

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

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)

86-0708398

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

**2603 Challenger Tech Ct. Suite 100
Orlando, Florida 32826**

(Address of principal executive offices)
(ZIP Code)

(407) 382-4003

(Registrant's telephone number, including area code)

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Class A Common Stock, par value \$0.01

LPTH

The Nasdaq Stock Market, LLC

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 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes NO

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

38,807,432 shares of Class A common stock, \$0.01 par value, outstanding as of May 6, 2024.

LIGHTPATH TECHNOLOGIES, INC.
Form 10-Q

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CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements and information in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the "Quarterly Report") may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events, or developments that we expect or anticipate will or may occur in the future, including such things as future capital expenditures, growth, product development, sales, business strategy, statements related to the actual and potential effects on our business from rising inflation and interest rates, and other similar matters are forward-looking statements. 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 largely on our current expectations and assumptions and are subject to a number of risks and uncertainties, many of which are beyond our control. These statements are subject to many risks, uncertainties, and other important factors that could cause actual future results to differ materially from those expressed in the forward-looking statements including, but not limited to, our ability to obtain needed raw materials and components from our suppliers; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; geopolitical tensions, the Russian-Ukraine conflict, and the Hamas/Israel war; the effects of steps that we could take to reduce operating costs; rising inflation and increased interest rates, which diminish capital market cash flow and borrowing power; our inability to sustain profitable sales growth, convert inventory to cash, or reduce our costs to maintain competitive prices for our products; circumstances or developments that may make us unable to implement or realize the anticipated benefits, or that may increase the costs, of our current and planned business initiatives; and those factors detailed by us in our public filings with the Securities and Exchange Commission (the "SEC"), including in Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended June 30, 2023. In light of these risks and uncertainties, all of the forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized. We undertake no obligation to update or revise any of the forward-looking statements contained herein.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LIGHTPATH TECHNOLOGIES, INC.
Condensed Consolidated Balance Sheets
(unaudited)

	Assets	March 31, 2024	June 30, 2023
Current assets:			
Cash and cash equivalents	\$ 3,008,952	\$ 4,687,004	
Restricted cash	150,000	2,457,486	
Trade accounts receivable, net of allowance of \$ 25,781 and \$18,502	4,661,031	6,634,574	
Inventories, net	6,827,475	7,410,734	
Prepaid expenses and deposits	482,371	570,293	
Other current assets	419,797	—	
Total current assets	<u>15,549,626</u>	<u>21,760,091</u>	
Property and equipment, net	15,940,981	12,810,930	
Operating lease right-of-use assets	7,164,556	9,571,604	
Intangible assets, net	4,085,141	3,332,715	
Goodwill	6,764,127	5,854,905	
Deferred tax assets, net	140,000	140,000	
Other assets	61,041	65,939	
Total assets	<u>\$ 49,705,472</u>	<u>\$ 53,536,184</u>	
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 2,797,755	\$ 2,574,135	
Accrued liabilities	1,878,449	662,242	
Accrued payroll and benefits	1,484,240	1,499,896	
Operating lease liabilities, current	1,090,806	969,890	
Loans payable, current portion	323,689	1,023,814	
Finance lease obligation, current portion	172,904	103,646	
Total current liabilities	<u>7,747,843</u>	<u>6,833,623</u>	
Deferred tax liabilities, net	473,573	465,000	
Accrued liabilities, noncurrent	611,619	—	
Finance lease obligation, less current portion	573,130	341,201	
Operating lease liabilities, noncurrent	8,315,001	8,393,248	
Loans payable, less current portion	275,748	1,550,587	
Total liabilities	<u>17,996,914</u>	<u>17,583,659</u>	
Commitments and Contingencies			
Stockholders' equity:			
Preferred stock: Series D, \$0.01 par value, voting; 500,000 shares authorized; none issued and outstanding	—	—	
Common stock: Class A, \$0.01 par value, voting; 94,500,000 and 44,500,000 shares authorized; 38,126,249 and 34,344,739 shares issued and outstanding	381,262	373,447	
Additional paid-in capital	244,188,153	242,808,771	

Accumulated other comprehensive income	628,945	606,536
Accumulated deficit	(213,489,802)	(207,836,229)
Total stockholders' equity	31,708,558	35,952,525
Total liabilities and stockholders' equity	<u>\$ 49,705,472</u>	<u>\$ 53,536,184</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

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LIGHTPATH TECHNOLOGIES, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

