  
President of  
Operations

Mr. Symmons has served as our Executive Vice President of Operations since February 2015. Previously, Mr. Symmons served as our Vice President of Corporate Engineering beginning in September 2010 and our Director of Engineering from October 2007 to September 2010. Prior to that, Mr. Symmons served as our Opto-Mechanical Manager from October 2006 to October 2007. Prior to joining us, Mr. Symmons was Engineering Manager for Aurora Optical, a subsidiary of Multi-Fineline Electronix (“MFLEX”), dedicated to the manufacture of cell phone camera modules. From 2000 to 2006, Mr. Symmons worked for Applied Image Group – Optics (“AIG/O”), a recognized leader in precision injection molded plastic optical components and assemblies, working up to Engineering Manager. AIG/O was purchased by MFLEX in 2006. Prior to 2000, Mr. Symmons held engineering positions at Ryobi N.A., SatCon Technologies, and General Dynamics. Mr. Symmons has a Bachelor of Science degree in Mechanical Engineering from Rensselaer Polytechnic Institute and a Masters of Business Administration degree from the Eller School of Management at the University of Arizona.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act, requires that our directors and executive officers and persons who beneficially own more than 10% of our common stock (referred to herein as the “Reporting Persons”) file with the SEC various reports as to their ownership of and activities relating to our common stock. To the best of our knowledge, all Reporting Persons complied on a timely basis with all filing requirements applicable to them with respect to transactions during the period covered by this report. In making these statements, we have relied solely on our review of copies of the reports furnished to us, representations that no other reports were required, and other knowledge relating to transactions involving Reporting Persons.

**Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, including our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. The text of our Code of Business Conduct and Ethics is available on our website at [www.lightpath.com](http://www.lightpath.com) or may be obtained free of charge by writing to: Secretary, LightPath Technologies, Inc., 2603 Challenger Tech CT, Suite 100, Orlando, FL 32826.

#### **Audit Committee and Audit Committee Financial Expert**

The Audit Committee, which consists of Dr. Steven Brueck, M. Scott Faris, and Louis Leebug (Chairman), met four times during fiscal 2015. The meetings included discussions with management and with our independent auditors to discuss our interim and annual financial statements and our annual report, and the effectiveness of our financial and accounting functions and organization. The Audit Committee acts pursuant to a written charter adopted by the Board, a copy of which is available on our website at [www.lightpath.com](http://www.lightpath.com). The Audit Committee's responsibilities include, among others, direct responsibility for the engagement and termination of our independent accountants, and overseeing the work of the accountants and determining the compensation for their engagement(s). The Board has determined that the Audit Committee is comprised entirely of independent members as defined under applicable listing standards set out by the SEC and the NCM. The Board has also determined that at least one member of the Audit Committee, Mr. Leebug, is an "audit committee financial expert" as defined by SEC rules and qualifies as independent in accordance with the NCM rules. Mr. Leebug's business experience that qualifies him to be determined an "audit committee financial expert" is described above.

**Item 11. Executive Compensation.****Summary Compensation Table for Named Executive Officers**

The following table sets forth certain compensation awarded to, earned by or paid to (i) our Chief Executive Officer and (ii) our two other most highly compensated executive officers serving as executive officers at the end of fiscal 2015, which includes our Chief Financial Officer. We did not have any individuals for whom disclosure would have been required but for the fact that the individual was not serving as an executive officer as of the end of fiscal 2015

Name and Position	Fiscal Year	Salary (\$)	Option Awards (\$)**	Non-Equity Incentive Plan Compensation (1) (\$)	All Other Compensation (\$) *	Total Compensation (\$)
(a)	(b)	(c)	(f)	(g)	(i)	(j)
J. James Gaynor President & Chief Executive Officer	2015	285,435	(2) 100,998	(1) 70,000	(1) —	456,433
Dorothy M. Cipolla Chief Financial Officer, Treasurer & Secretary	2014	279,038	(2) 38,430	—	—	317,468
Alan Symmons Executive Vice President of Operations	2015	193,704	(3) 45,249	(1) 35,625	(1) —	274,578
	2014	190,769	(3) 11,153	—	—	201,922
	2015	189,954	(4) 45,188	(1) 40,000	(1) —	275,142
	2014	174,327	(4) 10,481	—	—	184,808

**Notes:**

\*

Other Compensation, as defined by SEC rules does not include the amounts that qualify under the applicable de minimis rule for all periods presented. The de minimis rule does not require reporting of perquisites and other compensation that totals less than \$10,000 in the aggregate. The nature of these compensatory items include our contribution toward the premium costs for employee and dependent medical, life, and disability income insurances, benefits generally available to our employees.

\*\* For valuation assumptions on restricted stock units and stock option awards refer to note 8 to the Consolidated Financial Statements of this Annual Report on Form 10-K for fiscal 2015. The disclosed amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended June 30, 2015 in accordance with FASB ASC Topic 718 and thus may include amounts from awards granted in and prior to fiscal 2015.

(1) Based on the achievement of certain criteria, the named executive officers partially earned their respective bonus awards for fiscal 2015. Pursuant to the terms of the Plan, each named executive officer's award is to be paid out 50% in cash and 50% in stock option awards, however; neither the cash portion nor the stock option portion were paid in

fiscal 2015. The Compensation Committee retains the discretion to adjust the portion of the award that will be paid in cash and the portion that will be paid in stock options. In the event the Compensation Committee exercises its discretion to adjust the portion of the award that is paid in cash and stock options, we will file a Form 8-K to disclose such adjustment.

(2) Mr. Gaynor's base salary was 63% of his total compensation for fiscal 2015 and 88% of his total compensation for fiscal 2014.

(3) Ms. Cipolla's base salary was 71% of her total compensation for fiscal 2015 and 94% of her total compensation for fiscal 2014.

(4) Mr. Symmon's base salary was 69% of his total compensation for fiscal 2015 and 94% of his total compensation for fiscal 2014.



## Discussion of Summary Compensation Table of Named Executive Officers

The following is a discussion of the material information which we believe is necessary to understand the information disclosed in the foregoing Summary Compensation Table.

Each named executive officer receives a base salary, and is eligible to earn an incentive bonus based on attaining certain goals, and long-term equity incentive awards, which are designed to reward executive officers for achieving strategic milestones, as well as for retaining executive officers and other key employees.

***Incentive Bonus Program.*** The fiscal 2015 incentive bonus program had two levels of participation: (i) the “level one” participants and (ii) the “level two” participants. “Level one” participants were eligible to receive a maximum potential bonus equal to 100% of their base salary, with 50% of such bonus paid in cash and the other 50% paid in stock option awards. “Level two” participants were eligible to receive a maximum potential bonus equal to 75% of their base salary, with 50% of such bonus paid in cash and the other 50% paid in stock option awards. The Compensation Committee retains the discretion to adjust the percentage of the award paid in cash and stock prior to payment. For fiscal 2015, the “level one” participant was Mr. Gaynor and the “level two” participants were Ms. Cipolla and Mr. Symmons.

For fiscal 2015, the Compensation Committee set three performance goals tied to our revenues, gross margin and EBITDA. The maximum potential bonus payout was based on the revenue performance goal, varying from a 25% potential bonus payment, if we had revenues equal to \$12.2 million, to a 100% potential bonus payment, if we had revenues equal to \$13.5 million. Our revenue was approximately \$13.7 million, and, therefore the revenue performance goal was met at 100%. The actual amount of the bonus payout was determined by the achievement of certain gross margin and EBITDA performance goals, with each performance goal tied to 50% of the bonus payout. The gross margin goal was 44% and the EBITDA goal was \$950,000. We met the gross margin goal but did not meet the EBITDA goal.

The goals set for fiscal 2014 incentive bonus plans were not met, and, accordingly, no bonus payments were made to the named executive officers. However, the Compensation Committee awarded discretionary stock options to the named executive officers for fiscal 2014, which were granted under the Plan.

Additional details regarding the stock options granted to each named executive officer is set forth below.

### J. James Gaynor

Stock Option Grants  
(1)

Compensation Expense (2)

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

Grant Date	Number of Shares	Number of Vested Shares(3)	Actual Fiscal 2014	Actual Fiscal 2015	Projected Fiscal 2016	Projected Fiscal 2017	Projected Fiscal 2018	Projected Fiscal 2019
			\$	\$	\$	\$	\$	\$
2/4/2010	50,000	50,000	10,363	—	—	—	—	—
11/3/2010	25,000	25,000	8,388	2,797	—	—	—	—
10/27/2011	40,000	40,000	6,992	6,992	1,747	—	—	—
10/25/2012	40,000	20,000	4,752	4,752	4,752	1,188	—	—
1/31/2013	13,000	6,500	1,355	1,355	1,355	677	—	—
10/31/2013	50,000	12,500	6,580	8,772	8,772	8,772	2,192	—
10/30/2014	50,000	—	—	6,330	8,439	8,439	8,439	2,109
			38,430	30,998	25,065	19,076	10,631	2,109

- (1) This table does not include the stock options award equal to \$70,000 that Mr. Gaynor earned, but has not yet received, based on the achievement of certain performance goals in fiscal 2015.
- (2) Compensation expense for grants of stock options is recognized or expected to be recognized in accordance with ASC Topic 718, Stock Compensation.
- (3) The number of shares vested are as of June 30, 2015. One-fourth of the stock option shares vests on each of the first, second, third and fourth anniversaries of the grant date.

**Dorothy Cipolla**

Stock Option Grants (1)			Compensation Expense (2)					
Grant Date	Number of Shares	Number of Vested Shares(3)	Actual Fiscal 2014	Actual Fiscal 2015	Projected Fiscal 2016	Projected Fiscal 2017	Projected Fiscal 2018	Projected Fiscal 2019
			\$	\$	\$	\$	\$	\$
2/4/2010	10,000	10,000	2,072	—	—	—	—	—
11/3/2010	9,000	9,375	3,020	1,007	—	—	—	—
10/27/2011	12,500	6,250	2,185	2,185	545	—	—	—
10/25/2012	13,000	6,500	1,485	1,485	1,485	371	—	—
1/31/2013	4,000	2,000	417	417	417	208	—	—
10/31/2013	15,000	3,750	1,974	2,632	2,632	2,632	658	—
10/30/2014	15,000	—	—	1,898	2,532	2,532	2,532	633
			11,153	9,624	7,611	5,743	3,190	633

(1) This table does not include the stock options award equal to \$35,625 that Ms. Cipolla earned, but has not yet received, based on the achievement of certain performance goals in fiscal 2015.

(2) Compensation expense for grants of stock options is recognized or expected to be recognized in accordance with ASC Topic 718, Stock Compensation.

(3) The number of shares vested are as of June 30, 2015. One-fourth of the stock option shares vests on each of the first, second, third and fourth anniversaries of the grant date.

**Alan Symmons**

Stock Option Grants (1)			Compensation Expense (2)					
Grant Date	Number of Shares	Number of Vested Shares(3)	Actual Fiscal 2014	Actual Fiscal 2015	Projected Fiscal 2016	Projected Fiscal 2017	Projected Fiscal 2018	Projected Fiscal 2019
			\$	\$	\$	\$	\$	\$
2/4/2010	10,000	10,000	2,072	—	—	—	—	—
11/3/2010	7,000	7,000	2,348	784	—	—	—	—
10/27/2011	12,500	12,500	2,185	2,185	545	—	—	—
10/25/2012	12,500	6,250	1,485	1,485	1,485	371	—	—
1/31/2013	4,000	2,000	417	417	417	208	—	—
10/31/2013	15,000	3,750	1,974	2,632	2,632	2,632	658	—
10/30/2014	15,000	—	—	1,898	2,532	2,532	2,532	633
1/12/2015	10,000	—	—	787	1,572	1,572	1,569	784
			10,481	10,188	9,183	7,315	4,759	1,417

- (1) This table does not include the stock options award equal to \$37,500 that Mr. Symmons earned, but has not yet received, based on the achievement of certain performance goals in fiscal 2015.
- (2) Compensation expense for grants of stock options is recognized or expected to be recognized in accordance with ASC Topic 718, Stock Compensation.
- (3) The number of shares vested are as of June 30, 2015. One-fourth of the stock option shares vests on each of the first, second, third and fourth anniversaries of the grant date.

**Potential Payments Upon Termination or Change-of-Control**

Mr. Gaynor is our only named executive officer entitled to any payments upon termination. If Mr. Gaynor is terminated without cause, he is entitled to three months' paid COBRA benefits.

All of our named executive officers are entitled to certain payments in the event of a change-of-control. The following table sets forth the change-of-control payments due to each of our named executive officers.

Executive Officer	Amount of Payment Upon A Change of Control (1)
J. James Gaynor (2)	\$560,000
Dorothy Cipolla (3)	\$47,500
Alan Symmons (3)	\$50,000

(1) A change-of-control is defined as any of the following transactions occurring:

The dissolution or liquidation of the Company,

Our stockholders approve an agreement providing for a sale, lease or other disposition of all or substantially all of our assets and the transactions contemplated by such agreement are consummated,

A merger or a consolidation in which we are not the surviving entity,

Any person acquires the beneficial ownership of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of directors, and

The individuals who, prior to the transaction, are members of the Board (the Incumbent Board ) cease for any reason to constitute at least fifty percent (50%) of the Board, except that if the election of or nomination for election by the stockholders of any new director was approved by a vote of at least fifty percent (50%) of the Incumbent Board, such new director shall be deemed to be a member of the Incumbent Board.

Notwithstanding the foregoing, a public offering of our common stock shall not be considered a change-of-control.

(2) Mr. Gaynor is entitled to twenty-four months' compensation in the event of a change-of-control. Payments made pursuant to a change-of-control to Mr. Gaynor would be paid in a lump sum and would only be paid out in the event Mr. Gaynor was no longer employed by us. All of Mr. Gaynor's unvested stock options immediately vest upon a change-of-control.

(3) Ms. Cipolla and Mr. Symmons are entitled to three months' compensation in the event of a change-of-control. Payments made pursuant to a change-of-control to Ms. Cipolla or Mr. Symmons would occur according to our normal payroll schedule and would only be paid out in the event they were no longer employed by us.

## Outstanding Equity Awards at Fiscal Year-End

(a) Name	(b) Number of Securities Underlying Unexercised Options (#) Exercisable	(c) Number of Securities Underlying Unexercised Options (#) Unexercisable	(e) Option Exercise Price (\$)	Vesting Schedule	(f) Option Expiration Date
J. James Gaynor (1)	15,000	—	\$ 3.47	2 year cliff	7/24/2016
	20,000	—	\$ 4.80	25%/yr for 4 yrs	10/27/2016
	15,000	—	\$ 3.05	25%/yr for 4 yrs	11/6/2017
	30,000	—	\$ 2.10	25%/yr for 4 yrs	1/31/2018
	50,000	—	\$ 2.66	25%/yr for 4 yrs	2/4/2020
	25,000	—	\$ 2.69	25%/yr for 4 yrs	11/3/2020
	30,000	10,000	\$ 1.39	25%/yr for 4 yrs	10/27/2021
	20,000	20,000	\$ 0.98	25%/yr for 4 yrs	10/25/2022
	6,500	6,500	\$ 0.87	25%/yr for 4 yrs	1/31/2023
	12,500	37,500	\$ 1.41	25%/yr for 4 yrs	10/31/2023
—	50,000	\$ 1.37	25%/yr for 4 yrs	10/30/2024	
Dorothy Cipolla (2)	15,000	—	\$ 4.53	2 year cliff	2/28/2016
	20,000	—	\$ 4.80	25%/yr for 4 yrs	10/27/2016
	10,000	—	\$ 3.05	25%/yr for 4 yrs	11/6/2017
	10,000	—	\$ 2.66	25%/yr for 4 yrs	2/4/2020
	9,000	—	\$ 2.69	25%/yr for 4 yrs	11/3/2020
	9,375	3,125	\$ 1.39	25%/yr for 4 yrs	10/27/2021
	6,250	6,250	\$ 0.98	25%/yr for 4 yrs	10/25/2022
	2,000	2,000	\$ 0.87	25%/yr for 4 yrs	1/31/2023
	3,750	11,250	\$ 1.41	25%/yr for 4 yrs	10/31/2023
	—	15,000	\$ 1.37	25%/yr for 4 yrs	10/30/2024
Alan Symmons (3)	5,000	—	\$ 5.24	4 year cliff	10/18/2016
	5,000	—	\$ 3.27	25%/yr for 4 yrs	12/3/2017
	10,000	—	\$ 2.66	25%/yr for 4 yrs	2/4/2020
	7,000	—	\$ 2.69	25%/yr for 4 yrs	11/3/2020
	9,375	3,125	\$ 1.39	25%/yr for 4 yrs	10/27/2021
	6,250	6,250	\$ 0.98	25%/yr for 4 yrs	10/25/2022
	2,000	2,000	\$ 0.87	25%/yr for 4 yrs	1/31/2023
	3,750	11,250	\$ 1.41	25%/yr for 4 yrs	10/31/2023
	—	15,000	\$ 1.37	25%/yr for 4 yrs	10/30/2024
	—	10,000	\$ 1.27	25%/yr for 4 yrs	1/12/2025

(1) This table does not include the stock options award equal to \$70,000 that Mr. Gaynor earned, but has not yet received, based on the achievement of certain performance goals in fiscal 2015.

(2) This table does not include the stock options award equal to \$35,625 that Ms. Cipolla earned, but has not yet received, based on the achievement of certain performance goals in fiscal 2015.

(3) This table does not include the stock options award equal to \$37,500 that Mr. Symmons earned, but has not yet received, based on the achievement of certain performance goals in fiscal 2015.

The stock options were issued pursuant to the Plan and have a ten year life. The options will terminate 90 days after termination of employment, or in the case of termination due to death or permanent disability, the options will terminate one year after the date of termination.

**Director Compensation****Director Summary Compensation Table**

The table below summarizes the compensation paid by us to non-employee directors for fiscal 2015.

<b>Name(1)</b>	<b>Fees Earned or Stock</b>		<b>Total</b>
	<b>Paid in Cash</b>	<b>Awards</b>	
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(h)</b>
Robert Ripp	\$ 95,000	\$44,041	\$ 139,041
Sohail Khan	\$ 35,000	\$44,041	\$ 79,041
Dr. Steven Brueck	\$ 30,000	\$44,041	\$ 74,041
Louis Leeburg	\$ 38,000	\$44,041	\$ 82,041
M. Scott Faris	\$ 30,000	\$42,744	\$ 72,744
Dr. Xudong Zhu	\$ 7,500	\$—	\$ 7,500

J. James Gaynor, our President and Chief Executive Officer during fiscal 2015, is not included in this table as he (1) was an employee, and, thus, received no compensation for his services as a director. The compensation received by Mr. Gaynor as an employee is disclosed in the Summary Compensation Table on page 29.