Three Months Ended March 31,	Nine Months Ended March 31,
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	2024	2023	2024	2023
Revenue, net	\$ 7,699,175	\$ 7,409,648	\$ 23,092,060	\$ 23,249,228
Cost of sales	6,092,988	4,874,244	16,985,846	15,255,567
Gross margin	1,606,187	2,535,404	6,106,214	7,993,661
Operating expenses:				
Selling, general and administrative	3,171,770	2,759,306	8,691,395	8,428,132
New product development	569,962	513,694	1,817,598	1,529,738
Amortization of intangibles	434,403	281,270	1,201,120	843,812
Loss (gain) on disposal of property and equipment	13,248	(58,652)	13,248	(55,910)
Total operating expenses	4,189,383	3,495,618	11,723,361	10,745,772
Operating loss	(2,583,196)	(960,214)	(5,617,147)	(2,752,111)
Other income (expense):				
Interest expense, net	(37,649)	(77,094)	(149,048)	(228,705)
Other income (expense), net	29,109	(60,680)	234,024	(34,799)
Total other income (expense), net	(8,540)	(137,774)	84,976	(263,504)
Loss before income taxes	(2,591,736)	(1,097,988)	(5,532,171)	(3,015,615)
Income tax provision	5,798	65,282	121,402	222,416
Net loss	\$ (2,597,534)	\$ (1,163,270)	\$ (5,653,573)	\$ (3,238,031)
Foreign currency translation adjustment	(112,356)	288,607	22,409	41,903
Comprehensive loss	\$ (2,709,890)	\$ (874,663)	\$ (5,631,164)	\$ (3,196,128)
Loss per common share (basic)	\$ (0.07)	\$ (0.03)	\$ (0.15)	\$ (0.11)
Number of shares used in per share calculation (basic)	37,988,770	35,124,095	37,639,464	29,750,138
Loss per common share (diluted)	\$ (0.07)	\$ (0.03)	\$ (0.15)	\$ (0.11)
Number of shares used in per share calculation (diluted)	37,988,770	35,124,095	37,639,464	29,750,138

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

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LIGHTPATH TECHNOLOGIES, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(unaudited)

	Class A Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
Balances at June 30, 2023	37,344,739	\$ 373,447	\$242,808,771	\$ 606,536	\$(207,836,229)	\$ 35,952,525
Issuance of common stock for:						
Employee Stock Purchase Plan	14,607	146	19,573	—	—	19,719
Exercise of Stock Options, RSUs & RSAs, net	14,482	145	(145)	—	—	—
Issuance of common stock for acquisition of Visimid	81,610	816	149,184	—	—	150,000
Stock-based compensation on stock options, RSUs & RSAs	—	—	240,075	—	—	240,075
Foreign currency translation adjustment	—	—	—	(125,208)	—	(125,208)
Net loss	—	—	—	—	(1,342,376)	(1,342,376)
Balances at September 30, 2023	37,455,438	\$ 374,554	\$243,217,458	\$ 481,328	\$(209,178,605)	\$ 34,894,735
Issuance of common stock for:						
Exercise of Stock Options, RSUs & RSAs, net	93,940	940	(940)	—	—	—
Stock-based compensation on stock options, RSUs & RSAs	—	—	258,691	—	—	258,691
Foreign currency translation adjustment	—	—	—	259,973	—	259,973
Net loss	—	—	—	—	(1,713,663)	(1,713,663)
Balances at December 31, 2023	37,549,378	\$ 375,494	\$243,475,209	\$ 741,301	\$(210,892,268)	\$ 33,699,736
Issuance of common stock for:						
Employee Stock Purchase Plan	15,840	158	19,800	—	—	19,958