Total fees earned for fiscal 2015 includes all fees earned, including earned but unpaid fees. The amounts of unpaid (2) fees for each director are as follows: Mr. Ripp - \$23,500, Mr. Leeburg - \$9,500, Dr. Brueck - \$7,500, Mr. Khan - \$8,500, Mr. Faris - \$0, and Dr. Zhu - \$7,500.

Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended June 30, 2015 in accordance with ASC Topic 718 and thus may include amounts from awards granted in and prior to fiscal (3) 2015.

**Discussion of the Summary Compensation Table of Directors**

The following is a discussion of the material information which we believe is necessary to understand the information disclosed in the previous table. We use a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on our Board. In setting director compensation, we consider the significant amount of time that directors expend in fulfilling their duties as a director as well as the skill-level required by us of members of our Board.

**Cash Compensation Paid to Board Members**



During fiscal 2015, directors received a monthly retainer of \$2,500. There are no meeting attendance fees paid unless, by action of the Board, such fees are deemed advisable due to a special project or other effort requiring extra-normal commitment of time and effort. Additionally, fees are paid to the Chairman of the Board and Committee Chairmen for their responsibilities overseeing their respective functions. The following table sets forth the annual fees paid to each director for fiscal 2015:

Name	Board Fee	Chairman Fee	Committee Chair Fee
Robert Ripp	30,000	60,000	4,000
J. James Gaynor (1)	—		
Sohail Khan	30,000		4,000
Steven Brueck	30,000		
Louis Leeburg	30,000		8,000
M. Scott Faris	37,500		
Xudong Zhu (2)	7,500		

(1) Mr. Gaynor did not receive any compensation for his service as a director because he is also an employee.

(2) Dr. Zhu joined the Board in April 2015. Accordingly, Dr. Zhu was only entitled to Board fees for the fourth quarter of fiscal 2015.

### Stock Option/Restricted Stock Program

All directors are eligible to receive equity incentives under the Plan, including stock options, restricted stock awards or units. In fiscal 2015, the following directors received grants under the Plan:

Name of Director	Restricted Stock Units		
	Number of Units Granted	Grant Date	Fair Value Price Per Share
Dr. Steven Brueck	36,500	10/30/2014	\$1.37
Sohail Khan	36,500	10/30/2014	\$1.37
Louis Leeburg	36,500	10/30/2014	\$1.37
Robert Ripp	36,500	10/30/2014	\$1.37
M. Scott Faris	36,500	10/30/2014	\$1.37
	182,500		

Additional details regarding the restricted stock units granted to each director, other than Mr. Gaynor and Dr. Zhu, is set forth below.

**Robert Ripp**

Restricted Stock Unit Grant Date	Number of Shares	Number of Vested Shares (2)	Compensation Expense (1)				
			Actual Fiscal 2014	Actual Fiscal 2015	Projected Fiscal 2016	Projected Fiscal 2017	Projected Fiscal 2018
			\$	\$	\$	\$	\$
11/3/2010	15,000	15,000	4,487	—	—	—	—
10/27/2011	29,000	29,000	13,437	3,358	—	—	—
1/31/2013	40,000	26,666	11,533	11,534	5,766	—	—
10/31/2013	35,460	11,820	12,519	16,692	16,692	4,173	—
10/30/2014	36,500	—	—	12,457	16,607	16,608	4,151
			41,976	44,041	39,065	20,781	4,151

Positions: Chairman of the Board, Compensation Committee Chairman

Committees: Compensation Committee

(1) Compensation expense for grants of restricted stock units is recognized or expected to be recognized in accordance with ASC Topic 718, Stock Compensation.

(2) The number of shares vested are as of June 30, 2015. One-third of the restricted stock unit shares vests on each of the first, second and third anniversaries of the grant date.

**Sohail Khan**

Restricted Stock Unit Grant Date	Number of Shares	Number of Vested Shares (2)	Compensation Expense (1)				
			Actual Fiscal 2014	Actual Fiscal 2015	Projected Fiscal 2016	Projected Fiscal 2017	Projected Fiscal 2018
			\$	\$	\$	\$	\$
11/3/2010	15,000	15,000	4,487	—	—	—	—
10/27/2011	29,000	29,000	13,437	3,358	—	—	—
1/31/2013	40,000	26,666	11,533	11,534	5,766	—	—
10/31/2013	35,460	11,820	12,519	16,692	16,692	4,173	—
10/30/2014	36,500	—	—	12,457	16,607	16,608	4,151
			41,976	44,041	39,065	20,781	4,151

Positions: Finance Committee Chairman

Committees: Finance and Compensation Committees

- (1) Compensation expense for grants of restricted stock units is recognized or expected to be recognized in accordance with ASC Topic 718, Stock Compensation.
- (2) The number of shares vested are as of June 30, 2015. One-third of the restricted stock unit shares vests on each of the first, second and third anniversaries of the grant date.

**Dr. Steven Brueck**

Restricted Stock Unit Grant Date	Number of Shares	Number of Vested Shares (2)	Compensation Expense (1)				
			Actual Fiscal 2014	Actual Fiscal 2015	Projected Fiscal 2016	Projected Fiscal 2017	Projected Fiscal 2018
			\$	\$	\$	\$	\$
11/3/2010	15,000	15,000	4,487	—	—	—	—
10/27/2011	29,000	29,000	13,437	3,358	—	—	—
1/31/2013	40,000	26,666	11,533	11,534	5,766	—	—
10/31/2013	35,460	11,820	12,519	16,692	16,692	4,173	—
10/30/2014	36,500	—	—	12,457	16,607	16,608	4,151
			41,976	44,041	39,065	20,781	4,151

Committees: Audit Committee

(1) Compensation expense for grants of restricted stock units is recognized or expected to be recognized in accordance with ASC Topic 718, Stock Compensation.

(2) The number of shares vested are as of June 30, 2015. One-third of the restricted stock unit shares vests on each of the first, second and third anniversaries of the grant date.

**Louis Leeburg**

Restricted Stock Unit Grant Date	Number of Shares	Number of Vested Shares (2)	Compensation Expense (1)				
			Actual Fiscal 2014	Actual Fiscal 2015	Projected Fiscal 2016	Projected Fiscal 2017	Projected Fiscal 2018
			\$	\$	\$	\$	\$
11/3/2010	15,000	15,000	4,487	—	—	—	—
10/27/2011	29,000	29,000	13,437	3,358	—	—	—
1/31/2013	40,000	26,666	11,533	11,534	5,766	—	—
10/31/2013	35,460	11,820	12,519	16,692	16,692	4,173	—
10/30/2014	36,500	—	—	12,457	16,607	16,608	4,151
			41,976	44,041	39,065	20,781	4,151

Positions: Audit Committee Chairman

Committees: Audit and Compensation Committees

- (1) Compensation expense for grants of restricted stock units is recognized or expected to be recognized in accordance with ASC Topic 718, Stock Compensation.
- (2) The number of shares vested are as of June 30, 2015. One-third of the restricted stock unit shares vests on each of the first, second and third anniversaries of the grant date.

**M. Scott Faris**

Restricted Stock Unit Grant Date	Number of Shares	Number of Vested Shares (2)	Compensation Expense (1)				
			Actual Fiscal 2014	Actual Fiscal 2015	Projected Fiscal 2016	Projected Fiscal 2017	Projected Fiscal 2018
			\$	\$	\$	\$	\$
12/23/2011	15,000	15,000	4,950	2,061	—	—	—
1/31/2013	40,000	26,666	11,533	11,534	5,766	—	—
10/31/2013	35,460	11,820	12,519	16,692	16,692	4,173	—
10/30/2014	36,500	—	—	12,457	16,607	16,608	4,151
			29,002	42,744	39,065	20,781	4,151

Committees: Audit and Finance Committees

(1) Compensation expense for grants of restricted stock units is recognized or expected to be recognized in accordance with ASC Topic 718, Stock Compensation.

(2) The number of shares vested are as of June 30, 2015. One-third of the restricted stock unit shares vests on each of the first, second and third anniversaries of the grant date.

**Item 12. Security Ownership of Certain Beneficial Owners and Management.****Equity Compensation Plan Information**

The following table sets forth as of June 30, 2015, the end of our most recent fiscal year, information regarding (i) all compensation plans previously approved by our stockholders and (ii) all compensation plans not previously approved by our stockholders:

**Equity Compensation Plans**

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise and grant price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	3,915,625	\$ 1.21	1,478,778
Equity compensation plans not approved by security holders	—	—	—

### Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of September 14, 2015, the number and percentage of outstanding shares of our Class A common stock, owned by: (i) each director (which includes all nominees) at such date, (ii) each of the named executive officers named in the Summary Compensation Table for Executive Officers in Item 11 above, (iii) our directors and named executive officers as a group, and (iv) each person known by us to be the beneficial owner of more than 5% of our outstanding Class A common stock. The number of shares of Class A common stock outstanding as of September 14, 2015 was 15,239,775.



The number of shares beneficially owned by each director, named executive officer and greater than 5% beneficial owner is determined under SEC rules, and the information is not necessarily indicative of the beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares to which the individual has the sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days of August 31, 2015, through the exercise of any stock option or other right to purchase, such as a warrant. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares set forth in the following table. In certain instances, the number of shares listed may include, in addition to shares owned directly, shares held by the spouse or children of the person, or by a trust or estate of which the person is a trustee or an executor or in which the person may have a beneficial interest. The table that follows is based upon information supplied in a questionnaire completed by each named executive officer and director and stockholders beneficially owning greater than 5% of our Class A common stock.

Name and Address (1)	Securities Class A Common Stock				Amount of Shares of Class A Common Stock Beneficially Owned	Percent Owned (%)
	Restricted (2)	Unrestricted	Warrants	Options		
Robert Ripp, Director	227,660	611,107	—	36,100	874,867	(3) (4) 5.6 %
Louis Leebug, Director	227,660	57,898	455	6,100	292,113	(5) 1.9 %
Sohail Khan, Director	228,860	—	—	6,100	234,960	(6) 1.5 %
Dr. Steven Brueck, Director	227,660	46,077	—	6,100	279,837	(7) 1.8 %
M. Scott Faris, Director	126,960	—	—	—	126,960	0.8 %
Dr. Xudong Zhu	—	—	—	—	—	(8) 0.0 %
J. James Gaynor, President & CEO	—	48,031	228	269,000	317,259	(9) 2.0 %
Dorothy Cipolla, CFO, Secretary & Treasurer	—	—	—	99,125	99,125	(10) *
Alan Symmons, Vice President of Engineering	—	3,064	—	62,125	65,189	(11) *
All directors and named executive officers currently holding office as a group (9 persons)	1,038,800	766,177	683	484,650	2,290,310	13.7 %
Berg & Berg Enterprises, LLC	—	2,700,330	—	—	2,700,330	(12) 17.7 %
Pudong Science and Technology Investment (Cayman) Co., Ltd.	—	2,270,026	—	—	2,270,026	(13) 14.9 %

\*Less than 1%

**Notes:**

(1) Except as otherwise noted, each of the parties listed above has sole voting and investment power over the securities listed. The address for all directors and officers is “in care of” LightPath Technologies, Inc., 2603 Challenger Tech Court, Suite 100, Orlando, FL 32826. The address for Berg & Berg Enterprises, LLC, as filed on a Schedule 13G filed February 14, 2008, is 10050 Bandle Drive, Cupertino, CA, 94014. The address for Pudong Science and Technology (Cayman) Co. Ltd., as filed on a Schedule 13G filed August 15, 2013, is 13 Building, No. 439, Chunxiao Rd., Zhangjiang High-tech Park, Pudong, Shanghai 201203, PRC.

(2) Restricted stock units awarded to our directors vest over three years. All directors have elected to defer receipt of the vested shares until after they leave the Board, either by reason of resignation, termination, or otherwise. Therefore, these vested shares remain unissued. All of the director’s unvested restricted stock units will vest upon such director’s resignation or termination from the Board. The amounts of restricted stock set forth above reflects both vested and unvested shares included in the restricted stock unit awards. The amounts of vested shares for each director, other than Mr. Gaynor or Dr. Zhu, are as follow: Mr. Ripp – 154,186, Mr. Leeburg – 154,186, Mr. Khan – 155,386, Dr. Brueck – 154,186 and Mr. Faris – 53,486.

(3) Does not include 7,812 shares of Class A common stock and warrants to purchase 15,000 shares of Class A common stock which are owned by trusts for Mr. Ripp’s adult children and for which he disclaims beneficial ownership.

(4) Includes 36,100 shares of Class A common stock with respect to which Mr. Ripp has the right to acquire. Mr. Ripp holds options which are currently exercisable for an aggregate of 36,100 shares of Class A common stock.

(5) Includes 6,555 shares of Class A common stock with respect to which Mr. Leeburg has the right to acquire. Mr. Leeburg holds warrants which are currently exercisable for an aggregate of 455 shares of Class A common stock and options which are currently exercisable for an aggregate of 6,100 shares of Class A common stock.

(6) Includes 6,100 shares of Class A common stock with respect to which Mr. Khan has the right to acquire. Specifically, Mr. Khan holds options which are currently exercisable for an aggregate of 6,100 shares of Class A common stock.

(7) Includes 6,100 shares of Class A common stock with respect to which Dr. Brueck has the right to acquire. Dr. Brueck holds options which are currently exercisable for an aggregate of 6,100 shares of Class A common stock.

(8) Does not include 2,270,026 shares of Class A common stock which are owned by Pudong Investment and for which he disclaims beneficial ownership.

(9) Includes 269,228 shares of Class A common stock with respect to which Mr. Gaynor has the right to acquire. Mr. Gaynor holds warrants which are currently exercisable for an aggregate of 228 shares of Class A common stock and options which are currently exercisable for an aggregate of 269,000 shares of Class A common stock. This amount does not include 79,000 shares of Class A common stock underlying options which remain unvested.

(10) Includes 99,125 shares of Class A common stock with respect to which Ms. Cipolla has the right to acquire. Specifically, Ms. Cipolla holds options which are currently exercisable for an aggregate of 99,125 shares of Class A common stock. This amount does not include 23,875 shares of Class A common stock underlying options which remain unvested.

(11) Includes 62,125 shares of Class A common stock with respect to which Mr. Symmons has the right to acquire. Mr. Symmons holds options which are currently exercisable for an aggregate of 62,125 shares of Class A common stock. This amount does not include 33,875 shares of Class A common stock underlying options which remain unvested.

(12) Excludes 45,455 shares of Class A common stock with respect to which Berg & Berg Enterprises, LLC ("BBE") may have the right to acquire in the future. BBE holds warrants which would be exercisable for an aggregate of 45,455 shares of Class A common stock. However, neither BBE nor the Company is able to effect any exercise of the warrants to the extent that after giving effect to such issuance after exercise BBE would beneficially own in excess of 4.99% of the number of shares of Class A common stock outstanding immediately after giving effect to the issuance of shares issuable upon exercise warrants. Given that BBE currently holds 17.7% of the issued and outstanding share of Class A common stock, the warrants cannot be exercised.

(13) Pudong Science and Technology Investment (Cayman) Co., Ltd. is wholly owned by Shanghai Pudong Science and Technology Investment Co., Ltd., and for purposes hereof is also deemed as a beneficial owner of the shares.

There are no arrangements known to the Company which may at a subsequent date result in a change-in-control.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

### **Certain Relationships and Related Transactions**

When we are contemplating entering into any transaction in which any executive officer, director, nominee or any family member of the foregoing would have any direct or indirect interest, regardless of the amount involved, the terms of such transaction have to be presented to the full Board (other than any interested director) for approval. The Board has not adopted a written policy for related party transaction review but when presented with such transaction, the transaction is discussed by the full Board and documented in the Board minutes.

We had only one related party transaction since July 1, 2014, which was the beginning of our last fiscal year. On January 20, 2015, we closed a sale of our Class A common stock in accordance with the SPA. In connection with the closing, we sold to Pudong Investment 930,790 shares of Class A common stock at a price of \$1.40 per share, which was adjusted from the initial per share purchase price of \$1.62 pursuant to the terms of the SPA. We received gross cash proceeds from the issuance of the Class A common stock in the amount of approximately \$1,303,000. Prior to closing, Pudong Investment was a stockholder beneficially owning greater than 5% of our Class A common stock. Subsequent to the closing, Dr. Zhu, the president of Pudong Investment, was appointed as one of our directors.

### **Director Independence**

In accordance with NCM and SEC rules, the Board affirmatively determines the independence of each director and nominee for election as a director in accordance with guidelines it has adopted, which include all elements of independence set forth in the NCM listing standards. Based on these standards, the Board has determined that each of the following non-employee directors is independent and has no relationship with us, except as one of our directors and stockholders.

Robert Ripp    Dr. Steven Brueck  
M. Scott Faris    Sohail Khan  
Louis Leeburg    Xudong Zhu

All of the members of the audit and compensation committees are also independent.

**Item 14. Principal Accountant Fees and Services.**

The following table presents fees paid or to be paid for professional audit services rendered by CFR and BDO for the audit of our annual financial statements during the years ended June 30, 2015 and 2014, review of financial statements included in our quarterly reports during the years ended June 30, 2015 and 2014, and fees billed for other services rendered by CFR or BDO, as applicable:

	Fiscal 2015		Fiscal
	CFR	BDO	2014 CFR
Audit Fees (1)	\$30,975	\$76,650	\$112,500
Audit-Related Fees	—	—	—
Tax Fees	—	—	—
All Other Fees	—	—	—
Total All Fees	\$30,975	\$76,650	\$112,500

Audit Fees consisted of fees billed for professional services rendered for the audit of our annual financial (1) statements and review of the interim financial statements included in quarterly reports, and review of other documents filed with the SEC within those fiscal years.