Exercise of Stock Options, RSUs & RSAs, net	225,814	2,258	(2,258)	—	—	—
Issuance of common stock for acquisition of Visimid	267,176	2,672	333,382	—	—	336,054
Issuance of common stock under public equity placement	68,041	680	97,528	—	—	98,208
Stock-based compensation on stock options, RSUs & RSAs	—	—	264,492	—	—	264,492
Foreign currency translation adjustment	—	—	—	(112,356)	—	(112,356)
Net loss	—	—	—	—	(2,597,534)	(2,597,534)
Balances at March 31, 2024	38,126,249	\$ 381,262	\$244,188,153	\$ 628,945	\$ (213,489,802)	\$ 31,708,558
Balances at June 30, 2022	27,046,790	\$ 270,468	\$232,315,003	\$ 935,125	\$ (203,789,358)	\$ 29,731,238
Issuance of common stock for:						
Employee Stock Purchase Plan	16,287	163	19,707	—	—	19,870
Exercise of Stock Options & RSUs, net	8,852	88	(88)	—	—	—
Stock-based compensation on stock options & RSUs	—	—	284,598	—	—	284,598
Foreign currency translation adjustment	—	—	—	(917,829)	—	(917,829)
Net loss	—	—	—	—	(1,380,700)	(1,380,700)
Balances at September 30, 2022	27,071,929	\$ 270,719	\$232,619,220	\$ 17,296	\$ (205,170,058)	\$ 27,737,177
Issuance of common stock for:						
Exercise of Stock Options, RSUs & RSAs, net	203,586	2,036	(2,036)	—	—	—
Stock-based compensation on stock options, RSUs & RSAs	—	—	487,547	—	—	487,547
Foreign currency translation adjustment	—	—	—	671,125	—	671,125
Net loss	—	—	—	—	(694,061)	(694,061)
Balances at December 31, 2022	27,275,515	\$ 272,755	\$233,104,731	\$ 688,421	\$ (205,864,119)	\$ 28,201,788
Issuance of common stock for:						
Employee Stock Purchase Plan	17,236	172	20,338	—	—	20,510
Exercise of Stock Options, RSUs & RSAs, net	847,735	8,478	(8,478)	—	—	—
Issuance of common stock under public equity placement	9,090,910	90,909	9,113,601	—	—	9,204,510
Stock-based compensation on stock options, RSAs & RSUs	—	—	299,038	—	—	299,038
Foreign currency translation adjustment	—	—	—	288,607	—	288,607
Net loss	—	—	—	—	(1,163,270)	(1,163,270)
Balances at March 31, 2023	37,231,396	\$ 372,314	\$242,529,230	\$ 977,028	\$ (207,027,389)	\$ 36,851,183

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

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LIGHTPATH TECHNOLOGIES, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	<u>Nine Months Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net loss	\$ (5,653,573)	\$ (3,238,031)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,985,850	2,359,550
Interest from amortization of debt costs	—	55,680
Loss (gain) on disposal of property and equipment	13,248	(55,910)
Stock-based compensation on stock options, RSUs & RSAs, net	763,258	1,071,183
Provision for credit losses	(4,422)	9,622
Change in operating lease assets and liabilities	47,693	(89,306)
Inventory write-offs to allowance	95,539	70,566
Deferred taxes	8,573	(12,620)
Changes in operating assets and liabilities:		
Trade accounts receivable	1,766,594	413,193
Other current assets	(419,797)	—
Inventories	725,460	(1,317,347)
Prepaid expenses and deposits	95,900	(63,624)
Accounts payable and accrued liabilities	32,020	(123,542)
Net cash provided by (used in) operating activities	456,343	(920,586)
Cash flows from investing activities:		
Purchase of property and equipment	(1,892,660)	(2,325,155)
Proceeds from sale of equipment	—	65,500
Proceeds from sale-leaseback of equipment	364,710	—
Acquisition of Visimid Technologies, net of cash acquired	(847,141)	—
Net cash used in investing activities	(2,375,091)	(2,259,655)
Cash flows from financing activities:		
Proceeds from sale of common stock from Employee Stock Purchase Plan	39,677	40,380
Proceeds from issuance of common stock under public equity placement	98,208	9,204,510
Borrowings on loans payable	142,853	—
Payments on loans payable	(2,262,798)	(1,648,899)
Repayment of finance lease obligations	(87,610)	(63,345)
Net cash (used in) provided by financing activities	(2,069,670)	7,532,646
Effect of exchange rate on cash and cash equivalents	2,880	42,601

Change in cash, cash equivalents and restricted cash	(3,985,538)	4,395,006
Cash, cash equivalents and restricted cash, beginning of period	7,144,490	5,507,891
Cash, cash equivalents and restricted cash, end of period	<u>\$ 3,158,952</u>	<u>\$ 9,902,897</u>
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$ 161,676	\$ 170,109
Income taxes paid	\$ 120,787	\$ 323,414
Supplemental disclosure of non-cash investing & financing activities:		
Purchase of equipment through finance lease arrangements	\$ 391,107	\$ 83,921

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

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**LIGHTPATH TECHNOLOGIES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements**

1. Basis of Presentation

References in this document to "the Company," "LightPath," "we," "us," or "our" are intended to mean LightPath Technologies, Inc., individually, or as the context requires, collectively with its subsidiaries on a consolidated basis.

These unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the requirements of Article 8 of Regulation S-X promulgated under the Exchange Act and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. These unaudited

Condensed Consolidated Financial Statements should be read in conjunction with our Consolidated Financial Statements and related notes, included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, filed with the SEC. Unless otherwise stated, references to particular years or quarters refer to our fiscal years ended June 30 and the associated quarters of those fiscal years.

These Condensed Consolidated Financial Statements are unaudited, but include all adjustments, including normal recurring adjustments, which, in the opinion of management, are necessary to present fairly our financial position, results of operations and cash flows for the interim periods presented. The Consolidated Balance Sheet as of June 30, 2023 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements. Results of operations for interim periods are not necessarily indicative of the results that may be expected for the year as a whole. The unaudited Condensed 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.

2. Significant Accounting Policies

Our significant accounting policies are provided in Note 2, *Summary of Significant Accounting Policies*, in the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. There have been no material changes to our significant accounting policies during the nine months ended March 31, 2024, from those disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Use of Estimates

Management makes estimates and assumptions during the preparation of our unaudited Condensed Consolidated Financial Statements that affect amounts reported in the unaudited Condensed Consolidated 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.

3. Acquisition of Visimid Technologies

In July 2023, the Company acquired Liebert Consulting LLC, dba Visimid Technologies ("Visimid"), pursuant to a Membership Interest Purchase Agreement dated as of July 25, 2023 (the "Acquisition Date").

Part of the Company's growth strategy is to identify appropriate opportunities that would enhance our profitable growth through acquisition. Visimid is an engineering and design firm specializing in thermal imaging, night vision and internet of things ("IOT") applications. Visimid provides design and consulting services for Department of Defense ("DoD") contractors, commercial and industrial customers, and original equipment manufacturers ("OEMs") for original new products. Visimid's core competency is developing and producing custom thermal and night vision cores. We believe that Visimid's capabilities are aligned with our strategy to focus on engineered solutions.

The Company's unaudited condensed consolidated financial statements reflect the financial results of Visimid beginning on the Acquisition Date. The purchase price included \$1 million in cash, \$1,550,000 of restricted stock, \$150,000 of assumed bank debt, and an earnout which is contingent upon the award and completion of a specific customer contract. Of the restricted stock payable as part of the purchase price, \$150,000 (81,610 shares) was issued at closing, with the balance to be issued in four equal installments of \$350,000 each, on January 1, 2024, July 1, 2024, January 1, 2025 and July 1, 2025. The number of shares is based on the average closing price of the Company's Class A common stock, as reported by Bloomberg, for the five trading days prior to each stock issuance. For the January 1, 2024 installment, 267,176 shares were issued.

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The total purchase price, net of cash acquired and including the estimated potential earnout, is approximately \$ 2.7 million, based on present values as of the Acquisition Date. Of this amount, \$600,000 was paid at closing, cash installments of \$ 150,000 and \$125,000 were paid in October 2023 and January 2024, respectively, per the terms of the purchase agreement, and the remaining cash and stock payments, including the estimated potential earnout, have been accrued and are included in Accrued liabilities and Accrued liabilities, noncurrent in the accompanying unaudited Condensed Consolidated Balance Sheet as of March 31, 2024.

The estimated fair values of the assets acquired and liabilities assumed were recorded as of the Acquisition Date. The Company is in the process of finalizing third-party valuations of certain intangible assets; thus, the provisional measurements of intangible assets and goodwill are subject to change. As part of the preliminary valuation analysis, the Company identified intangible assets, including customer relationships, customer backlog, trade secrets and trademarks. The customer backlog, customer relationships, trade secrets and trademarks were determined to have estimated values of approximately \$464,000, \$122,000, \$925,000 and \$442,000, respectively, and estimated useful lives of 1 year for customer backlog, and 10 years for customer relationships, trade secrets and trademarks. The estimated fair value of identifiable intangible assets is determined primarily using the "income approach", which requires a forecast of all future cash flows.

The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of Visimid. The goodwill is expected to be deductible for income tax purposes. During the three months ended December 31, 2023, an adjustment of \$2.2 million was made to decrease the initially recognized amount of goodwill to reflect changes in the estimated fair value of the identifiable intangible assets purchased in the acquisition.

For the nine months ended March 31, 2024, the Company incurred approximately \$ 98,000, in acquisition costs, of which less than \$ 1,000 was incurred during the three months ended March 31, 2024. These costs are included in the unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) in the line item entitled "Selling, general and administrative." This is in addition to the previously disclosed \$140,000 in acquisition costs which were recorded during the three months ended June 30, 2023.

Prior to the Acquisition, the Company had a preexisting relationship with Visimid. The Company contracted Visimid for engineering services and purchased infrared camera cores from Visimid on an arms' length basis. The Company had also partnered with Visimid for the development of the Mantis camera.

4. Revenue

Product Revenue

We are a manufacturer of optical components and higher-level assemblies, including precision molded glass aspheric optics, molded and diamond-turned infrared optical components, 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. We also provide engineering services and perform research and development for optical solutions for a wide range of optics markets. Revenue is derived primarily from the sale of optical components and assemblies.

Revenue Recognition

Revenue is generally recognized upon transfer of control, including the risks and rewards of ownership, of products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We generally bear all costs, risk of loss, or damage and retain title to the goods up to the point of transfer of control of products to customers. Shipping and handling costs are included in the cost of goods sold.