The Audit Committee has adopted policies and procedures to oversee the external audit process including engagement letters, estimated fees and solely pre-approving all permitted audit and non-audit work performed by CFR or BDO, as applicable. The Audit Committee has pre-approved all fees for audit and non-audit work performed.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements – See Index on page F-1 of this report

(b) The following exhibits are filed herewith as a part of this report

<b>Exhibit Number</b>	<b>Description</b>	<b>Notes</b>
3.1.1	Certificate of Incorporation of Registrant, filed June 15, 1992 with the Secretary of State of Delaware	1
3.1.2	Certificate of Amendment to Certificate of Incorporation of Registrant, filed October 2, 1995 with the Secretary of State of Delaware	1
3.1.3	Certificate of Designations of Class A common stock and Class E-1 common stock, Class E-2 common stock, and Class E-3 common stock of Registrant, filed November 9, 1995 with the Secretary of State of Delaware	1
3.1.4	Certificate of Designation of Series A Preferred Stock of Registrant, filed July 9, 1997 with the Secretary of State of Delaware	2
3.1.5	Certificate of Designation of Series B Stock of Registrant, filed October 2, 1997 with the Secretary of State of Delaware	3
3.1.6	Certificate of Amendment of Certificate of Incorporation of Registrant, filed November 12, 1997 with the Secretary of State of Delaware	3
3.1.7	Certificate of Designation of Series C Preferred Stock of Registrant, filed February 6, 1998 with the Secretary of State of Delaware	4
3.1.8	Certificate of Designation, Preferences and Rights of Series D Participating Preferred Stock of Registrant filed April 29, 1998 with the Secretary of State of Delaware	5

3.1.9	Certificate of Designation of Series F Preferred Stock of Registrant, filed November 2, 1999 with the Secretary of State of Delaware	6
3.1.10	Certificate of Amendment of Certificate of Incorporation of Registrant, filed February 28, 2003 with the Secretary of State of Delaware	7
3.2	Amended and Restated Bylaws of Registrant	19
4.1	Rights Agreement dated May 1, 1998, between Registrant and Continental Stock Transfer & Trust Company	5
4.2	First Amendment to Rights Agreement dated as of February 28, 2008, between LightPath Technologies, Inc. and Continental Stock Transfer & Trust Company	10
10.	Amended and Restated Omnibus Incentive Plan dated October 15, 2002	8
10.2	Employee Letter Agreement dated June 12, 2008, between LightPath Technologies, Inc., and J. James Gaynor, its Chief Executive Officer & President	9
10.3	Form of Common Stock Purchase Warrant dated as of April 8, 2010, issued by LightPath Technologies, Inc. to certain investors	11
10.4	LightPath Technologies, Inc. Employee Stock Purchase Plan effective January 30, 2015	12
10.5	Form of Common Stock Purchase Warrant dated as of June 11, 2012, issued by LightPath Technologies, Inc. to certain investors	13
10.6	Amended and Restated Loan and Security Agreement dated as of December 23, 2014 between LightPath Technologies, Inc. and Avidbank Corporate Finance, a division of Avidbank	14
10.7	Securities Purchase Agreement dated April 15, 2014 between LightPath Technologies, Inc. and Pudong Science & Technology (Cayman) Co., Ltd.	15
10.8	Amendment and Assignment of Securities Purchase Agreement dated September 25, 2014 between LightPath Technologies, Inc, Pudong Science & Technology (Cayman) Co., Ltd. and Pudong Science & Technology Investment (Cayman) Co., Ltd.	18
10.9	Sixth Amendment to Lease dated as of July 2, 2014 between LightPath Technologies, Inc. and Challenger Discovery LLC	16
14.1	Code of Ethics	17
21.1	<u>Subsidiaries of the Registrant</u>	*
23.1	<u>Consent of Cross, Fernandez &amp; Riley, LLP</u>	*

23.2	<u>Consent of BDO USA, LLP</u>	*
24	<u>Power of Attorney</u>	*
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>	*
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>	*
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code</u>	*
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code</u>	*
39		



101.INS	XBRL Instance Document	*
101.SCH	XBRL Taxonomy Extension Schema Document	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	*

*Notes:*

1. This exhibit was filed as an exhibit to our Registration Statement on Form SB-2 (File No: 33-80119) filed with the Securities and Exchange Commission on December 7, 1995 and is incorporated herein by reference thereto.
2. This exhibit was filed as an exhibit to our annual report on Form 10-KSB40 filed with the Securities and Exchange Commission on September 11, 1997 and is incorporated herein by reference thereto.
3. This exhibit was filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 1997 and is incorporated herein by reference thereto.
4. This exhibit was filed as an exhibit to our Registration Statement on Form S-3 (File No. 333-47905) filed with the Securities and Exchange Commission on March 13, 1998 and is incorporated herein by reference thereto.
5. This exhibit was filed as an exhibit to our Registration Statement on Form 8-A filed with the Securities and Exchange Commission on April 28, 1998 and is incorporated herein by reference thereto.
6. This exhibit was filed as an exhibit to our Registration Statement on Form S-3 (File No: 333-94303) filed with the Securities and Exchange Commission on January 10, 2000 and is incorporated herein by reference thereto.

7. This exhibit was filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on January 24, 2003 and is incorporated herein by reference thereto.

8. The Amended and Restated Omnibus Incentive Plan, dated October 15, 2002 was filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on September 12, 2002. Amendment No. 1, dated October 20, 2004 and Amendment No. 2, dated December 6, 2004, were filed as an exhibit to our Registration Statement on Form S-8 (File No. 333-121389) filed with the Securities and Exchange Commission on December 17, 2004. Amendment No. 3, dated November 1, 2007 and Amendment No. 4, dated January 1, 2009, were filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on December 10, 2012. Amendment No. 5 dated January 1, 2013 was filed as an exhibit to our Registration Statement on Form S-8 filed with the Securities and Exchange Commission on May 9, 2013. Amendment No. 6 dated January 29, 2015 was filed as an exhibit to our Proxy Statement filed with the Securities and Exchange Commission on December 19, 2014.

9. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2008, and is incorporated herein by reference thereto.

10. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 20, 2009, and is incorporated herein by reference thereto.

11. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 9, 2010, and is incorporated herein by reference thereto.

12. This exhibit was filed as an Appendix A to our Proxy Statement (File No, 333-27548) filed with the Securities and Exchange Commission on December 19, 2014, and is incorporated herein by reference thereto.

13. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on June 11, 2012, and is incorporated herein by reference thereto.

14. This exhibit was filed as an exhibit to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on February 5, 2015, and is incorporated herein by reference thereto.

15. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2014, and is incorporated herein by reference thereto.

16. This exhibit was filed as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 8, 2014, and is incorporated herein by reference thereto.

17. This exhibit was filed as an exhibit to our Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 16, 2009, and is incorporated herein by reference thereto.

18. This exhibit was filed as an exhibit to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2014, and is incorporated herein by reference thereto.

19. This exhibit was filed as an exhibit to our Current Report on Form 8-K (File No: 000-27548) filed with the Securities and Exchange Commission on February 3, 2015 and is incorporated herein by reference thereto.

\* filed herewith

41

**LightPath Technologies, Inc.**

**Index to Consolidated Financial Statements**

<u>Report of Independent Registered Public Accounting Firm – BDO USA, LLP</u>	F-2
<u>Report of Independent Registered Public Accounting Firm – Cross, Fernandez &amp; Riley, LLP</u>	F-3
Consolidated Financial Statements:	
<u>Consolidated Balance Sheets as of June 30, 2015 and 2014</u>	F-4
<u>Consolidated Statements of Operations and Comprehensive Loss for the years ended June 30, 2015 and 2014</u>	F-5
<u>Consolidated Statements of Stockholders' Equity for the years ended June 30, 2015 and 2014</u>	F-6
<u>Consolidated Statements of Cash Flows for the years ended June 30, 2015 and 2014</u>	F-7
<u>Notes to Consolidated Financial Statements</u>	F-8

F-1

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

LightPath Technologies, Inc.

We have audited the accompanying consolidated balance sheet of LightPath Technologies, Inc., and its subsidiaries (the “Company”) as of June 30, 2015, and the related consolidated statements of comprehensive loss, stockholders’ equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2015, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Orlando, Florida

September 22, 2015

F-2

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

LightPath Technologies, Inc.

We have audited the accompanying consolidated balance sheet of LightPath Technologies, Inc., and its subsidiaries (the "Company") as of June 30, 2014, and the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Cross, Fernandez & Riley, LLP



Orlando, Florida

September 22, 2015

F-3

**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Balance Sheets

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$1,643,920	\$1,197,080
Trade accounts receivable, net of allowance of \$6,282 and \$5,801	3,048,754	2,472,876
Inventories, net	3,181,377	3,322,983
Other receivables	253,880	199,976
Prepaid expenses and other assets	244,075	298,203
Total current assets	8,372,006	7,491,118
Property and equipment, net	4,275,552	3,173,905
Other assets	66,964	27,737
Total assets	\$12,714,522	\$10,692,760
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$1,551,885	\$1,809,532
Accrued liabilities	84,039	124,582
Accrued payroll and benefits	842,506	477,623
Loan payable, current portion	51,585	54,982
Capital lease obligation, current portion	166,454	6,196
Total current liabilities	2,696,469	2,472,915
Capital lease obligation, less current portion	310,260	6,270
Deferred rent	512,679	76,490
Warrant liability	1,195,470	731,431
Loan payable, less current portion	—	109,963
Total liabilities	4,714,878	3,397,069
Commitments and contingencies (Notes 12, 13 and 17)		
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; 15,235,073 and 14,293,305 shares issued and outstanding, respectively	152,351	142,933
Additional paid-in capital	213,222,950	211,812,134
Accumulated other comprehensive income	50,680	51,681
Accumulated deficit	(205,426,337)	(204,711,057)
Total stockholders' equity	7,999,644	7,295,691
Total liabilities and stockholders' equity	\$12,714,522	\$10,692,760

The accompanying notes are an integral part of these consolidated statements.

F-4

**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statements of Comprehensive Loss

	<b>Year ended</b>	
	<b>2015</b>	<b>2014</b>
Product sales, net	\$13,661,569	\$11,834,116
Cost of sales	7,682,194	6,444,699
Gross margin	5,979,375	5,389,417
Operating expenses:		
Selling, general and administrative	5,132,730	4,514,413
New product development	1,109,095	1,215,472
Amortization of intangibles	—	35,397
(Gain) Loss on disposal of equipment	(1,482 )	550
Total costs and expenses	6,240,343	5,765,832
Operating loss	(260,968 )	(376,415 )
Other income (expense)		
Interest expense	(18,279 )	(1,343 )
Interest expense - debt costs	(13,270 )	(35,338 )
Change in fair value of warrant liability	(464,039 )	93,520
Other income	41,276	6,327
Net loss	\$(715,280 )	\$(313,249 )
Loss per share - basic and diluted	\$(0.05 )	\$(0.02 )
Number of shares used in per share calculation- basic and diluted	14,711,586	14,002,093
Foreign currency translation adjustment	(1,001 )	(1,055 )
Comprehensive loss	\$(716,281.00)	\$(314,304.00)

The accompanying notes are an integral part of these consolidated statements.

**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statement of Stockholders' Equity

Years ended June 30, 2015 and 2014

	Class A Common Stock	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balances at June 30, 2013	12,958,239	\$ 129,582	\$ 209,645,126	\$ 52,736	\$(204,397,808)	5,429,636
Issuance of common stock for:						
Exercise of warrants, net of costs	1,136,142	11,362	1,527,699	—	—	1,539,061
Employee Stock Purchase Plan	7,764	77	7,336	—	—	7,413
Exercise of RSU or options	191,160	1,912	(1,912 )	—	—	—
Reclassification of warrant liability upon exercise			277,070	—	—	277,070
Stock based compensation on stock options & RSU	—	—	356,815	—	—	356,815
Foreign currency translation adjustment	—	—	—	(1,055 )	—	(1,055 )
Net loss	—	—	—	—	(313,249 )	(313,249 )
Balances at June 30, 2014	14,293,305	\$ 142,933	\$ 211,812,134	\$ 51,681	\$(204,711,057)	7,295,691
Issuance of common stock for:						
Employee Stock Purchase Plan	10,978	110	13,120	—	—	13,230
Private placement of common stock	930,790	9,308	1,112,746	—	—	1,122,054
Stock based compensation on stock options & RSU	—	—	284,950	—	—	284,950
Foreign currency translation adjustment	—	—	—	(1,001 )	—	(1,001 )
Net loss	—	—	—	—	(715,280 )	(715,280 )
Balances at June 30, 2015	15,235,073	\$ 152,351	\$ 213,222,950	\$ 50,680	\$(205,426,337)	\$ 7,999,644

The accompanying notes are an integral part of these consolidated statements.

**LIGHTPATH TECHNOLOGIES, INC.**

## Consolidated Statements of Cash Flows

	Year ended	
	June 30,	
	2015	2014
Cash flows from operating activities		
Net loss	\$(715,280 )	\$(313,249 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	537,143	666,322
Interest from amortization of debt costs	13,270	35,338
(Gain) Loss on disposal of property and equipment	(1,482 )	550
Stock based compensation	284,950	356,815
Provision for doubtful accounts receivable	(15,745 )	(8,864 )
Change in fair value of warrant liability	464,039	(93,520 )
Deferred rent	16,175	(143,726 )
Changes in operating assets and liabilities:		
Trade accounts receivables	(560,133 )	(337,105 )
Other receivables	(53,904 )	153,554
Inventories	141,606	(1,106,514)
Prepaid expenses and other assets	1,631	(91,407 )
Accounts payable and accrued liabilities	66,693	794,995
Deferred revenue	—	(1,966 )
Net cash provided by (used in) operating activities	178,963	(88,777 )
Cash flows from investing activities		
Purchase of property and equipment	(693,634 )	(1,982,313)
Cash flows from financing activities		
Proceeds from sale of common stock, net of costs	1,122,054	—
Proceeds from sale of common stock from employee stock purchase plan	13,230	7,413
Proceeds from exercise of warrants, net of costs	—	1,539,061
Net borrowings (payments) on loan payable	(113,360 )	164,945
Payments on capital lease obligations	(59,412 )	(7,409 )
Net cash provided by financing activities	962,512	1,704,010
Effect of exchange rate on cash and cash equivalents	(1,001 )	(1,055 )
Change in cash and cash equivalents	446,840	(368,135 )
Cash and cash equivalents, beginning of period	1,197,080	1,565,215
Cash and cash equivalents, end of period	\$1,643,920	\$1,197,080
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$18,280	\$1,343
Income taxes paid	2,316	2,988
Vesting of restricted stock units	—	1,912
Supplemental disclosure of non-cash investing & financing activities:		
Landlord credits for leasehold improvements	420,014	—
Purchase of equipment through capital lease arrangements	523,660	12,972

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

Reclassification of tooling costs to inventory	—	425,686
Reclassification of warrant liability upon exercise	—	277,070

The accompanying notes are an integral part of these consolidated statements.

F-7

## 1. Organization and History

LightPath Technologies, Inc. (“LightPath”, the “Company”, “we”, “us” or “our”) was incorporated in Delaware in 1992. It was the successor to LightPath Technologies Limited Partnership formed in 1989, and its predecessor, Integrated Solar Technologies Corporation formed in 1985. On April 14, 2000, the Company acquired Horizon Photonics, Inc. (“Horizon”). On September 20, 2000, the Company acquired Geltech, Inc. (“Geltech”). The Company completed its initial public offering (“IPO”) during fiscal 1996. In November 2005, we formed LightPath Optical Instrumentation (Shanghai) Co., Ltd (“LPOI”), a wholly-owned subsidiary located in Jiading, People’s Republic of China. In December 2013, we formed LightPath Optical Instrumentation (Zhenjiang) Co., Ltd (“LPOIZ”), a wholly-owned subsidiary located in Zhenjiang, Jiangsu Province, People’s Republic of China.

LightPath is a manufacturer and integrator of families of precision molded aspheric optics, high-performance fiber-optic collimator, GRADIUM glass lenses and other optical materials used to produce products that manipulate light. LightPath designs, develops, manufactures and distributes optical components and assemblies utilizing the latest optical processes and advanced manufacturing technologies. LightPath also performs research and development for optical solutions for the traditional optics markets and communications markets. As used herein, the terms “LightPath,” the “Company,” “we,” “us” or “our,” refer to LightPath individually or, as the context requires, collectively with its subsidiaries on a consolidated basis.

## 2. Summary of Significant Accounting Policies

**Consolidated financial statements** include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

**Cash and cash equivalents** consist of cash in the bank and temporary investments with maturities of 90 days or less when purchased.

**Allowance for accounts receivable**, is calculated by taking 100% of the total of invoices that are over 90 days past due from the due date and 10% of the total of invoices that are over 60 days past due from the due date for U.S. based accounts and 100% of invoices that are over 120 days past due for China based accounts. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers’ financial condition. If the Company’s actual collection experience changes, revisions to its allowance may be required. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.



**Inventories**, which consist principally of raw materials, tooling, work-in-process and finished lenses, collimators and assemblies are stated at the lower of cost or market, on a first-in, first-out basis. Inventory costs include materials, labor and manufacturing overhead. Acquisition of goods from our vendors has a purchase burden added to cover customs, shipping and handling costs. Fixed costs related to excess manufacturing capacity have been expensed. We look at the following criteria for parts to consider for the inventory reserve: items that have not been sold in two years or that have not been purchased in two years or of which we have more than a two-year supply. These items as identified are reserved at 100%, as well as reserving 50% for other items deemed to be slow moving within the last twelve months and reserving 25% for items deemed to have low material usage within the last six months. The parts identified are adjusted for recent order and quote activity to determine the final inventory reserve.

**Property and equipment** are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets ranging from one to ten years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets using the straight-line method. Construction in process represents the accumulated costs of assets not yet placed in service and primarily relates to manufacturing equipment.

**Long-lived assets**, such as property, plant, and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

**Deferred rent** relates to certain of the Company's operating leases containing predetermined fixed increases of the base rental rate during the lease term being recognized as rental expense on a straight-line basis over the lease term, as well as applicable leasehold improvement incentives provided by the landlord. The Company has recorded the difference between the amounts charged to operations and amounts payable under the leases as deferred rent in the accompanying consolidated balance sheets.

**Income taxes** are accounted for under the asset and liability method. Deferred income tax assets and liabilities are computed on the basis of differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based upon enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances have been established to reduce deferred tax assets to the amount expected to be realized.

The Company has not recognized a liability for uncertain tax positions. A reconciliation of the beginning and ending amount of unrecognized tax benefits or penalties has not been provided since there has been no unrecognized benefit or penalty. If there were an unrecognized tax benefit or penalty, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The Company files U.S. Federal income tax returns, and various states and foreign jurisdictions. The Company's open tax years subject to examination by the Internal Revenue Service and the Florida Department of Revenue generally remain open for three years from the date of filing.

Our cash, cash equivalents totaled \$1.6 million at June 30, 2015. Of this amount, approximately 50% was held by our foreign subsidiaries in China. These foreign funds were generated in China as a result of foreign earnings. Before any funds can be repatriated, the retained earnings in China must equal at least 150% of the registered capital. As of June 30, 2015, we have retained earnings of \$1.9 million and we need to have \$11.3 million before repatriation will be allowed. We currently do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event that funds from foreign operations are needed to fund operations in the United States, if United States taxes have not been previously provided on the related earnings, we would provide for and pay additional United States taxes at the time we change our intention with regard to the reinvestment of those earnings.