We present revenue net of sales taxes and any similar assessments.

Customary payment terms are granted to customers, based on credit evaluations. We currently do not have any contracts where revenue is recognized, but the customer payment is contingent on a future event. We record deferred revenue when cash payments are received or due in advance of revenue recognition. Deferred revenue was \$818,000 and \$314,000 as of March 31, 2024 and June 30, 2023, respectively, and is included in accrued liabilities in the accompanying condensed consolidated balance sheets.

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Nature of Products

Revenue from the sale of optical components and assemblies is recognized upon transfer of control, including the risks and rewards of ownership, to the customer. The performance obligations for the sale of optical components and assemblies are satisfied at a point in time. Product development agreements for engineering services are generally short-term in nature, with revenue recognized upon satisfaction of the performance obligation, and transfer of control of the agreed-upon deliverable. Visimid has one longer-term order with a defense customer which includes both product development

and hardware deliverables where similar revenue recognition criteria will be applied.

We previously organized our products in three groups: precision molded optics ("PMO"), infrared, and specialty products. Revenues from product development agreements for engineering services were included in specialty products. With our strategic transition into more value-added solutions, and the addition of Visimid in July 2023, we reorganized our products into four product groups: infrared components, visible components, assemblies and modules, and engineering services. Assemblies and modules were previously included in PMO, infrared or specialty products, depending on the lens type.

Revenue by product group for the three and nine months ended March 31, 2024 and 2023 was as follows, with fiscal year 2023 amounts reclassified from those previously reported to conform to current classification:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Infrared components	\$ 3,638,674	\$ 3,143,718	\$ 11,046,129	\$ 9,623,597
Visible components	2,688,475	3,104,572	8,055,714	10,248,857
Assemblies and modules	829,265	986,651	3,077,987	3,085,256
Engineering services	542,761	174,707	912,230	291,518
Total revenue	<u>\$ 7,699,175</u>	<u>\$ 7,409,648</u>	<u>\$ 23,092,060</u>	<u>\$ 23,249,228</u>

5. Inventories

The components of inventories include the following:

	March 31, 2024	June 30, 2023
Raw materials	\$ 2,976,813	\$ 2,999,879
Work in process	2,364,525	2,909,439
Finished goods	2,665,577	2,626,106
Allowance for obsolescence	<u>(1,179,440)</u>	<u>(1,124,690)</u>
	<u>\$ 6,827,475</u>	<u>\$ 7,410,734</u>

The value of tooling in raw materials, net of the related allowance for obsolescence, was approximately \$ 1.4 million and \$1.5 million as of March 31, 2024 and June 30, 2023, respectively.

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6. Property and Equipment

Property and equipment are summarized as follows:

	Estimated Lives (Years)	March 31, 2024	June 30, 2023
Manufacturing equipment	5 - 10	\$ 23,288,251	\$ 22,296,320
Computer equipment and software	3 - 5	1,010,144	973,549
Furniture and fixtures	5	355,571	350,289
Leasehold improvements	5 - 10	8,947,045	2,742,344
Construction in progress		672,680	3,067,896
Total property and equipment		34,273,691	29,430,398
Less accumulated depreciation and amortization		(18,332,710)	(16,619,468)
Total property and equipment, net		\$ 15,940,981	\$ 12,810,930

7. Goodwill and Intangible Assets

The change in the net carrying amount of goodwill during the nine months ended March 31, 2024 was as follows:

Goodwill at June 30, 2023	\$ 5,854,905
Acquisition of Visimid	909,222
Goodwill at March 31, 2024	\$ 6,764,127

The increase in goodwill during the nine months ended March 31, 2024 was due to the acquisition of Visimid. The Company is in the process of finalizing third-party valuations of certain intangible assets; thus, the provisional measurement of goodwill and intangible assets are subject to change. See Note 3, *Acquisition of Visimid Technologies*, to these unaudited condensed consolidated financial statements, for more information.

Identifiable intangible assets were comprised of:

	Useful Lives (Years)	March 31, 2024	June 30, 2023
Customer relationships	10 - 15	\$ 3,712,300	\$ 3,590,000
Trade secrets	8 - 10	4,197,304	3,272,000
Trademarks	8 - 10	4,256,418	3,814,000

Backlog	1	463,525	—
Total intangible assets		12,629,547	10,676,000
Less accumulated amortization		(8,544,406)	(7,343,285)
Total intangible assets, net		<u>\$ 4,085,141</u>	<u>\$ 3,332,715</u>

Future amortization of identifiable intangibles is as follows:

Fiscal year ending:			
June 30, 2024 (remaining three months)		\$ 434,402	
June 30, 2025		884,654	
June 30, 2026		388,336	
June 30, 2027		388,336	
After June 30, 2027		1,989,413	
		<u>\$ 4,085,141</u>	

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8. Income Taxes

A summary of our total income tax expense and effective income tax rate for the three and nine months ended March 31, 2024 and 2023 is as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Loss before income taxes	\$ (2,591,736)	\$ (1,097,988)	\$ (5,532,171)	\$ (3,015,615)
Income tax provision	\$ 5,798	\$ 65,282	\$ 121,402	\$ 222,416
Effective income tax rate	0%	-6%	-2%	-7%

The difference between our effective tax rates in the periods presented above and the federal statutory rate is due to the mix of taxable income and losses generated in our various tax jurisdictions, which include the United States (the "U.S."), the People's Republic of China, and the Republic of Latvia. For the three and nine months ended March 31, 2024 and 2023, income tax expense was primarily related to income taxes from our operations in China, including accruals for withholding taxes on intercompany dividends declared by LightPath Optical Instrumentation (Zhenjiang) Co., Ltd. ("LPOIZ"), and

paid or payable to LightPath, its parent company.

We record net deferred tax assets to the extent we believe it is more likely than not that some portion or all of these assets will 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. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. As of March 31, 2024 and June 30, 2023, our net deferred tax assets are related to the U.S. jurisdiction and we have provided for a valuation allowance to reduce the deferred tax assets to the net amount we estimate is more-likely-than-not to be realized. Our net deferred tax assets as of March 31, 2024 and June 30, 2023 consist primarily of federal and state tax credits with indefinite carryover periods.

U.S. Federal and State Income Taxes

Our U.S. federal and state statutory income tax rate is estimated to be 25.5%. Based on our current assessment of the valuation allowance position on our net deferred tax assets, no additional tax expense or benefit is expected to be recorded on pre-tax income or losses generated in the U.S.

Income Tax Law of the People's Republic of China

Our Chinese subsidiaries, LightPath Optical Instrumentation (Shanghai) Co., Ltd. ("LPOI") and LPOIZ, are governed by the Income Tax Law of the People's Republic of China. As of March 31, 2024, LPOI and LPOIZ were subject to statutory income tax rates of 25% and 15%, respectively. The net deferred tax liabilities included in these unaudited Condensed Consolidated Balance Sheets as of March 31, 2024 and June 30, 2023 are related to LPOIZ, and primarily consist of timing differences related to depreciation.

The Company routinely declares intercompany dividends to remit a portion of the earnings of its foreign subsidiaries to the U.S. parent company. The Company also intends to reinvest a portion of the earnings generated by its foreign subsidiaries. The Company accrues withholding taxes on the portion of LPOIZ's earnings that it intends to repatriate. Accrued and unpaid withholding taxes were approximately \$40,000 as of both March 31, 2024 and June 30, 2023. Other than these withholding taxes, these intercompany dividends have no impact on the unaudited condensed consolidated financial statements.

Law of Corporate Income Tax of Latvia

Our Latvian subsidiary, ISP Optics Latvia, SIA ("ISP Latvia"), is governed by the Law of Corporate Income Tax of Latvia. Effective January 1, 2018, the Republic of Latvia enacted tax reform with the following key provisions: (i) corporations are no longer subject to income tax, but are instead subject to a distribution tax on distributed profits (or deemed distributions, as defined) and (ii) the rate of tax was changed to 20%; however, distribution amounts are first divided by 0.8 to arrive at the profit before tax amount, resulting in an effective tax rate of 25%. As a transitional measure, distributions of earnings prior to January 1, 2018 are not subject to tax if declared prior to December 31, 2019. ISP Latvia has declared an intercompany dividend to be paid to ISP Optics Corporation ("ISP"), its U.S. parent company, for the full amount of earnings accumulated prior to January 1, 2018. Distributions of this dividend will be from earnings prior to January 1, 2018 and, therefore, will not be subject to tax. We currently do not intend to distribute any earnings generated after January 1, 2018. If, in the future, we change such intention, we will accrue distribution taxes, if any, as profits are generated.