**Revenue** is recognized from product sales when products are shipped to the customer, provided that the Company has received a valid purchase order, the price is fixed, title has transferred, collection of the associated receivable is reasonably assured, and there are no remaining significant obligations. Product development agreements are generally short term in nature with revenue recognized upon shipment to the customer for products, reports or designs. Invoiced amounts for sales for value-added taxes ("VAT") are posted to the balance sheet and not included in revenue.

**Value added tax** is computed on the gross sales price on all sales of the Company's products sold in the PRC. The VAT rates range up to 17%, depending on the type of products sold. The VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing or acquiring its finished products. The Company recorded a VAT receivable net of payments in the accompanying financial statements.

**New product development** costs are expensed as incurred.

**Stock-based compensation** is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. We estimate the fair value of each restricted stock unit or stock option as of the date of grant using the Black-Scholes-Merton pricing model. Most awards granted under our Amended and Restated Omnibus Incentive Plan (the "Plan") vest ratably over two to four years and generally have four to ten-year contract lives. The volatility rate is based on historical trends in common stock closing prices and the expected term was determined based primarily on historical experience of previously outstanding awards. The interest rate used is the U.S. Treasury interest rate for constant maturities. The likelihood of meeting targets for option grants that are performance based are evaluated each quarter. If it is determined that meeting the targets is probable then the compensation expense will be amortized over the remaining vesting period.

**Management estimates.** Management makes estimates and assumptions during the preparation of the Company's consolidated financial statements that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes available, which in turn could impact the amounts reported and disclosed herein.

**Fair value of financial instruments.** The Company accounts for financial instruments in accordance with ASC 820, which provides a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable.

Level 3 - Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2015.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments which include cash, receivables, accounts payable and accrued liabilities. Fair values were assumed to approximate carrying values for these financial instruments since they are short term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand. The fair value of the Company's loan payable approximates its carrying value based upon current rates available to the Company.

The Company values its warrant liabilities based on open-form option pricing models which, based on the relevant inputs, render the fair value measurement at Level 3. The Company bases its estimates of fair value for warrant liabilities on the amount it would pay a third-party market participant to transfer the liability and incorporates inputs such as equity prices, historical and implied volatilities, dividend rates and prices of convertible securities issued by comparable companies maximizing the use of observable inputs when available. See further discussion at Note 15.

The Company does not have any other financial or non-financial assets or liabilities that would be characterized as Level 2 or Level 3 instruments.

**Derivative financial instruments.** The Company accounts for derivative instruments in accordance with ASC 815, which requires additional disclosures about the Company's objectives and strategies for using derivative instruments, how the derivative instruments and related hedged items are accounted for, and how the derivative instruments and related hedging items affect the financial statements.

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risk. Terms of convertible debt instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract, and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results.

Freestanding warrants issued by the Company in connection with the issuance or sale of debt and equity instruments are considered to be derivative instruments. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required to be classified as equity or as a derivative liability.

**Comprehensive income (loss)** of the Company is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) has two components, net income (loss) and other comprehensive income (loss), and is included on the statement of operations and comprehensive income (loss). Our other comprehensive income (loss) consists of foreign currency translation adjustments made for financial reporting purposes.

**Business segments** are required to be reported by the Company. As the Company only operates in principally one business segment, no additional reporting is required.

**Recent accounting pronouncements.** There are new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") which are not yet effective. Management does not believe any of these accounting pronouncements will have a material impact on the Company's financial position or operating results.

In July 2015, the FASB issued No. 2015-11, *Inventory - Simplifying the Measurement of Inventory* (ASU 2015-11). ASU 2015-11 provides additional guidance regarding the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. This guidance is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and the accounting for debt issue costs under IFRS. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, in August 2015, the FASB issued ASU 2015-15, *Interest - Imputation of Interest (Subtopic 835-30)*, which clarifies ASU 2015-03 by stating that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-03 is effective for the annual period ending after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments in ASU 2015-03 is permitted for financial statements that have not been previously issued. The Company does not expect the adoption of this guidance will have a material impact on its consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers” (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services.

ASU 2014-09 provides that an entity should apply a five-step approach for recognizing revenue, including (1) identifying the contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations in the contract; and (5) recognizing revenue when, or as, the entity satisfies a performance obligation. Also, the entity must provide various disclosures concerning the nature, amount and timing of revenue and cash flows arising from contracts with customers. The effective date will be the first quarter of the Company’s fiscal year ending June 30, 2019, using one of two retrospective application methods. The Company is currently analyzing the impact of this new accounting guidance.

### 3. Inventories – net

The components of inventories include the following:

	June 30, 2015	June 30, 2014
Raw materials	\$1,730,153	\$1,659,893
Work in process	919,444	865,041
Finished goods	812,643	1,063,126
Reserve for obsolescence	(280,863 )	(265,077 )
	\$3,181,377	\$3,322,983

During fiscal 2015 and 2014, the Company evaluated all reserved items and disposed of \$85,261 and \$77,564, respectively, of inventory parts and wrote them off against the reserve for obsolescence.

The value of tooling in raw materials was approximately \$1.06 million at June 30, 2015 and approximately \$913,000 at June 30, 2014.



**4. Property and Equipment – net**

Property and equipment consist of the following:

	Estimated Life (Years)	June 30, 2015	June 30, 2014
Manufacturing equipment	5 - 10	\$5,796,912	\$5,255,571
Computer equipment and software	3 - 5	327,920	299,314
Furniture and fixtures	5	105,402	101,953
Leasehold improvements	5 - 7	1,711,018	864,378
Construction in progress		886,624	665,977
Total property and equipment		8,827,876	7,187,193
Less accumulated depreciation and amortization		4,552,325	4,013,288
Total property and equipment, net		\$4,275,551	\$3,173,905

During fiscal 2015, we extended our Orlando lease term and received a tenant improvement allowance from the landlord of \$420,014. This allowance was used to construct improvements and was recorded as leasehold improvements and deferred rent liability. It will be amortized over the new lease term.

**5. Accounts Payable**

The accounts payable balance includes \$56,500 and \$54,500 representing earned but unpaid board of directors' fees as of June 30, 2015 and 2014, respectively.

**6. Stockholders' Equity**

Preferred stock—The Company's preferred stock consists of the following:

Authorized 5,000,000 shares of Series D preferred stock, \$.01 par value. The stockholders of Series D preferred stock are entitled to one vote for each share held.

Common stock—The Company's common stock consists of the following:



Authorized 40,000,000 shares of Class A common stock, \$.01 par value. The stockholders of Class A common stock are entitled to one vote for each share held.

Warrants — Warrants shares outstanding at June 30, 2015 equal 1,545,001 and include:

- warrants to purchase up to 101,549 shares of Class A common stock at \$2.48 per share at any time through October 8, 2015 issued in connection with a private placement financing in fiscal 2010;
- warrants to purchase up to 1,393,452 shares of Class A common stock at \$1.26 per share at any time through December 11, 2017 issued in connection with a private placement financing in fiscal 2012;
- warrants to purchase up to 25,000 shares of Class A common stock at \$1.03 per share at any time through December 29, 2015 issued in connection with an investor relations contract in fiscal 2012; and
- warrants to purchase up to 25,000 shares of Class A common stock at \$0.95 per share at any time through April 30, 2016 issued in connection with an investor relations contract in fiscal 2012.

During fiscal 2014, the Company received approximately \$1,539,000 in net proceeds from the exercise of warrants. The Company issued 1,136,143 shares of common stock in connection with these exercises. The exercise prices ranged from \$0.87 to \$1.89 per share of common stock.

## 7. Income Taxes

Due to the Company's losses from operations, no provision for income taxes during the years ended June 30, 2015 and 2014. The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are as follows at June 30:

	2015	2014
Deferred tax assets:		
Net operating loss and credit carryforwards	\$ 33,279,000	\$ 33,098,000
Intangible assets	6,000	75,000
Capital loss and R&D credits	1,500,000	1,454,000
Research development expenses	657,000	639,000
Inventory	135,000	128,000
Accrued expenses and other	306,000	—
Gross deferred tax assets	35,883,000	35,394,000
Valuation allowance for deferred tax assets	(35,789,000)	(35,136,000)
Total deferred tax assets	94,000	258,000
Deferred tax liabilities:		
Depreciation and other	(94,000 )	(258,000 )
Total deferred tax liabilities	(94,000 )	(258,000 )
Net deferred tax liability	\$—	\$—

The reconciliation of income tax attributable to operations computed at the United States federal statutory tax rates and the actual tax provision of zero results primarily from the change in the valuation allowance.

In assessing the potential future recognition of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately \$88.4 million prior to the expiration of net operating loss carry-forwards from 2019 through 2035. Based on the level of historical taxable income, management has provided for a valuation adjustment against the deferred tax assets of \$35,789,000 at June 30, 2015, a decrease of approximately \$653,000 over June 30, 2014.

At June 30, 2015, in addition to net operating loss carry forwards, the Company also has research and development credit carry forwards of approximately \$1,500,000, of which \$38,505 will expire in fiscal 2019. A portion of the net operating loss carry forwards may be subject to certain limitations of the Internal Revenue Code Sections 382 and 383 which would restrict the annual utilization in future periods due principally to changes in ownership in prior periods.

The Company has net operating loss carry forwards in China of \$622,000 which are expected to be used to offset profits or to expire in fiscal 2016. Subsequent to the utilization or expiration of the net operating loss carry forwards, we will accrue income taxes. The Company's Chinese subsidiaries are governed by the Income Tax Law of the PRC concerning the privately run and foreign invested enterprises, which are generally subject to tax at a statutory rate of 25% on income reported in the statutory financial statements after appropriate tax adjustments.

## 8. Compensatory Equity Incentive Plan and Other Equity Incentives

**Share-based payment arrangements** — The Plan included several available forms of stock compensation of which incentive stock options, non-qualified stock options and restricted stock units have been granted to date.

These plans are summarized below:

	Award Shares Authorized	Award Shares Outstanding at June 30, 2015	Award Shares Available for Issuance at June 30, 2015
Equity Compensation Arrangement			
Amended and Restated Omnibus Incentive Plan	3,915,625	1,797,783	1,478,778
Employee Stock Purchase Plan	400,000	—	400,000
	4,315,625	1,797,783	1,878,778

The 2004 Employee Stock Purchase Plan (“ESPP”) permitted employees to purchase common stock through payroll deductions, not to exceed 15% of an employee’s compensation, at a price not less than 85% of the market value of the stock on specified dates (June 30 and December 31). In no event could any participant purchase more than \$25,000 worth of shares of Class A common stock in any calendar year and an employee could purchase no more than 4,000 shares on any purchase date within an offering period of 12 months and 2,000 shares on any purchase date within an offering period of six months. The ESPP expired on December 6, 2014, and was replaced by the LightPath Technologies, Inc. Employee Stock Purchase Plan (“2014 ESPP”), which was adopted by the Company’s Board of Directors on October 30, 2014 and approved by the Company’s stockholders on January 29, 2015. The 2014 ESPP permits employees to purchase common stock through payroll deductions, which may not exceed 15% of an employee’s compensation, at a price not less than 85% of the market value of the stock on specified dates (June 30 and December 31). In no event can any participant purchase more than \$25,000 worth of shares of Class A common stock in any calendar year and an employee cannot purchase more than 8,000 shares on any purchase date within an offering period of 12 months and 4,000 shares on any purchase date within an offering period of six months. This discount of \$1,356 and \$755 for fiscal 2015 and 2014, respectively, is included in the selling, general and administrative expense in the accompanying consolidated statements of operations and comprehensive loss.

**Grant Date Fair Values and Underlying Assumptions; Contractual Terms**—The Company estimates the fair value of each stock option as of the date of grant. The Company uses the Black-Scholes-Merton pricing model. The ESPP or the 2014 ESPP fair value is the amount of the discount the employee obtains at the date of the purchase transaction.

For stock options and restricted stock units (“RSUs”) granted in the years ended June 30, 2015 and 2014, the Company estimated the fair value of each stock award as of the date of grant using the following assumptions:

Year Ended                      Year Ended

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

	June 30, 2015	June 30, 2014
Expected volatility	103% - 104%	105% - 123%
Weighted average expected volatility	103% - 104%	105% - 123%
Dividend yields	0%	0%
Risk-free interest rate	1.64% - 1.77%	1.60% - 2.81%
Expected term, in years	7.49	3 - 7

Most options granted under the Plan vest ratably over two to four years and are generally exercisable for ten years. The assumed forfeiture rates used in calculating the fair value of options and restricted stock unit grants with both performance and service conditions were 20% for each of the years ended June 30, 2015 and 2014. The volatility rate and expected term are based on seven-year historical trends in Class A common stock closing prices and actual forfeitures. The interest rate used is the U.S. Treasury interest rate for constant maturities.

F-14

**Information Regarding Current Share Based Payment Awards**—A summary of the activity for share-based payment awards in the years ended June 30, 2015 and 2014 is presented below:

	Shares	Stock Options		Restricted Stock Units (RSUs)	
		Weighted Average Exercise Price (per share)	Weighted Average Remaining Contract Life (YRS)	Shares	Weighted Average Remaining Contract Life (YRS)
Options Outstanding June 30, 2013	585,009	\$2.38	5.9	834,700	1.1
Granted	83,000	1.41	9.4	212,760	2.3
Exercised	—	—	—	(191,160)	—
Cancelled	(13,851)	2.40	—	—	—
		(20,121,000)	(20,121,000)		
Balance at July 2, 2005	(54,286,000)	60,730,000	(20,121,000)	(13,677,000)	
Minimum pension liability adjustment	43,180,000			43,180,000	
Foreign currency translation adjustment		47,718,000		47,718,000	
Change in fair value of interest rate swap			7,064,000	7,064,000	
Amortization of cash flow hedge			333,000	333,000	
Balance at July 1, 2006	\$ (11,106,000)	\$ 108,448,000	\$ (12,724,000)	\$ 84,618,000	

A summary of the components of other comprehensive income (loss) and the related tax effects for each of the years presented is as follows:

	2006		
	Before-Tax Amount	Income Tax	After-Tax Amount
Minimum pension liability adjustment	\$ 70,097,000	\$ 26,917,000	\$ 43,180,000
Foreign currency translation adjustment	47,718,000		47,718,000
Change in fair value of interest rate swap	11,388,000	4,324,000	7,064,000
Amortization of cash flow hedge	540,000	207,000	333,000
Other comprehensive income	\$ 129,743,000	\$ 31,448,000	\$ 98,295,000

**2005**

	<b>Before-Tax Amount</b>	<b>Income Tax</b>	<b>After-Tax Amount</b>
Minimum pension liability adjustment	\$ (54,414,000)	\$ (20,861,000)	\$ (33,553,000)
Foreign currency translation adjustment	22,357,000		22,357,000
Change in fair value of interest rate swap	(32,584,000)	(12,463,000)	(20,121,000)
Other comprehensive income	\$ (64,641,000)	\$ (33,324,000)	\$ (31,317,000)

**2004**

	<b>Before-Tax Amount</b>	<b>Income Tax</b>	<b>After-Tax Amount</b>
Minimum pension liability adjustment	\$ 266,074,000	\$ 101,689,000	\$ 164,385,000
Foreign currency translation adjustment	5,636,000		5,636,000
Other comprehensive income	\$ 271,710,000	\$ 101,689,000	\$ 170,021,000

**13. SHARE-BASED COMPENSATION**

Prior to July 3, 2005, SYSCO accounted for its stock option plans and its Employees Stock Purchase Plan using the intrinsic value method of accounting provided under APB Opinion No. 25, Accounting for Stock Issued to Employees, (APB 25) and related

52

**Table of Contents**

interpretations, as permitted by FASB Statement No. 123, Accounting for Stock-Based Compensation, (SFAS 123) under which no compensation expense was recognized for stock option grants and issuances of stock pursuant to the Employees Stock Purchase Plan. However, share-based compensation expense was recognized in periods prior to fiscal 2006 (and continues to be recognized) for stock issuances pursuant to the Management Incentive Plans and stock grants to non-employee directors. Share-based compensation was a pro forma disclosure in the financial statement footnotes and continues to be provided for periods prior to fiscal 2006.

Effective July 3, 2005, SYSCO adopted the fair value recognition provisions of FASB Statement No. 123(R), Share-Based Payment, (SFAS 123(R)) using the modified-prospective transition method. Under this transition method, compensation cost recognized in fiscal 2006 includes: a) compensation cost for all share-based payments granted through July 2, 2005, but for which the requisite service period had not been completed as of July 2, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, and b) compensation cost for all share-based payments granted subsequent to July 2, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated.

As a result of adopting SFAS 123(R) on July 3, 2005, SYSCO's earnings before income taxes and cumulative effect of accounting change and net earnings for fiscal 2006 were \$118,038,000 and \$105,810,000 lower, respectively, than if the company had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share before the cumulative effect of the accounting change for fiscal 2006 were both \$0.17 lower than if the company had continued to account for share-based compensation under APB 25.

The adoption of SFAS 123(R) results in lower diluted shares outstanding than would have been calculated had compensation cost not been recorded for stock options and stock issuances under the Employees Stock Purchase Plan. This is due to a modification required by SFAS 123(R) of the treasury stock method calculation utilized to compute the dilutive effect of stock options.

Prior to the adoption of SFAS 123(R), the company presented all tax benefits of deductions resulting from the exercise of options as operating cash flows in the Consolidated Cash Flow statement. SFAS 123(R) requires the cash flows resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The \$6,569,000 excess tax benefit classified as a financing cash inflow for fiscal 2006 would have been classified as an operating cash inflow if the company had not adopted SFAS 123(R).

SYSCO provides compensation benefits to employees and non-employee directors under several share-based payment arrangements including various employee stock option plans, the Employees Stock Purchase Plan, the Management Incentive Plans and the 2005 Non-Employee Directors Stock Plan.

*Stock Option Plans*

SYSCO's 2004 Stock Option Plan was adopted in fiscal 2005 and reserves 23,500,000 shares of SYSCO common stock for grants of options and dividend equivalents to directors, officers and other employees of the company and its subsidiaries at the market price at the date of grant. This plan provides for the issuance of options qualified as incentive stock options under the Internal Revenue Code of 1986, options which are non-qualified, and dividend equivalents. To date, SYSCO has only issued options under this plan. Vesting requirements for awards under this plan will vary by individual grant and may include either time-based vesting or time-based vesting subject to acceleration based on performance criteria. The contractual life of all options granted under this plan will be no greater than seven years. As of July 1, 2006, there were 18,656,450 remaining shares authorized and available for grant under the 2004 Stock Option Plan.

SYSCO has also granted employee options under several previous employee stock option plans for which previously granted options remain outstanding at July 1, 2006. No new options will be issued under any of the prior plans, as future grants to employees will be made through the 2004 Stock Option Plan or subsequently adopted plans. Vesting requirements for awards under these plans vary by individual grant and include either time-based vesting or time-based vesting subject to acceleration based on performance criteria. The contractual life of all options granted under these plans through July 3, 2004 is 10 years; options granted after July 3, 2004 have a contractual life of seven years.