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9. Stock-Based Compensation

Our directors, officers, and key employees are granted stock-based compensation through our Amended and Restated Omnibus Incentive Plan, as amended (the "Omnibus Plan"), through October 2018 and after that date, through our 2018 Stock and Incentive Compensation Plan (the "SICP"). Such stock-based compensation may include, among other things, incentive stock options, non-qualified stock options, restricted stock awards ("RSAs") and restricted stock units ("RSUs"). The SICP is administered by the Compensation Committee of the Board of Directors. At our 2018 Annual Stockholders Meeting, our stockholders approved the SICP under which an aggregate of 1,650,870 shares of our Class A common stock were authorized for issuance pursuant to awards granted thereunder. At our 2022 Annual Stockholders Meeting, our stockholders authorized an additional 2,100,000 shares of our Class A common stock for issuance pursuant to awards granted thereunder. As of March 31, 2024, 831,943 shares of Class A common stock were authorized and available for issuance pursuant to awards granted under the SICP. The Company's executive officers are eligible to earn incentive compensation consisting of equity-based awards, as well as cash bonuses, based on the achievement of certain individual and/or Company performance goals set by the Compensation Committee.

Stock-based compensation expense is based primarily on the fair value of the award as of the grant date, and is recognized as an expense over the requisite service period.

The following table shows total stock-based compensation expense for the three and nine months ended March 31, 2024 and 2023, the majority of which is included in selling, general and administrative ("SG&A") expenses in these unaudited Condensed Consolidated Statements of Comprehensive Income (Loss):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Stock options	\$ 19,942	\$ 51,956	\$ 81,457	\$ 170,005
RSAs	61,781	52,483	193,090	119,333
RSUs	129,681	194,599	488,711	781,845
Total	\$ 211,404	\$ 299,038	\$ 763,258	\$ 1,071,183

We also adopted the LightPath Technologies, Inc. Employee Stock Purchase Plan (the "2014 ESPP"). The 2014 ESPP permits employees to purchase Class A common stock through payroll deductions, subject to certain limitations. A discount of approximately \$ 4,000 for each of the nine months ended March 31, 2024 and 2023, respectively, is included in SG&A expenses in these unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), which represents the value of the 10% discount given to the employees purchasing stock under the 2014 ESPP.

Grant Date Fair Values and Underlying Assumptions; Contractual Terms

We estimate the fair value of each stock option as of the date of grant, using the Black-Scholes-Merton pricing model. The fair value of 2014 ESPP

shares is the amount of the discount the employee obtains at the date of the purchase transaction.

Most stock options granted 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 RSA and RSU grants was 0%, and the assumed forfeiture rates used in calculating the fair value of options for performance and service conditions were 20% for each of the nine months ended March 31, 2024 and 2023. 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.

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No stock options were granted during the nine months ended March 31, 2023. For stock options granted in the nine-month period ended March 31, 2024, we estimated the fair value of each stock option as of the date of grant using the following assumptions:

	<u>Nine Months Ended March 31, 2024</u>
Weighted-average expected volatility	74.0%

Dividend yields	0%
Weighted-average risk-free interest rate	3.98%
Weighted-average expected term, in years	7.49

Restricted Stock Awards

RSAs are granted primarily to our executive officers, employees and consultants, and typically vest over a one to three year period from the date of grant, although some may vest immediately upon grant. The stock underlying RSAs is issued upon vesting.

Restricted Stock Units

RSUs are granted primarily to our directors, although RSU awards may also be made to executive officers, employees and consultants. RSUs typically vest over a one to four year period from the date of grant, although some may vest immediately upon grant.

Information Regarding Current Share-Based Compensation Awards

A summary of the activity for share-based compensation awards in the nine months ended March 31, 2024 is presented below:

	Stock Options			Restricted Stock Units(RSUs)		Restricted Stock Awards (RSAs)	
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contract	Shares	Weighted-Average Remaining Contract	Shares	Weighted-Average Remaining Contract
				June 30, 2023	March 31, 2024	March 31, 2024	March 31, 2024
Granted	28,736	\$ 1.74	6.1	558,753	—	225,733	—
Exercised	(3,000)	\$ 1.38	—	(252,840)	—	(142,022)	—
Cancelled/Forfeited	(1,500)	\$ 1.30	—	—	—	(10,127)	—
March 31, 2024	558,698	\$ 2.02	5.6	1,902,135	1.7	175,317	1.7
Awards exercisable/ vested as of March 31, 2024	471,816	\$ 1.92	5.2	1,130,428	—	—	—
Awards unexercisable/ unvested as of March 31, 2024	86,882	\$ 2.56	7.9	771,707	1.7	175,317	1.7
	558,698			1,902,135		175,317	

As of March 31, 2024, there was approximately \$ 1.1 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements (including stock options, RSAs and RSUs) granted. We expect to recognize the compensation cost as follows:

Fiscal Year Ending:	Stock Options	RSAs	RSUs	Total
June 30, 2024 (remaining three months)	15,385	29,486	168,866	213,737
June 30, 2025	44,096	97,612	424,323	566,031
June 30, 2026	10,211	44,689	163,564	218,464
June 30, 2027	6,805	7,500	74,617	88,922
	\$ 76,497	\$ 179,287	\$ 831,370	\$ 1,087,154