SYSCO's 2005 Non-Employee Directors Stock Plan was adopted in fiscal 2006 and reserves 550,000 shares of common stock for grants to non-employee directors in the form of options, stock grants, restricted stock units and dividend equivalents. In addition, options and unvested common shares also remained outstanding as of July 1, 2006 under previous non-employee director stock plans. No further grants will be made under these previous plans, as all future grants to non-employee directors will be made through the 2005 Non-Employee Directors Stock Plan or subsequently adopted plans. Vesting requirements for awards under these plans vary by

**Table of Contents**

individual grant and include either time-based vesting or time-based vesting subject to acceleration based on performance criteria. The contractual life of all options granted under these plans through July 3, 2004 is 10 years; options granted after July 3, 2004 have a contractual life of seven years. As of July 1, 2006, there were 478,593 remaining shares authorized and available for grant under the 2005 Non-Employee Directors Stock Plan.

Certain of SYSCO's option awards are generally subject to graded vesting over a service period. In those cases, SYSCO recognizes compensation cost on a straight-line basis over the requisite service period for the entire award. In other cases, certain of SYSCO's option awards provide for graded vesting over a service period but include a performance-based provision allowing for accelerated vesting. In these cases, if it is probable that the performance condition will be met, SYSCO recognizes compensation cost on a straight-line basis over the shorter performance period; otherwise, it will recognize compensation cost over the longer service period.

In addition, certain of SYSCO's options provide that the options continue to vest as if the optionee continued to be an employee if the optionee meets certain age and years of service thresholds upon retirement. In these cases, for awards granted through July 2, 2005, SYSCO will recognize the compensation cost for such awards over the service period and accelerate any remaining unrecognized compensation cost when the employee retires. Due to the adoption of SFAS 123(R), for awards granted subsequent to July 2, 2005, SYSCO will recognize compensation cost for such awards over the period from the grant date to the date the employee first becomes eligible to retire with the options continuing to vest after retirement. If SYSCO had recognized compensation cost for such awards over the period from the grant date to the date the employee first became eligible to retire with the options continuing to vest after retirement for all periods presented, recognized compensation cost would have been \$23,907,000 lower for fiscal 2006. There would be no impact to recognized compensation cost for fiscal 2005 and 2004, as the company was accounting for stock compensation under APB 25, under which no compensation expense was recognized for stock option grants.

The fair value of each option award is estimated as of the date of grant using a Black-Scholes option pricing model. The weighted average assumptions for the periods indicated are noted in the following table. Expected volatility is based on historical volatility of SYSCO's stock, implied volatilities from traded options on SYSCO's stock and other factors. SYSCO utilizes historical data to estimate option exercise and employee termination behavior within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The following weighted-average assumptions were used for each fiscal year presented:

	2006	2005	2004
Dividend yield	1.40%	1.45%	1.49%
Expected volatility	23%	22%	22%
Risk-free interest rate	3.9%	3.4%	3.2%
Expected life	5 years	5 years	5 years

The following summary presents information regarding outstanding options as of July 1, 2006 and changes during the fiscal year then ended with regard to options under all stock option plans:

	Shares Under Option	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at July 2, 2005	65,963,380	\$ 27.82		

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

Granted	4,859,000		32.99		
Exercised	(4,004,355)		20.73		
Forfeited	(1,009,865)		29.42		
Expired	(291,491)		30.10		
Outstanding at July 1, 2006	65,516,669	\$	28.60	5.56	\$ 168,690,000
Vested or expected to vest at July 1, 2006	63,468,460	\$	28.49	5.54	\$ 168,550,000
Exercisable at July 1, 2006	45,316,732	\$	27.23	5.35	\$ 162,057,000

The total number of employee options granted was 4,826,500, 8,515,000 and 13,344,746 in fiscal years 2006, 2005 and 2004, respectively. During fiscal 2006, 876,000 options were granted to 17 executive officers and 3,950,500 options were granted to approximately 1,200 other key employees. During fiscal 2005, 2,763,000 options were granted to approximately 2,700 non-executive

**Table of Contents**

employees based on tenure, 557,000 options were granted to 18 executive officers and 5,195,000 options were granted to approximately 1,700 other key employees. During fiscal 2004, 2,482,000 options were granted to approximately 2,400 non-executive employees based on tenure, 821,000 options were granted to 17 executive officers and 10,041,746 options were granted to approximately 2,000 other key employees.

The weighted average grant-date fair value of options granted fiscal 2006, 2005 and 2004 were \$7.83, \$7.12 and \$6.74, respectively. The total intrinsic value of options exercised during fiscal 2006, 2005 and 2004, was \$48,928,000, \$81,220,000 and \$100,385,000, respectively.

*Employees Stock Purchase Plan*

SYSCO has an Employees Stock Purchase Plan which permits employees to invest in SYSCO common stock by means of periodic payroll deductions at 85% of the closing price on the last business day of each calendar quarter. The total number of shares which may be sold pursuant to the plan may not exceed 68,000,000 shares, of which 4,894,348 remained available at July 1, 2006.

During fiscal 2006, 1,840,764 shares of SYSCO common stock were purchased by the participants as compared to 1,712,244 shares purchased in fiscal 2005 and 1,620,535 shares purchased in fiscal 2004. In July 2006, 475,488 shares were purchased by participants.

The weighted average fair value of employee stock purchase rights issued pursuant to the Employees Stock Purchase Plan was \$4.88, \$5.19 and \$5.17 per share during fiscal 2006, 2005 and 2004, respectively. The fair value of the stock purchase rights was calculated as the difference between the stock price at date of issuance and the employee purchase price.

*Management Incentive Compensation*

In November 2005, SYSCO adopted the 2005 Management Incentive Plan. The first bonus under the 2005 Plan will be earned during fiscal 2007 (at which time no further bonuses will be earned under the 2000 Management Incentive Plan) and paid in the following fiscal year.

SYSCO's Management Incentive Plans compensate key management personnel for specific performance achievements. The bonuses earned and expensed under these plans were \$23,235,000 in fiscal 2006, \$50,505,000 in fiscal 2005 and \$77,494,000 in fiscal 2004; these amounts were paid in the following fiscal year in both cash and stock or deferred for payment in future years at the election of each participant. The stock awards under these plans immediately vest upon issuance; however, participants are restricted from selling, transferring, giving or otherwise conveying the shares for a period of two years from the date of issuance of such shares. The fair value of the stock issued under the Management Incentive Plans is based on the stock price less a 12% discount for post-vesting restrictions. The discount for post-vesting restrictions is estimated based on restricted stock studies and by calculating the cost of a hypothetical protective put option over the restriction period. There were 180, 174 and 174 participants in the plan in fiscal 2006, 2005 and 2004, respectively. Participants in the Management Incentive Plan also have the option to defer portions of their salary and bonuses pursuant to the Executive Deferred Compensation Plan.

A total of 617,637 shares, 1,001,624 shares and 940,843 shares at a fair value of \$36.25, \$34.80 and \$29.55 were issued pursuant to this plan in fiscal 2006, 2005 and 2004, respectively, for bonuses earned in the preceding fiscal years. As of July 1, 2006, there were 4,000,000 remaining shares that may be issued under the Management Incentive Plans. In August 2006, 323,822 shares were issued in payment of the portion of the bonuses earned in fiscal 2006 elected to be received in stock.

*Non-Employee Director Stock Grants*

Each newly elected director is granted a one-time retainer award of 6,000 shares of SYSCO common stock under the 2005 Non-Employee Directors Stock Plan. These shares vest one-third every year over a three-year period. In addition, there are one-time retainer awards outstanding under the Non-Employee Directors Stock Plan, which was replaced by the 2005 Non-Employee Directors Stock Plan. The total amount of unvested shares related to the one-time retainer awards as of July 1, 2006, July 2, 2005 and July 3, 2004 was not significant.

The 2005 Non-Employee Directors Stock Plan provides for the issuance of restricted stock. During fiscal 2006, 27,000 shares of restricted stock were granted to non-employee directors. These shares will vest ratably over a three-year period.

Non-employee directors may also elect to receive up to 50% of their annual directors' fees in SYSCO common stock. As a result of such elections, a total of 12,907, 11,836 and 11,640 shares with a weighted-average grant date fair value of \$33.63, \$35.38 and \$30.82 per share were issued in fiscal 2006, 2005 and 2004, respectively.

**Table of Contents***All Share-Based Payment Arrangements*

The total share-based compensation cost that has been recognized in results of operations was \$126,837,000, \$19,749,000 and \$34,857,000 for fiscal 2006, 2005 and 2004, respectively, and is included within the line item Operating expenses within the Consolidated Results of Operations. The total income tax benefit recognized in results of operations for share-based compensation arrangements was \$15,607,000, \$8,597,000 and \$13,385,000 for fiscal 2006, 2005 and 2004, respectively.

As of July 1, 2006, there was \$112,111,000 of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 2.72 years.

Cash received from option exercises was \$93,337,000, \$124,701,000 and \$104,791,000 during fiscal 2006, 2005 and 2004, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$12,507,000, \$20,887,000 and \$20,551,000 during fiscal 2006, 2005 and 2004, respectively.

*Pro Forma Net Earnings*

The following table provides pro forma net earnings and earnings per share had SYSCO applied the fair value method of SFAS 123 for fiscal 2005 and 2004:

	<b>2005</b>	<b>2004</b> <b>(53 Weeks)</b>
Net earnings:		
Reported net earnings	\$ 961,457,000	\$ 907,214,000
Add: Stock-based employee compensation expense included in reported earnings, net of related tax effects(1)	11,152,000	21,472,000
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(98,815,000)	(106,747,000)
Pro forma net earnings	\$ 873,794,000	\$ 821,939,000
Basic earnings per share:		
Reported basic earnings per share	\$ 1.51	\$ 1.41
Pro forma basic earnings per share	1.37	1.28
Diluted earnings per share:		
Reported diluted earnings per share	\$ 1.47	\$ 1.37
Pro forma diluted earnings per share	1.36	1.26

(1) Amounts represent the after-tax compensation costs for stock grants.

The pro forma presentation includes only options granted after 1995. The pro forma effects for the periods presented are not necessarily indicative of the pro forma effects in future years.

**14. INCOME TAXES**

The income tax provision for each fiscal year consists of the following:

	<b>2006</b>	<b>2005</b>	<b>2004</b> <b>(53 Weeks)</b>
United States federal income taxes	\$ 486,642,000	\$ 485,499,000	\$ 473,757,000
State, local and foreign income taxes	62,264,000	78,480,000	94,173,000
Total	\$ 548,906,000	\$ 563,979,000	\$ 567,930,000

Included in the income taxes charged to earnings are net deferred tax provisions of \$533,108,000, \$554,850,000, and \$608,152,000 in fiscal 2006, 2005 and 2004, respectively. The deferred tax provisions result from the effects of net changes during the year in deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In addition to the deferred tax provision, changes in the deferred tax liability balances in fiscal 2006, 2005 and 2004 were also impacted by the reclassification of deferred supply chain distributions from current deferred tax liabilities to accrued income taxes based on the timing of when payments related to these items become payable. These reclassifications were \$497,830,000 and \$473,970,000 in fiscal 2006 and 2005, respectively. Deferred supply chain distributions

56

---

**Table of Contents**

are classified as current or deferred tax liabilities based on when the related income tax payments will become payable. The net cash flow impact of supply chain distribution deferrals in fiscal 2006 was incrementally positive when compared to what would have been paid on an annual basis without the deferral, due to increased volume through the Baugh Supply Chain Cooperative.

Significant components of SYSCO's deferred tax assets and liabilities are as follows:

	<b>July 1, 2006</b>	<b>July 2, 2005</b>
Deferred tax liabilities:		
Deferred supply chain distributions	\$ 924,902,000	\$ 856,741,000
Excess tax depreciation and basis differences of assets	383,636,000	398,690,000
Pension	58,406,000	59,836,000
Other	7,987,000	13,864,000
<b>Total deferred tax liabilities</b>	<b>1,374,931,000</b>	<b>1,329,131,000</b>
Deferred tax assets:		
Net operating tax loss carryforwards	112,593,000	83,609,000
Deferred compensation	45,878,000	40,640,000
Casualty insurance	35,254,000	33,246,000
Receivables	25,208,000	25,081,000
Inventory	22,549,000	32,856,000
Other	37,251,000	31,766,000
<b>Total deferred tax assets</b>	<b>278,733,000</b>	<b>247,198,000</b>
Valuation allowances	80,851,000	77,334,000
<b>Total net deferred tax liabilities</b>	<b>\$ 1,177,049,000</b>	<b>\$ 1,159,267,000</b>

The amount of taxes paid in fiscal 2004 was reduced by \$70,615,000 as the result of the utilization of a U.S. federal net operating loss carryforward. This net operating loss carryforward was generated in fiscal 2003 primarily as a result of the deferral of supply chain distributions.

Also impacting the amount of taxes paid in each year is the amount of deductible pension contributions made in each year. Pension contributions were substantially lower in fiscal 2006 as compared to fiscal 2005 and 2004. The company expects that its pension contributions in fiscal 2007 will be approximately \$90,000,000.

The company had state and Canadian net operating losses at July 1, 2006 and July 2, 2005, respectively. The net operating losses outstanding at July 1, 2006 expire in fiscal years 2007 through 2026. A valuation allowance of \$80,851,000 and \$77,334,000 was recorded as of July 1, 2006 and July 2, 2005, respectively, as management believes that it is more likely than not that a portion of the benefits of these state and Canadian tax loss carryforwards will not be realized.

Reconciliations of the statutory federal income tax rate to the effective income tax rates for each fiscal year are as follows:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
United States statutory federal income tax rate	35.00%	35.00%	35.00%
State and local income taxes, net of federal income tax benefit	2.17	2.74	3.21



Other	2.18	(0.77)	0.29
	39.35%	36.97%	38.50%

SYSCO recorded a tax benefit of \$12,228,000, or 10.4% of the \$118,038,000, in incremental share-based compensation expense recorded in fiscal 2006 as a result of the adoption of SFAS 123(R), causing an increase in the fiscal 2006 effective tax rate compared to fiscal 2005. In addition, the comparison of the effective rate for fiscal 2006 with fiscal 2005 is affected by the adjustments to fiscal 2005 income tax expense. The income tax provision in fiscal 2005 included a tax benefit of \$19,500,000 primarily related to the reversal of a tax contingency accrual and to the reversal of valuation allowances previously recorded on certain state net operating loss carryforwards.

SYSCO's option grants include options which qualify as incentive stock options for income tax purposes. The treatment of the potential tax deduction, if any, related to incentive stock options is the primary reason for the company's increased effective tax rate in fiscal 2006 and may cause variability in the company's effective tax rate in future periods. In the period the compensation cost related

**Table of Contents**

to incentive stock options is recorded, a corresponding tax benefit is not recorded as it is assumed that the company will not receive a tax deduction related to such incentive stock options. The company may be eligible for tax deductions in subsequent periods to the extent that there is a disqualifying disposition of the incentive stock option. In such cases, the company would record a tax benefit related to the tax deduction in an amount not to exceed the corresponding cumulative compensation cost recorded in the financial statements on the particular options multiplied by the statutory tax rate.

In evaluating the exposures connected with the various tax filing positions, the company establishes an accrual when, despite management's belief that the company's tax return positions are supportable, management believes that certain positions may be successfully challenged and a loss is probable. When facts and circumstances change, these accruals are adjusted.

The company intends to permanently reinvest the undistributed earnings of its Canadian subsidiaries in those businesses outside of the United States and, therefore, has not provided for U.S. deferred income taxes on such undistributed foreign earnings. The determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings is not practicable.

The determination of the company's provision for income taxes requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. The company's provision for income taxes reflects a combination of income earned and taxed in the various U.S. federal and state, as well as Canadian federal and provincial jurisdictions. Jurisdictional tax law changes, increases or decreases in permanent differences between book and tax items, accruals or adjustments of accruals for tax contingencies or valuation allowances, and the company's change in the mix of earnings from these taxing jurisdictions all affect the overall effective tax rate.

As of July 1, 2006, the company's 2003 and 2004 federal income tax returns were under audit by the Internal Revenue Service (IRS). The company believes that it has appropriate support for the positions taken on these tax returns and has recorded a liability of approximately \$10,000,000 for its best estimate of the probable loss on certain of these positions. However, if the IRS disagrees with the positions taken by the company on its tax returns, SYSCO could have additional tax liability, including interest and penalties.

**Table of Contents****15. ACQUISITIONS**

During fiscal 2006, SYSCO acquired for cash one broadline foodservice operation, one custom meat-cutting operation and five specialty produce distributors. During fiscal 2005, SYSCO acquired for cash one broadline foodservice operation, four custom meat-cutting operations, and two specialty produce distributors. During fiscal 2004, SYSCO acquired for cash certain assets of two broadline foodservice operations, a specialty produce distributor, and one quickservice operation. The acquisitions were immaterial, individually and in the aggregate, to the consolidated financial statements.

During fiscal 2006, in the aggregate, the company paid cash of \$114,378,000 and issued 161,549 shares with a value of \$3,055,000 for acquisitions during fiscal 2006 and for contingent consideration related to operations acquired in previous fiscal years. In addition, escrowed funds related to certain acquisitions in the amount of \$800,000 were released to sellers during fiscal 2006.

Certain acquisitions involve contingent consideration typically payable only in the event that certain operating results are attained or certain outstanding contingencies are resolved. Aggregate contingent consideration amounts outstanding as of July 1, 2006 included \$147,572,000 in cash, which, if distributed, could result in the recording of additional goodwill. Such amounts typically are to be paid out over periods of up to five years from the date of acquisition.

**16. COMMITMENTS AND CONTINGENCIES**

SYSCO has committed with a third party service provider to provide hardware and hardware hosting services. The services are to be provided over a ten year period beginning in fiscal 2005 and ending in fiscal 2015. The total cost of the services over that period is expected to be approximately \$300,000,000. This amount may be reduced by SYSCO utilizing less than estimated resources and can be increased by SYSCO utilizing more than estimated resources and the adjustments for inflation provided for in the agreements. SYSCO may also cancel a portion or all of the services provided beginning in fiscal 2007 subject to termination fees which decrease over time. Although it does not expect to, if SYSCO were to terminate all of the services in fiscal 2007, the estimated termination fee incurred in fiscal 2007 would be approximately \$8,300,000. SYSCO believes that these agreements will provide a more secure and reliable environment for its data processing as well as reduce overall operating costs over the ten year period.

SYSCO is engaged in various legal proceedings which have arisen but have not been fully adjudicated. These proceedings, in the opinion of management, will not have a material adverse effect upon the consolidated financial position or results of operations of the company when ultimately concluded.

**17. BUSINESS SEGMENT INFORMATION**

The company has aggregated its operating companies into a number of segments, of which only Broadline and SYGMA are reportable segments as defined in SFAS No. 131. Broadline operating companies distribute a full line of food products and a wide variety of non-food products to both traditional and chain restaurant customers. SYGMA operating companies distribute a full line of food products and a wide variety of non-food products to certain chain restaurant customer locations. Other financial information is attributable to the company's other segments, including the company's specialty produce, custom-cut meat and lodging industry products segments.

The accounting policies for the segments are the same as those disclosed by SYSCO. Intersegment sales represent specialty produce and meat company products distributed by the Broadline and SYGMA operating companies. The segment results include allocation of centrally incurred costs for shared services that eliminate upon consolidation. Centrally incurred costs are allocated based upon the relative level of service used by each operating company.

**Table of Contents**

The following table sets forth the financial information for SYSCO's business segments:

	<b>Fiscal Year</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b> <b>(53 Weeks)</b>
	<b>(In thousands)</b>		
<b>Sales:</b>			
Broadline	\$ 25,678,728	\$ 24,266,978	\$ 23,852,420
SYGMA	4,338,877	3,916,255	3,548,693
Other	3,011,984	2,440,088	2,250,227
Intersegment sales	(401,151)	(341,407)	(315,937)
<b>Total</b>	<b>\$ 32,628,438</b>	<b>\$ 30,281,914</b>	<b>\$ 29,335,403</b>
<b>Earnings before income taxes:</b>			
Broadline	\$ 1,545,269	\$ 1,516,017	\$ 1,443,640
SYGMA	8,097	18,143	25,231
Other	110,613	86,028	76,996
<b>Total segments</b>	<b>1,663,979</b>	<b>1,620,188</b>	<b>1,545,867</b>
Unallocated corporate expenses	(269,033)	(94,752)	(70,723)
<b>Total</b>	<b>\$ 1,394,946</b>	<b>\$ 1,525,436</b>	<b>\$ 1,475,144</b>
<b>Depreciation and amortization:</b>			
Broadline	\$ 237,271	\$ 237,970	\$ 222,695
SYGMA	26,955	20,836	18,684
Other	26,334	20,394	17,702
<b>Total segments</b>	<b>290,560</b>	<b>279,200</b>	<b>259,081</b>
Corporate	54,502	37,543	24,514
<b>Total</b>	<b>\$ 345,062</b>	<b>\$ 316,743</b>	<b>\$ 283,595</b>
<b>Capital expenditures:</b>			
Broadline	\$ 336,008	\$ 270,995	\$ 353,362
SYGMA	63,213	51,840	24,475
Other	55,600	23,919	22,794
<b>Total segments</b>	<b>454,821</b>	<b>346,754</b>	<b>400,631</b>
Corporate	59,930	43,449	129,455
<b>Total</b>	<b>\$ 514,751</b>	<b>\$ 390,203</b>	<b>\$ 530,086</b>
<b>Assets:</b>			
Broadline	\$ 5,242,561	\$ 4,885,175	\$ 4,826,535
SYGMA	389,771	301,729	240,418

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

Other	807,230	636,549	554,335
Total segments	6,439,562	5,823,453	5,621,288
Corporate	2,552,463	2,444,449	2,226,344
Total	\$ 8,992,025	\$ 8,267,902	\$ 7,847,632

The company does not allocate share-based compensation related to stock option grants, issuances of stock pursuant to the Employees Stock Purchase Plan and stock grants to non-employee directors and corporate officers. The increase in unallocated corporate expenses in fiscal 2006 over fiscal 2005 is primarily attributable to these items. See further discussion of Share-Based Compensation in Note 13.

60

---

**Table of Contents**

The sales mix for the principal product categories for each fiscal year is as follows:

	2006	2005	2004 (53 Weeks)
	<b>(In thousands)</b>		
Fresh and frozen meats	\$ 6,153,468	\$ 5,732,834	\$ 5,533,217
Canned and dry products	5,849,082	5,417,418	5,370,859
Frozen fruits, vegetables, bakery and other	4,405,908	4,104,170	3,946,468
Poultry	3,283,174	3,222,927	3,166,806
Dairy products	3,014,104	2,878,904	2,766,425
Fresh produce	2,769,805	2,459,295	2,329,638
Paper and disposables	2,595,358	2,353,104	2,225,532
Seafood	1,751,062	1,591,022	1,559,133
Beverage products	1,078,030	962,039	928,073
Equipment and smallwares	782,523	681,653	625,801
Janitorial products	740,601	670,105	655,305
Medical supplies	205,323	208,443	228,146
Total	\$ 32,628,438	\$ 30,281,914	\$ 29,335,403

Information concerning geographic areas is as follows:

	<b>Fiscal Year</b>		
	2006	2005	2004 (53 Weeks)
	<b>(In thousands)</b>		
Sales:(1)			
United States	\$ 29,866,956	\$ 27,850,921	\$ 27,144,352
Canada	2,761,482	2,430,993	2,191,051
Total	\$ 32,628,438	\$ 30,281,914	\$ 29,335,403
Long-lived assets:(2)			
United States	\$ 2,328,609	\$ 2,156,588	\$ 2,073,404
Canada	136,291	111,713	93,405
Total	\$ 2,464,900	\$ 2,268,301	\$ 2,166,809

(1) Represents sales from external customers from businesses operating in these countries.

(2) Long-lived assets represents net property, plant and equipment reported in the country in which they are held.

**18. SUPPLEMENTAL GUARANTOR INFORMATION**

SYSCO International, Co. is an unlimited liability company organized under the laws of the Province of Nova Scotia, Canada and is a wholly-owned subsidiary of SYSCO. In May 2002, SYSCO International, Co. issued, in a private offering, \$200,000,000 of 6.10% notes due in 2012 (see Note 8, Debt). In December 2002, these notes were exchanged for substantially identical notes in an exchange offer registered under the Securities Act of 1933. These notes are fully and unconditionally guaranteed by SYSCO. SYSCO International, Co. is a holding company with no significant sources of income or assets, other than its equity interests in its subsidiaries and interest income from loans made to its subsidiaries. The proceeds from the issuance of the 6.10% notes were used to repay commercial paper issued to fund the fiscal 2002 acquisition of a Canadian broadline foodservice operation.

The following condensed consolidating financial statements present separately the financial position, results of operations and cash flows of the parent guarantor (SYSCO), the subsidiary issuer (SYSCO International) and all other non-guarantor subsidiaries of SYSCO (Other Non-Guarantor Subsidiaries) on a combined basis and eliminating entries.

**Table of Contents**

**Condensed Consolidating Balance Sheet**  
**July 1, 2006**

	<b>SYSCO</b>	<b>SYSCO</b>	<b>Other</b>		<b>Consolidated</b>	
	<b>SYSCO</b>	<b>International</b>	<b>Non-Guarantor</b>	<b>Eliminations</b>	<b>Totals</b>	
			<b>Subsidiaries</b>			
			<b>(In thousands)</b>			
Current assets	\$ 162,177	\$ 35	\$ 4,237,482	\$	\$ 4,399,694	
Investment in subsidiaries	11,282,232	317,812	125,433	(11,725,477)		
Plant and equipment, net	174,020		2,290,880		2,464,900	
Other assets	711,056		1,416,375		2,127,431	
<b>Total assets</b>	<b>\$ 12,329,485</b>	<b>\$ 317,847</b>	<b>\$ 8,070,170</b>	<b>\$ (11,725,477)</b>	<b>\$ 8,992,025</b>	
Current liabilities	\$ 331,417	\$ 1,022	\$ 2,893,964	\$	\$ 3,226,403	
Intercompany payables (receivables)	7,207,923	38,308	(7,246,231)			
Long-term debt	1,358,452	224,247	44,428		1,627,127	
Other liabilities	487,858		598,353		1,086,211	
Shareholders' equity	2,943,835	54,270	11,779,656	(11,725,477)	3,052,284	
<b>Total liabilities and shareholders' equity</b>	<b>\$ 12,329,485</b>	<b>\$ 317,847</b>	<b>\$ 8,070,170</b>	<b>\$ (11,725,477)</b>	<b>\$ 8,992,025</b>	

**Condensed Consolidating Balance Sheet**  
**July 2, 2005**

	<b>SYSCO</b>	<b>SYSCO</b>	<b>Other</b>		<b>Consolidated</b>	
	<b>SYSCO</b>	<b>International</b>	<b>Non-Guarantor</b>	<b>Eliminations</b>	<b>Totals</b>	
			<b>Subsidiaries</b>			
			<b>(In thousands)</b>			
Current assets	\$ 156,812	\$ 32	\$ 3,844,942	\$	\$ 4,001,786	
Investment in subsidiaries	9,979,188	283,033	164,218	(10,426,439)		
Plant and equipment, net	120,800		2,147,501		2,268,301	
Other assets	698,283		1,299,532		1,997,815	
<b>Total assets</b>	<b>\$ 10,955,083</b>	<b>\$ 283,065</b>	<b>\$ 7,456,193</b>	<b>\$ (10,426,439)</b>	<b>\$ 8,267,902</b>	
Current liabilities	\$ 696,995	\$ 34,330	\$ 2,726,245	\$	\$ 3,457,570	
Intercompany payables (receivables)	6,342,306	10,546	(6,352,852)			
Long-term debt	709,452	199,560	47,165		956,177	
Other liabilities	508,221		587,095		1,095,316	
Shareholders' equity	2,698,109	38,629	10,448,540	(10,426,439)	2,758,839	



Total liabilities and shareholders equity	\$ 10,955,083	\$ 283,065	\$ 7,456,193	\$ (10,426,439)	\$ 8,267,902
--	---------------	------------	--------------	-----------------	--------------

62

---

**Table of Contents**

**Condensed Consolidating Results of Operations  
Year Ended July 1, 2006**

	SYSCO		Other Non-Guarantor		Eliminations	Consolidated Totals
	SYSCO	International	Subsidiaries	Subsidiaries		
	<b>(In thousands)</b>					
Sales	\$	\$	\$	32,628,438	\$	\$ 32,628,438
Cost of sales				26,337,107		26,337,107
Operating expenses	256,351	130		4,539,820		4,796,301
Interest expense (income)	374,838	11,108		(276,846)		109,100
Other, net	(2,919)			(6,097)		(9,016)
Total costs and expenses	628,270	11,238		30,593,984		31,233,492
Earnings (losses) before income taxes and cumulative effect of accounting change	(628,270)	(11,238)		2,034,454		1,394,946
Income tax (benefit) provision	(181,070)	(4,055)		734,031		548,906
Equity in earnings of subsidiaries	1,293,240	6,063		(1,299,303)		
Net earnings before cumulative effect of accounting change	846,040	(1,120)		1,300,423	(1,299,303)	846,040
Cumulative effect of accounting change	9,285					9,285
Net earnings	\$ 855,325	\$ (1,120)	\$	1,300,423	\$ (1,299,303)	\$ 855,325

**Condensed Consolidating Results of Operations  
Year Ended July 2, 2005**

	SYSCO		Other Non-Guarantor		Eliminations	Consolidated Totals
	SYSCO	International	Subsidiaries	Subsidiaries		
	<b>(In thousands)</b>					
Sales	\$	\$	\$	30,281,914	\$	\$ 30,281,914
Cost of sales				24,498,200		24,498,200
Operating expenses	100,595	115		4,093,474		4,194,184

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

Interest expense (income)	312,901	11,510	(249,411)	75,000
Other, net	(747)		(10,159)	(10,906)
Total costs and expenses	412,749	11,625	28,332,104	28,756,478
Earnings (loss) before income taxes	(412,749)	(11,625)	1,949,810	1,525,436
Income tax (benefit) provision	(157,876)	(4,447)	726,302	563,979
Equity in earnings of subsidiaries	1,216,330	6,500	(1,222,830)	
Net earnings (loss)	\$ 961,457	\$ (678)	\$ 1,223,508	\$ (1,222,830) \$ 961,457

**Condensed Consolidating Results of Operations  
Year Ended July 3, 2004  
(53 Weeks)**

	<b>SYSCO</b>		<b>Other Non-Guarantor</b>		<b>Consolidated Totals</b>
	<b>SYSCO</b>	<b>International</b>	<b>Subsidiaries</b>	<b>Eliminations</b>	
			<b>(In thousands)</b>		
Sales	\$	\$	\$ 29,335,403	\$	\$ 29,335,403
Cost of sales			23,661,514		23,661,514
Operating expenses	118,937	109	4,022,184		4,141,230
Interest expense (income)	255,708	13,923	(199,751)		69,880
Other, net	(372)	(1,028)	(10,965)		(12,365)
Total costs and expenses	374,273	13,004	27,472,982		27,860,259
Earnings (loss) before income taxes	(374,273)	(13,004)	1,862,421		1,475,144
Income tax (benefit) provision	(144,095)	(5,007)	717,032		567,930
Equity in earnings of subsidiaries	1,137,392	5,267	(1,142,659)		
Net earnings (loss)	\$ 907,214	\$ (2,730)	\$ 1,145,389	\$ (1,142,659)	\$ 907,214

**Table of Contents****Condensed Consolidating Cash Flows  
Year Ended July 1, 2006**

	<b>SYSCO</b>	<b>SYSCO International</b>	<b>Other Non-Guarantor Subsidiaries</b>	<b>Consolidated Totals</b>
	<b>(In thousands)</b>			
Net cash provided by (used for):				
Operating activities	\$ (285,100)	\$ (7,496)	\$ 1,416,428	\$ 1,123,832
Investing activities	(72,197)		(536,474)	(608,671)
Financing activities	(490,457)	(8,311)	(5,849)	(504,617)
Exchange rate on cash			(325)	(325)
Intercompany activity	853,281	15,807	(869,088)	
Net increase in cash	5,527		4,692	10,219
Cash at the beginning of the period	125,748		65,930	191,678
Cash at the end of the period	\$ 131,275	\$	\$ 70,622	\$ 201,897

**Condensed Consolidating Cash Flows  
Year Ended July 2, 2005**

	<b>SYSCO</b>	<b>SYSCO International</b>	<b>Other Non-Guarantor Subsidiaries</b>	<b>Consolidated Totals</b>
	<b>(In thousands)</b>			
Net cash provided by (used for):				
Operating activities	\$ (223,358)	\$ (6,958)	\$ 1,422,476	\$ 1,192,160
Investing activities	36,865		(450,305)	(413,440)
Financing activities	(739,429)	(40,772)	(4,389)	(784,590)
Exchange rate on cash			(2,158)	(2,158)
Intercompany activity	964,163	47,730	(1,011,893)	
Net increase (decrease) in cash	38,241		(46,269)	(8,028)
Cash at the beginning of the period	87,507		112,199	199,706
Cash at the end of the period	\$ 125,748	\$	\$ 65,930	\$ 191,678

**Condensed Consolidating Cash Flows  
Year Ended July 3, 2004  
(53 Weeks)**

	<b>SYSCO</b>	<b>SYSCO International</b>	<b>Other Non-Guarantor Subsidiaries</b>	<b>Consolidated Totals</b>
	<b>(In thousands)</b>			
Net cash provided by (used for):				
Operating activities	\$ (170,238)	\$ 24,676	\$ 1,336,578	\$ 1,191,016
Investing activities	(193,274)		(490,537)	(683,811)
Financing activities	(598,631)	(27,923)	(16,791)	(643,345)
Exchange rate on cash			(1,601)	(1,601)
Intercompany activity	843,607	2,733	(846,340)	
Net (decrease) in cash	(118,536)	(514)	(18,691)	(137,741)
Cash at the beginning of the period	206,043	514	130,890	337,447
Cash at the end of the period	\$ 87,507	\$	\$ 112,199	\$ 199,706

**Table of Contents****19. QUARTERLY RESULTS (UNAUDITED)**

Financial information for each quarter in the years ended July 1, 2006 and July 2, 2005 is set forth below:

	<b>Fiscal 2006 Quarter Ended</b>				
	<b>October 1</b>	<b>December 31</b>	<b>April 1</b>	<b>July 1</b>	<b>Fiscal Year</b>
	<b>(In thousands except for share data)</b>				
Sales(1)	\$ 8,010,484	\$ 7,971,061	\$ 8,137,816	\$ 8,509,077	\$ 32,628,438
Cost of sales(1)	6,480,793	6,434,753	6,602,102	6,819,459	26,337,107
Operating expenses	1,176,656	1,171,469	1,193,270	1,254,906	4,796,301
Interest expense	22,246	29,227	29,441	28,186	109,100
Other, net	(3,115)	(2,220)	(819)	(2,862)	(9,016)
<b>Total costs and expenses</b>	<b>7,676,580</b>	<b>7,633,229</b>	<b>7,823,994</b>	<b>8,099,689</b>	<b>31,233,492</b>
Earnings before income taxes and cumulative effect of accounting change	333,904	337,832	313,822	409,388	1,394,946
Income taxes	134,694	133,650	125,283	155,279	548,906
Earnings before cumulative effect of accounting change	199,210	204,182	188,839	254,109	846,040
Cumulative effect of accounting change	9,285				9,285
<b>Net earnings</b>	<b>\$ 208,495</b>	<b>\$ 204,182</b>	<b>\$ 188,539</b>	<b>\$ 254,109</b>	<b>\$ 855,325</b>
Per share:					
Basic earnings before accounting change	\$ 0.32	\$ 0.33	\$ 0.30	\$ 0.41	\$ 1.36
Diluted earnings before accounting change	0.31	0.33	0.30	0.41	1.35
Basic net earnings	0.33	0.33	0.30	0.41	1.38
Diluted net earnings	0.33	0.33	0.30	0.41	1.36
Dividends declared	0.15	0.17	0.17	0.17	0.66
Market price high/low	37-31	34-30	33-29	32-29	37-29

**Fiscal 2005 Quarter Ended**

	<b>October 2</b>	<b>January 1</b>	<b>April 2</b>	<b>July 2</b>	<b>Fiscal Year</b>
	<b>(In thousands except for share data)</b>				
Sales	\$ 7,531,925	\$ 7,331,257	\$ 7,437,453	\$ 7,981,279	\$ 30,281,914
Cost of sales	6,094,931	5,933,515	6,032,165	6,437,589	24,498,200
Operating expenses	1,055,412	1,004,919	1,052,477	1,081,376	4,194,184
Interest expense	17,699	17,766	20,151	19,384	75,000
Other, net	(1,969)	(1,693)	(2,919)	(4,325)	(10,906)

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

Total costs and expenses	7,166,073	6,954,507	7,101,874	7,534,024	28,756,478
Earnings before income taxes	365,852	376,750	335,579	447,255	1,525,436
Income taxes	139,938	144,107	117,359	162,575	563,979
Net earnings	\$ 225,914	\$ 232,643	\$ 218,220	\$ 284,680	\$ 961,457

Per share:

Basic net earnings	\$ 0.35	\$ 0.36	\$ 0.34	\$ 0.45	\$ 1.51
Diluted net earnings	0.35	0.36	0.34	0.44	1.47
Dividends declared	0.13	0.15	0.15	0.15	0.58
Market price high/low	36-29	38-30	38-33	38-34	38-29

**Percentage increases**

**(decreases) 2006 vs. 2005:**

Sales	6%	9%	9%	7%	8%
Earnings before income taxes and cumulative effect of accounting change	(9)	(10)	(6)	(8)	(9)
Earnings before cumulative effect of accounting change	(12)	(12)	(14)	(11)	(12)
Net earnings	(8)	(12)	(14)	(11)	(11)
Basic earnings before accounting change per share	(9)	(8)	(12)	(9)	(10)
Diluted earnings before accounting change per share	(11)	(8)	(12)	(7)	(8)
Basic net earnings per share	(6)	(8)	(12)	(9)	(9)
Diluted net earnings per share	(6)	(8)	(12)	(7)	(7)

(1) Includes adoption of EITF 04-13 as of the beginning of the fourth quarter of fiscal 2006. See Note 3, Changes in Accounting.

**Table of Contents****Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

The company's management, with the participation of the company's chief executive officer and chief financial officer, evaluated the effectiveness of the company's disclosure controls and procedures as of July 1, 2006. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding the required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the company's disclosure controls and procedures as of July 1, 2006, the company's chief executive officer and chief financial officer concluded that, as of such date, the company's disclosure controls and procedures were effective at the reasonable assurance level.

No change in the company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended July 1, 2006 that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting. See Management's Report on Internal Control Over Financial Reporting included under Item 8.

**Item 9B. Other Information**

In a Current Report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2006, the company reported that the Compensation Committee of its Board of Directors had approved forms of the (1) Fiscal Year 2007 Supplemental Bonus Agreement under the 2006 Supplemental Performance Based Bonus Plan and (2) Fiscal Year 2007 Bonus Award under the 2005 Management Incentive Plan to be entered into by the company and each of the Named Executive Officers, which agreements were expected to be entered into no later than June 30, 2006. The forms of agreements are filed as exhibits with this Annual Report on Form 10-K. The agreements were actually entered into by the company and each of the Named Executive Officers effective June 30, 2006.

**PART III****Item 10. Directors and Executive Officers of the Registrant**

The information required by this item is included in our proxy statement for the 2006 Annual Meeting of Stockholders under the following captions, and is incorporated herein by reference thereto: Election of Directors, Executive Officers, Section 16(a) Beneficial Ownership Reporting Compliance, Report of the Audit Committee and Corporate Governance.

**Item 11. Executive Compensation**

The information required by this item is included in our proxy statement for the 2006 Annual Meeting of Stockholders under the following captions, and is incorporated herein by reference thereto: Director Compensation and Executive Compensation.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item is included in our proxy statement for the 2006 Annual Meeting of Stockholders under the following captions, and is incorporated herein by reference thereto: Stock Ownership and Equity Compensation Plan Information.



**Table of Contents**

**Item 13. *Certain Relationships and Related Transactions***

The information required by this item is included in our proxy statement for the 2006 Annual Meeting of Stockholders under the following caption, and is incorporated herein by reference thereto: Certain Relationships.

**Item 14. *Principal Accountant Fees and Services***

The information required by this item is included in our proxy statement for the 2006 Annual Meeting of Stockholders under the following caption, and is incorporated herein by reference thereto: Fees Paid to Independent Public Accountants.

**PART IV**

**Item 15. *Exhibits and Financial Statement Schedules***

(a) The following documents are filed, or incorporated by reference, as part of this Form 10-K:

1. All financial statements. See index to Consolidated Financial Statements on page 31 of this Form 10-K.
2. Financial Statement Schedule. See page S-1 of this Form 10-K.

Exhibits.

- |     |   |
|-----|---|
| 3.1 | Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(a) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).   |
| 3.2 | Certificate of Amendment of Certificate of Incorporation increasing authorized shares, incorporated by reference to Exhibit 3(d) to Form 10-Q for the quarter ended January 1, 2000 (File No. 1-6544).  |
| 3.3 | Certificate of Amendment to Restated Certificate of Incorporation increasing authorized shares, incorporated by reference to Exhibit 3(e) to Form 10-Q for the quarter ended December 27, 2003 (File No. 1-6544).   |
| 3.4 | Form of Amended Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, incorporated by reference to Exhibit 3(c) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).                                   |
| 3.5 | Amended and Restated Bylaws of Sysco Corporation dated February 8, 2002, incorporated by reference to Exhibit 3(b) to Form 10-Q for the quarter ended December 29, 2001 (File No. 1-6544).  |
| 4.1 | Senior Debt Indenture, dated as of June 15, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3 filed June 6, 1995 (File No. 33-60023).     |
| 4.2 | Second Supplemental Indenture, dated as of May 1, 1996, between Sysco Corporation and First Union National Bank of North Carolina, Trustee as amended, incorporated by reference to Exhibit 4(f) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544). |
| 4.3 | Third Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(g) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).          |
| 4.4 | Fourth Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(h) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).         |
| 4.5 | Fifth Supplemental Indenture, dated as of July 27, 1998 between Sysco Corporation and First Union National Bank, Trustee, incorporated by reference to Exhibit 4(h) to Form 10-K for the year ended June 27, 1998 (File No. 1-6544).                              |
| 4.6 | Sixth Supplemental Indenture, including form of Note, dated April 5, 2002 between Sysco Corporation and Wachovia Bank, National Association (formerly First Union National Bank of North Carolina), as Trustee, incorporated by reference to Exhibit 4.1          |

- 4.7 to Form 8-K dated April 5, 2002 (File No. 1-6544).  
Seventh Supplemental Indenture, including form of Note, dated March 5, 2004 between Sysco Corporation, as Issuer, and Wachovia Bank, National Association (formerly First Union National Bank of North Carolina), as Trustee, incorporated by reference to Exhibit 4(j) to Form 10-Q for the quarter ended March 27, 2004 (File No. 1-6544).

**Table of Contents**

4.8	Eighth Supplemental Indenture, including form of Note, dated September 22, 2005 between Sysco Corporation, as Issuer, and Wachovia Bank, National Association, as Trustee, incorporated by reference to Exhibits 4.1 and 4.2 to Form 8-K filed on September 20, 2005 (File No. 1-6544).
4.9	Indenture dated May 23, 2002 between Sysco International, Co., Sysco Corporation and Wachovia Bank, National Association, incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-4 filed August 21, 2002 (File No. 333-98489).
10.1	Credit Agreement dated November 4, 2005 between Sysco Corporation, Sysco International, Co., JP Morgan Chase Bank, N.A., and certain Lenders party thereto, incorporated by reference to Exhibit 99.1 to Form 8-K filed on November 10, 2005 (File No. 1-6544).
10.2	Commitment Increase Agreement dated March 31, 2006 by and among Sysco Corporation, JPMorgan Chase Bank, individually and as Administrative Agent, the Co-Syndication Agents named therein and the other financial institutions party thereto relating to the Credit Agreement dated September 13, 2002, incorporated by reference to Exhibit 99.1 to Form 8-K filed on April 6, 2006 (File No. 1-6544).
10.3	Amended and Restated Issuing and Paying Agency Agreement, dated as of April 13, 2006, between Sysco Corporation and JPMorgan Chase Bank, National Association, incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 19, 2006 (File No. 1-6544).
10.4	Commercial Paper Dealer Agreement, dated as of April 13, 2006, between Sysco Corporation and J.P. Morgan Securities Inc., incorporated by reference to Exhibit 10.2 to Form 8-K filed on April 19, 2006 (File No. 1-6544).
10.5	Commercial Paper Dealer Agreement, dated as of April 13, 2006, between Sysco Corporation and Goldman, Sachs & Co., incorporated by reference to Exhibit 10.3 to Form 8-K filed on April 19, 2006 (File No. 1-6544).
10.6	Second Amended and Restated Executive Deferred Compensation Plan dated April 1, 2002, incorporated by reference to Exhibit 10(cc) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
10.7	First Amendment to Second Amended and Restated Executive Deferred Compensation Plan dated July 12, 2002, incorporated by reference to Exhibit 10(dd) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
10.8	Second Amendment to Second Amended and Restated Executive Deferred Compensation Plan effective July 9, 2004, incorporated by reference to Exhibit 10(gg) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.9	Third Amended and Restated Sysco Corporation Executive Deferred Compensation Plan, incorporated by reference to Exhibit 10(d) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
10.10	First Amendment to the Third Amended and Restated Sysco Corporation Executive Deferred Compensation Plan, incorporated by reference to Exhibit 10.2 to Form 8-K filed on September 13, 2006 (File No. 1-6544).
10.11	Fifth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(b) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
10.12	First Amendment to Fifth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan dated effective June 29, 1997, incorporated by reference to

- 10.13 Exhibit 10(p) to Form 10-Q for the quarter ended January 1, 2000 (File No. 1-6544).  
Second Amendment dated as of May 10, 2000, to the Fifth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2000 filed on November 13, 2000 (File No. 1-6544).
- 10.14 Third Amendment to Fifth Amended and Restated Supplemental Executive Retirement Plan dated July 12, 2002, incorporated by reference to Exhibit 10(ee) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
- 10.15 Fourth Amendment to Fifth Amended and Restated Supplemental Executive Retirement Plan effective July 9, 2004, incorporated by reference to Exhibit 10(hh) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
- 10.16 Sixth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(c) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
- 10.17 First Amendment to the Sixth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(a) to Form 10-Q for the quarter ended April 1, 2006 filed on May 11, 2006 (File No. 1-6544).

**Table of Contents**

10.18	Second Amendment to the Sixth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed on September 13, 2006 (File No. 1-6544).
10.19	Sysco Corporation 1991 Stock Option Plan, incorporated by reference to Exhibit 10(e) to Form 10-K for the year ended July 3, 1999 (File No. 1-6544).
10.20	Amendments to Sysco Corporation 1991 Stock Option Plan dated effective September 4, 1997, incorporated by reference to Exhibit 10(f) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
10.21	Amendments to Sysco Corporation 1991 Stock Option Plan dated effective November 5, 1998, incorporated by reference to Exhibit 10(g) to Form 10-K for the year ended July 3, 1999 (File No. 1-6544).
10.22	Form of Stock Option Grant Agreement issued to executive officers on August 31, 1995 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(pp) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.23	Form of Stock Option Grant Agreement issued to executive officers on September 5, 1996 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(qq) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.24	Form of Stock Option Grant Agreement issued to executive officers on September 4, 1997 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(rr) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.25	Form of Stock Option Grant Agreement issued to executive officers on September 3, 1998 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(ss) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.26	Form of Stock Option Grant Agreement issued to executive officers on September 2, 1999 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(tt) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.27	Form of Stock Option Grant Agreement issued to executive officers on September 7, 2000 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(uu) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.28	2000 Stock Incentive Plan, incorporated by reference to Appendix B to Proxy Statement filed on September 25, 2000 (File No. 1-6544).
10.29	Form of Stock Option Grant Agreement issued to executive officers on September 11, 2001 under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(vv) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.30	Form of Stock Option Grant Agreement issued to executive officers on September 11, 2001 under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(ww) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.31	Form of Stock Option Grant Agreement issued to executive officers on September 12, 2002 under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(xx) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File

- No. 1-6544).
- 10.32 Form of Stock Option Grant Agreement issued to executive officers on September 11, 2003 under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(yy) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
- 10.33 Form of Stock Option Grant Agreement issued to executive officers under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(a) to Form 8-K filed on September 9, 2004 (File No. 1-6544).
- 10.34 2004 Stock Option Plan, incorporated by reference to Appendix B to the Sysco Corporation Proxy Statement filed September 24, 2004 (File No. 1-6544).
- 10.35 Form of Stock Option Grant Agreement issued to executive officers on September 8, 2005 under the 2004 Stock Option Plan, incorporated by reference to Exhibit 99.1 to Form 8-K filed on September 14, 2005 (File No. 1-6544).
- 10.36 2004 Long-Term Incentive Cash Plan dated September 3, 2004, incorporated by reference to Exhibit 10(a) to Form 8-K filed on September 10, 2004 (File No. 1-6544).
- 10.37 Form of Performance Unit Grant Agreement issued to executive officers effective September 3, 2004 under the Long-Term Incentive Cash Plan, incorporated by reference to Exhibit 10(b) to Form 8-K filed on September 10, 2004 (File No. 1-6544).
-

**Table of Contents**

10.38 #	Form of Performance Unit Grant Agreement issued to executive officers effective September 8, 2005 under the Long-Term Incentive Cash Plan.
10.39	Form of Performance Unit Grant Agreement issued to executive officers effective September 7, 2006 under the Long-Term Incentive Cash Plan, incorporated by reference to Exhibit 10.3 to Form 8-K filed on September 13, 2006 (File No. 1-6544).
10.40	2000 Management Incentive Plan, incorporated by reference to Appendix A to Proxy Statement filed September 25, 2000 (File No. 1-6544).
10.41	Form of 2006 Management Incentive Bonus Agreement issued to Richard J. Schnieders, John K. Stubblefield, Jr., Larry J. Accardi, Kenneth F. Spitler, Kenneth J. Carrig and Larry G. Pulliam under the 2000 Management Incentive Plan, incorporated by reference to Exhibit 10(vv) to Form 10-K for the year ended July 2, 2005 filed on September 15, 2005 (File No. 1-6544).
10.42	Form of 2006 Management Incentive Bonus Grant Agreement issued to Senior Vice Presidents of Operations under the 2000 Management Incentive Plan, incorporated by reference to Exhibit 10(yy) to Form 10-K for the year ended July 2, 2005 filed on September 15, 2005 (File No. 1-6544).
10.43	2005 Management Incentive Plan, incorporated by reference to Annex B to the Sysco Corporation Proxy Statement for the November 11, 2005 Annual Meeting of Stockholders (File No. 1-6544).
10.44 #	Form of Fiscal Year 2007 Bonus Award for the Chief Executive Officer, Chief Financial Officer, Executive Vice Presidents and Senior Vice Presidents under the 2005 Management Incentive Plan.
10.45 #	Form of Fiscal Year 2007 Bonus Award for Senior Vice Presidents of Operations under the 2005 Management Incentive Plan.
10.46	Supplemental Performance Based Bonus Plan dated November 11, 2004, incorporated by reference to Exhibit 10(b) to Form 10-Q for the quarter ended January 1, 2005 filed on February 10, 2005 (File No. 1-6544).
10.47	Form of CEO Supplemental Performance-Based Bonus Agreement, incorporated by reference to Exhibit 10(a) to Form 10-Q for the quarter ended April 2, 2005 filed on May 12, 2005 (File No. 1-6544).
10.48	Form of Chief Executive Officer 2006 Supplemental Performance-Based Bonus Agreement, incorporated by reference to Exhibit 10(h) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
10.49 #	2006 Supplemental Performance Bonus plan dated June 9, 2006.
10.50 #	Form of Fiscal Year 2007 Chief Executive Officer Supplemental Bonus Agreement under the 2006 Supplemental Performance Based Bonus Plan.
10.51 #	Form of Fiscal Year 2007 Supplemental Bonus Agreement for Executive Vice Presidents, Senior Vice Presidents and Senior Vice Presidents of Operations under the 2006 Supplemental Performance Based Bonus Plan.
10.52	Executive Severance Agreement dated July 6, 2004 between Sysco Corporation and Richard J. Schnieders, incorporated by reference to Exhibit 10(ii) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.53	Form of Executive Severance Agreement between Sysco Corporation and each of John K. Stubblefield, Jr. (dated July 6, 2004), Kenneth F. Spitler (dated July 14, 2004) and Larry J. Accardi (dated August 18, 2004), incorporated by reference to Exhibit 10(jj) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.54	

	Form of First Amendment dated September 3, 2004 to Executive Severance Agreement between Sysco Corporation and each of Richard J. Schnieders, John K Stubblefield, Jr., Kenneth F. Spitler and Larry J. Accardi, incorporated by reference to Exhibit 10(kk) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.55 #	Description of Compensation Arrangements with Named Executive Officers.
10.56	Sysco Corporation Amended and Restated Non-Employee Directors Stock Option Plan, incorporated by reference to Exhibit 10(g) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
10.57	Amendment to the Amended and Restated Non-Employee Directors Stock Option Plan dated effective November 5, 1998, incorporated by reference to Exhibit 10(i) to Form 10-K for the year ended July 3, 1999 (File No. 1-6544).
10.58	Sysco Corporation Non-Employee Directors Stock Plan, incorporated by reference to Appendix A of the 1998 Proxy Statement (File No. 1-6544).
10.59	Amended and Restated Non-Employee Directors Stock Plan, incorporated by reference to Appendix B to Proxy Statement filed on September 24, 2001 (File No. 1-6544).
10.60	Form of Stock Option Grant Agreement issued to non-employee directors on September 3, 2004 under the Non-Employee Directors Stock Plan, incorporated by reference to Exhibit 10(b) to Form 8-K filed on September 9, 2004 (File No. 1-6544).



**Table of Contents**

10.61	Form of Retainer Stock Agreement for issuance to Non-Employee Directors under the Non-Employee Directors Stock Plan, incorporated by reference to Exhibit 10(a) to Form 10-Q for the quarter ended January 1, 2005 filed on February 10, 2005 (File No. 1-6544).
10.62	2005 Non-Employee Directors Stock Plan, incorporated by reference to Annex C to the Sysco Corporation Proxy Statement for the November 11, 2005 Annual Meeting of Stockholders (File No. 1-6544).
10.63	Form of Option Grant Agreement under the 2005 Non-Employee Directors Stock Plan, incorporated by reference to Exhibit 10(i) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
10.64	Form of Restricted Stock Grant Agreement under the 2005 Non-Employee Directors Stock Plan, incorporated by reference to Exhibit 10(j) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
10.65	Second Amended and Restated Board of Directors Deferred Compensation Plan dated April 1, 2002, incorporated by reference to Exhibit 10(aa) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
10.66	First Amendment to Second Amended and Restated Board of Directors Deferred Compensation Plan dated July 12, 2002, incorporated by reference to Exhibit 10(bb) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
10.67	Second Amendment to the Second Amended and Restated Sysco Corporation Board of Directors Deferred Compensation Plan, incorporated by reference to Exhibit 10(k) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
10.68	2005 Sysco Corporation Board of Directors Deferred Compensation Plan, incorporated by reference to Exhibit 10(e) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544) .
10.69 #	Description of Compensation Arrangements with Non-Employee Directors.
21.1#	Subsidiaries of the Registrant.
23.1#	Consent of Independent Registered Public Accounting Firm.
31.1#	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2#	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Executive Compensation Arrangement pursuant to 601(b)(10)(iii)(A) of Regulation S-K

# Filed Herewith

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Sysco Corporation has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on this 14th day of September, 2006.

SYSCO CORPORATION  
By /s/ RICHARD J. SCHNIEDERS

Richard J. Schnieders  
*Chairman of the Board,*  
*Chief Executive Officer and President*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated and on the date indicated above.

**PRINCIPAL EXECUTIVE, FINANCIAL & ACCOUNTING OFFICERS:**

/s/ RICHARD J. SCHNIEDERS Chairman of the Board, Chief Executive Officer and President  
(principal executive officer)

Richard J. Schnieders

/s/ JOHN K. STUBBLEFIELD, JR. Executive Vice President, Finance and Chief Financial Officer  
(principal financial officer)

John K. Stubblefield, Jr.

/s/ G. MITCHELL ELMER Vice President, Controller and Chief Accounting Officer  
(principal accounting officer)

G. Mitchell Elmer

**DIRECTORS:**

/s/ JOHN M. CASSADAY

John M. Cassaday

/s/ RICHARD J. SCHNIEDERS

Richard J. Schnieders

/s/ JUDITH B. CRAVEN

Judith B. Craven

/s/ PHYLLIS S. SEWELL

Phyllis S. Sewell

/s/ JONATHAN GOLDEN

Jonathan Golden

/s/ JOHN K. STUBBLEFIELD, JR.

John K. Stubblefield, Jr.

/s/ JOSEPH A. HAFNER, JR.

Joseph A. Hafner, Jr.

/s/ RICHARD G. TILGHMAN

Richard G. Tilghman

/s/ RICHARD G. MERRILL

Richard G. Merrill

/s/ JACKIE M. WARD

Jackie M. Ward

/s/ NANCY S. NEWCOMB

Nancy S. Newcomb

72

---

**Table of Contents**

**SYSCO CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**

	<b>Description</b>	<b>Balance at Beginning of Period</b>	<b>Charged to Costs and Expenses</b>	<b>Charged to Other Accounts Describe(1)</b>	<b>Deductions Describe(2)</b>	<b>Balance at End of Period</b>
For year ended July 3, 2004	Allowance for doubtful accounts	\$ 35,005,000	\$ 27,392,000	\$ 263,000	\$ 28,485,000	\$ 34,175,000
For year ended July 2, 2005	Allowance for doubtful accounts	\$ 34,175,000	\$ 17,959,000	\$ (1,690,000)	\$ 20,840,000	\$ 29,604,000
For year ended July 1, 2006	Allowance for doubtful accounts	\$ 29,604,000	\$ 19,895,000	\$ 729,000	\$ 21,128,000	\$ 29,100,000

(1) Allowance accounts resulting from acquisitions and other adjustments.

(2) Customer accounts written off, net of recoveries.

S-1

---

**Table of Contents**

**EXHIBIT INDEX**

Exhibits.

- 3.1 Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(a) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
- 3.2 Certificate of Amendment of Certificate of Incorporation increasing authorized shares, incorporated by reference to Exhibit 3(d) to Form 10-Q for the quarter ended January 1, 2000 (File No. 1-6544).
- 3.3 Certificate of Amendment to Restated Certificate of Incorporation increasing authorized shares, incorporated by reference to Exhibit 3(e) to Form 10-Q for the quarter ended December 27, 2003 (File No. 1-6544).
- 3.4 Form of Amended Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, incorporated by reference to Exhibit 3(c) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).
- 3.5 Amended and Restated Bylaws of Sysco Corporation dated February 8, 2002, incorporated by reference to Exhibit 3(b) to Form 10-Q for the quarter ended December 29, 2001 (File No. 1-6544).
- 4.1 Senior Debt Indenture, dated as of June 15, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3 filed June 6, 1995 (File No. 33-60023).
- 4.2 Second Supplemental Indenture, dated as of May 1, 1996, between Sysco Corporation and First Union National Bank of North Carolina, Trustee as amended, incorporated by reference to Exhibit 4(f) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).
- 4.3 Third Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(g) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
- 4.4 Fourth Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(h) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
- 4.5 Fifth Supplemental Indenture, dated as of July 27, 1998 between Sysco Corporation and First Union National Bank, Trustee, incorporated by reference to Exhibit 4(h) to Form 10-K for the year ended June 27, 1998 (File No. 1-6544).
- 4.6 Sixth Supplemental Indenture, including form of Note, dated April 5, 2002 between Sysco Corporation and Wachovia Bank, National Association (formerly First Union National Bank of North Carolina), as Trustee, incorporated by reference to Exhibit 4.1 to Form 8-K dated April 5, 2002 (File No. 1-6544).
- 4.7 Seventh Supplemental Indenture, including form of Note, dated March 5, 2004 between Sysco Corporation, as Issuer, and Wachovia Bank, National Association (formerly First Union National Bank of North Carolina), as Trustee, incorporated by reference to Exhibit 4(j) to Form 10-Q for the quarter ended March 27, 2004 (File No. 1-6544).
- 4.8 Eighth Supplemental Indenture, including form of Note, dated September 22, 2005 between Sysco Corporation, as Issuer, and Wachovia Bank, National Association, as Trustee, incorporated by reference to Exhibits 4.1 and 4.2 to Form 8-K filed on September 20, 2005 (File No. 1-6544).
- 4.9

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

- 10.1 Indenture dated May 23, 2002 between Sysco International, Co., Sysco Corporation and Wachovia Bank, National Association, incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-4 filed August 21, 2002 (File No. 333-98489).  
Credit Agreement dated November 4, 2005 between Sysco Corporation, Sysco International, Co., JP Morgan Chase Bank, N.A., and certain Lenders party thereto, incorporated by reference to Exhibit 99.1 to Form 8-K filed on November 10, 2005 (File No. 1-6544).
- 10.2 Commitment Increase Agreement dated March 31, 2006 by and among Sysco Corporation, JPMorgan Chase Bank, individually and as Administrative Agent, the Co-Syndication Agents named therein and the other financial institutions party thereto relating to the Credit Agreement dated September 13, 2002, incorporated by reference to Exhibit 99.1 to Form 8-K filed on April 6, 2006 (File No. 1-6544).
- 10.3 Amended and Restated Issuing and Paying Agency Agreement, dated as of April 13, 2006, between Sysco Corporation and JPMorgan Chase Bank, National Association, incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 19, 2006 (File No. 1-6544).
- 10.4 Commercial Paper Dealer Agreement, dated as of April 13, 2006, between Sysco Corporation and J.P. Morgan Securities Inc., incorporated by reference to Exhibit 10.2 to Form 8-K filed on April 19, 2006 (File No. 1-6544).
-

**Table of Contents**

10.5	Commercial Paper Dealer Agreement, dated as of April 13, 2006, between Sysco Corporation and Goldman, Sachs & Co., incorporated by reference to Exhibit 10.3 to Form 8-K filed on April 19, 2006 (File No. 1-6544).
10.6	Second Amended and Restated Executive Deferred Compensation Plan dated April 1, 2002, incorporated by reference to Exhibit 10(cc) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
10.7	First Amendment to Second Amended and Restated Executive Deferred Compensation Plan dated July 12, 2002, incorporated by reference to Exhibit 10(dd) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
10.8	Second Amendment to Second Amended and Restated Executive Deferred Compensation Plan effective July 9, 2004, incorporated by reference to Exhibit 10(gg) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.9	Third Amended and Restated Sysco Corporation Executive Deferred Compensation Plan, incorporated by reference to Exhibit 10(d) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
10.10	First Amendment to the Third Amended and Restated Sysco Corporation Executive Deferred Compensation Plan, incorporated by reference to Exhibit 10.2 to Form 8-K filed on September 13, 2006 (File No. 1-6544).
10.11	Fifth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(b) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
10.12	First Amendment to Fifth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan dated effective June 29, 1997, incorporated by reference to Exhibit 10(p) to Form 10-Q for the quarter ended January 1, 2000 (File No. 1-6544).
10.13	Second Amendment dated as of May 10, 2000, to the Fifth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 2000 filed on November 13, 2000 (File No. 1-6544).
10.14	Third Amendment to Fifth Amended and Restated Supplemental Executive Retirement Plan dated July 12, 2002, incorporated by reference to Exhibit 10(ee) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
10.15	Fourth Amendment to Fifth Amended and Restated Supplemental Executive Retirement Plan effective July 9, 2004, incorporated by reference to Exhibit 10(hh) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.16	Sixth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(c) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
10.17	First Amendment to the Sixth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10(a) to Form 10-Q for the quarter ended April 1, 2006 filed on May 11, 2006 (File No. 1-6544).
10.18	Second Amendment to the Sixth Amended and Restated Sysco Corporation Supplemental Executive Retirement Plan, incorporated by reference to Exhibit 10.1 to Form 8-K filed on September 13, 2006 (File No. 1-6544).

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

- 10.19 Sysco Corporation 1991 Stock Option Plan, incorporated by reference to Exhibit 10(e) to Form 10-K for the year ended July 3, 1999 (File No. 1-6544).
- 10.20 Amendments to Sysco Corporation 1991 Stock Option Plan dated effective September 4, 1997, incorporated by reference to Exhibit 10(f) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
- 10.21 Amendments to Sysco Corporation 1991 Stock Option Plan dated effective November 5, 1998, incorporated by reference to Exhibit 10(g) to Form 10-K for the year ended July 3, 1999 (File No. 1-6544).
- 10.22 Form of Stock Option Grant Agreement issued to executive officers on August 31, 1995 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(pp) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
- 10.23 Form of Stock Option Grant Agreement issued to executive officers on September 5, 1996 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(qq) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
- 10.24 Form of Stock Option Grant Agreement issued to executive officers on September 4, 1997 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(rr) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
-



**Table of Contents**

10.25	Form of Stock Option Grant Agreement issued to executive officers on September 3, 1998 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(ss) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.26	Form of Stock Option Grant Agreement issued to executive officers on September 2, 1999 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(tt) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.27	Form of Stock Option Grant Agreement issued to executive officers on September 7, 2000 under the 1991 Stock Option Plan, incorporated by reference to Exhibit 10(uu) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.28	2000 Stock Incentive Plan, incorporated by reference to Appendix B to Proxy Statement filed on September 25, 2000 (File No. 1-6544).
10.29	Form of Stock Option Grant Agreement issued to executive officers on September 11, 2001 under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(vv) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.30	Form of Stock Option Grant Agreement issued to executive officers on September 11, 2001 under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(ww) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.31	Form of Stock Option Grant Agreement issued to executive officers on September 12, 2002 under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(xx) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.32	Form of Stock Option Grant Agreement issued to executive officers on September 11, 2003 under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(yy) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.33	Form of Stock Option Grant Agreement issued to executive officers under the 2000 Stock Incentive Plan, incorporated by reference to Exhibit 10(a) to Form 8-K filed on September 9, 2004 (File No. 1-6544).
10.34	2004 Stock Option Plan, incorporated by reference to Appendix B to the Sysco Corporation Proxy Statement filed September 24, 2004 (File No. 1-6544).
10.35	Form of Stock Option Grant Agreement issued to executive officers on September 8, 2005 under the 2004 Stock Option Plan, incorporated by reference to Exhibit 99.1 to Form 8-K filed on September 14, 2005 (File No. 1-6544).
10.36	2004 Long-Term Incentive Cash Plan dated September 3, 2004, incorporated by reference to Exhibit 10(a) to Form 8-K filed on September 10, 2004 (File No. 1-6544).
10.37	Form of Performance Unit Grant Agreement issued to executive officers effective September 3, 2004 under the Long-Term Incentive Cash Plan, incorporated by reference to Exhibit 10(b) to Form 8-K filed on September 10, 2004 (File No. 1-6544).
10.38 #	Form of Performance Unit Grant Agreement issued to executive officers effective September 8, 2005 under the Long-Term Incentive Cash Plan.
10.39	Form of Performance Unit Grant Agreement issued to executive officers effective September 7, 2006 under the Long-Term Incentive Cash Plan, incorporated by

Edgar Filing: LIGHTPATH TECHNOLOGIES INC - Form 10-K

- 10.40 reference to Exhibit 10.3 to Form 8-K filed on September 13, 2006 (File No. 1-6544).  
2000 Management Incentive Plan, incorporated by reference to Appendix A to Proxy  
Statement filed September 25, 2000 (File No. 1-6544).
- 10.41 Form of 2006 Management Incentive Bonus Agreement issued to Richard J.  
Schnieders, John K. Stubblefield, Jr., Larry J. Accardi, Kenneth F. Spitler, Kenneth J.  
Carrig and Larry G. Pulliam under the 2000 Management Incentive Plan, incorporated  
by reference to Exhibit 10(vv) to Form 10-K for the year ended July 2, 2005 filed on  
September 15, 2005 (File No. 1-6544).
- 10.42 Form of 2006 Management Incentive Bonus Grant Agreement issued to Senior Vice  
Presidents of Operations under the 2000 Management Incentive Plan, incorporated by  
reference to Exhibit 10(yy) to Form 10-K for the year ended July 2, 2005 filed on  
September 15, 2005 (File No. 1-6544).
- 10.43 2005 Management Incentive Plan, incorporated by reference to Annex B to the Sysco  
Corporation Proxy Statement for the November 11, 2005 Annual Meeting of  
Stockholders (File No. 1-6544).
- 10.44 # Form of Fiscal Year 2007 Bonus Award for the Chief Executive Officer, Chief  
Financial Officer, Executive Vice Presidents and Senior Vice Presidents under the  
2005 Management Incentive Plan.
-

**Table of Contents**

10.45 #	Form of Fiscal Year 2007 Bonus Award for Senior Vice Presidents of Operations under the 2005 Management Incentive Plan.
10.46	Supplemental Performance Based Bonus Plan dated November 11, 2004, incorporated by reference to Exhibit 10(b) to Form 10-Q for the quarter ended January 1, 2005 filed on February 10, 2005 (File No. 1-6544).
10.47	Form of CEO Supplemental Performance-Based Bonus Agreement, incorporated by reference to Exhibit 10(a) to Form 10-Q for the quarter ended April 2, 2005 filed on May 12, 2005 (File No. 1-6544).
10.48	Form of Chief Executive Officer 2006 Supplemental Performance-Based Bonus Agreement, incorporated by reference to Exhibit 10(h) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
10.49 #	2006 Supplemental Performance Bonus plan dated June 9, 2006.
10.50 #	Form of Fiscal Year 2007 Chief Executive Officer Supplemental Bonus Agreement under the 2006 Supplemental Performance Based Bonus Plan.
10.51 #	Form of Fiscal Year 2007 Supplemental Bonus Agreement for Executive Vice Presidents, Senior Vice Presidents and Senior Vice Presidents of Operations under the 2006 Supplemental Performance Based Bonus Plan.
10.52	Executive Severance Agreement dated July 6, 2004 between Sysco Corporation and Richard J. Schnieders, incorporated by reference to Exhibit 10(ii) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.53	Form of Executive Severance Agreement between Sysco Corporation and each of John K. Stubblefield, Jr. (dated July 6, 2004), Kenneth F. Spitler (dated July 14, 2004) and Larry J. Accardi (dated August 18, 2004), incorporated by reference to Exhibit 10(jj) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.54	Form of First Amendment dated September 3, 2004 to Executive Severance Agreement between Sysco Corporation and each of Richard J. Schnieders, John K Stubblefield, Jr., Kenneth F. Spitler and Larry J. Accardi, incorporated by reference to Exhibit 10(kk) to Form 10-K for the year ended July 3, 2004 filed on September 16, 2004 (File No. 1-6544).
10.55 #	Description of Compensation Arrangements with Named Executive Officers.
10.56	Sysco Corporation Amended and Restated Non-Employee Directors Stock Option Plan, incorporated by reference to Exhibit 10(g) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
10.57	Amendment to the Amended and Restated Non-Employee Directors Stock Option Plan dated effective November 5, 1998, incorporated by reference to Exhibit 10(i) to Form 10-K for the year ended July 3, 1999 (File No. 1-6544).
10.58	Sysco Corporation Non-Employee Directors Stock Plan, incorporated by reference to Appendix A of the 1998 Proxy Statement (File No. 1-6544).
10.59	Amended and Restated Non-Employee Directors Stock Plan, incorporated by reference to Appendix B to Proxy Statement filed on September 24, 2001 (File No. 1-6544).
10.60	Form of Stock Option Grant Agreement issued to non-employee directors on September 3, 2004 under the Non-Employee Directors Stock Plan, incorporated by reference to Exhibit 10(b) to Form 8-K filed on September 9, 2004 (File No. 1-6544).
10.61	Form of Retainer Stock Agreement for issuance to Non-Employee Directors under the Non-Employee Directors Stock Plan, incorporated by reference to Exhibit 10(a) to Form 10-Q for the quarter ended January 1, 2005 filed on February 10, 2005 (File

- No. 1-6544).
- 10.62 2005 Non-Employee Directors Stock Plan, incorporated by reference to Annex C to the Sysco Corporation Proxy Statement for the November 11, 2005 Annual Meeting of Stockholders (File No. 1-6544).
- 10.63 Form of Option Grant Agreement under the 2005 Non-Employee Directors Stock Plan, incorporated by reference to Exhibit 10(i) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
- 10.64 Form of Restricted Stock Grant Agreement under the 2005 Non-Employee Directors Stock Plan, incorporated by reference to Exhibit 10(j) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
- 10.65 Second Amended and Restated Board of Directors Deferred Compensation Plan dated April 1, 2002, incorporated by reference to Exhibit 10(aa) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
- 10.66 First Amendment to Second Amended and Restated Board of Directors Deferred Compensation Plan dated July 12, 2002, incorporated by reference to Exhibit 10(bb) to Form 10-K for the year ended June 29, 2002 filed on September 25, 2002 (File No. 1-6544).
- 10.67 Second Amendment to the Second Amended and Restated Sysco Corporation Board of Directors Deferred Compensation Plan, incorporated by reference to Exhibit 10(k) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544).
-

**Table of Contents**

10.68	2005 Sysco Corporation Board of Directors Deferred Compensation Plan, incorporated by reference to Exhibit 10(e) to Form 10-Q for the quarter ended December 31, 2005 filed on February 9, 2006 (File No. 1-6544) .
10.69 #	Description of Compensation Arrangements with Non-Employee Directors.
21.1#	Subsidiaries of the Registrant.
23.1#	Consent of Independent Registered Public Accounting Firm.
31.1#	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2#	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Executive Compensation Arrangement pursuant to 601(b)(10)(iii)(A) of Regulation S-K

# Filed Herewith