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10. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income or loss by the weighted-average number of shares of Class A common stock outstanding, during each period presented. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share, except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue shares of Class A common stock were exercised or converted into shares of Class A common stock. The computations for basic and diluted earnings (loss) per share of Class A common stock are described in the following table:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net loss	\$ (2,597,534)	\$ (1,163,270)	\$ (5,653,573)	\$ (3,238,031)
Weighted-average common shares outstanding:				
Basic number of shares	37,988,770	35,124,095	37,639,464	29,750,138
Effect of dilutive securities:				
Options to purchase common stock	-	-	-	-
RSUs and RSAs	-	-	-	-
Diluted number of shares	37,988,770	35,124,095	37,639,464	29,750,138
Loss per common share:				
Basic	\$ (0.07)	\$ (0.03)	\$ (0.15)	\$ (0.11)
Diluted	\$ (0.07)	\$ (0.03)	\$ (0.15)	\$ (0.11)

The following potential dilutive shares were not included in the computation of diluted earnings (loss) per share of Class A common stock, as their effects would be anti-dilutive:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Options to purchase common stock	540,123	534,462	536,335	534,462
RSUs and RSAs	1,981,071	2,059,941	1,790,148	2,123,735
	2,521,194	2,594,403	2,326,483	2,658,197

11. Leases

Our leases primarily consist of operating leases related to our facilities located in Orlando, Florida; Riga, Latvia; Shanghai, China; and Zhenjiang, China, and finance leases related to certain equipment located in Orlando, Florida and Riga, Latvia. The operating leases for facilities are non-cancelable operating leases, with terms at various times through 2034. We typically include options to renew (or terminate) in our lease term, and as part of our right-of-use ("ROU") assets and lease liabilities, when it is reasonably certain that we will exercise such options. We currently have eleven finance lease agreements entered into during fiscal years 2019, 2023 and 2024 with terms ranging from three to five years. The finance leases are for computer and manufacturing equipment.

Our operating lease ROU assets and the related lease liabilities are initially measured at the present value of future lease payments over the lease term. Two of our operating leases include renewal options, which were not included in the measurement of the operating lease ROU assets and related lease liabilities. We previously had two leases on the premises comprising our primary facility in Orlando, Florida (the "Orlando Facility"). The first lease on the premises comprising our Orlando Facility was amended in April 2021, and again in September 2021, to expand the space from approximately 26,000 square feet to approximately 58,500 square feet. The lease term was extended from April 30, 2022, to that certain date that is one hundred twenty-seven

(127) months after the date the landlord completes certain work to be done at the leased premises. The landlord's work was completed in August 2023, and accordingly the lease expires on March 31, 2034. In April 2023, we entered into a sublease for 11,156 square feet of this space, as we do not have a current need for the full 58,500 square feet of space. The sublease is for an initial term of five years, ending in April 2029. The second lease on the premises comprising our Orlando Facility was assigned to a third-party and it was agreed that we would vacate the premises, subject to the assigned lease, on November 30, 2022. In December 2022, we entered into an agreement with the assignee of such lease that extended our right to occupy the subject premises until February 28, 2023, in consideration of payments of rent through February 28, 2023, and other amounts to the assignee. In February 2023, the space was vacated and we have no further obligations related to this lease. Effective in January 2022, the terms of our leases in Zhenjiang, China and Riga, Latvia were extended to December 31, 2024 and 2030, respectively.

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As most of our operating leases do not provide an implicit rate, we use our collateralized incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. Currently, none of our operating leases include variable lease payments that are dependent on an index or rate. We are responsible for payment of certain real estate taxes, insurance and other expenses on certain of our operating leases. These amounts are generally considered to be variable and are not included in the measurement of the ROU assets and the related lease liabilities. We generally account for non-lease components, such as maintenance, separately from lease components. Our lease agreements do not contain any material residual value guarantees or material restricted covenants. Leases with a term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

We received tenant improvement allowances for each of our two leases with respect to our Orlando Facility. These allowances were used to construct improvements and are included in leasehold improvements and operating lease liabilities. The balances are being amortized over the corresponding lease terms. In August 2023, we completed the construction of additional tenant improvements within the premises subject to our continuing lease for our Orlando Facility, of which the landlord provided \$2.4 million in tenant improvement allowances. We funded the balance of the tenant improvement costs of approximately \$3.7 million.

The components of lease expense were as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Operating lease cost	\$ 238,051	\$ 230,349	\$ 681,726	\$ 646,274
Finance lease cost:				
Depreciation of lease assets	23,971	7,299	57,868	75,521
Interest on lease liabilities	9,712	1,956	25,104	5,826
Total finance lease cost	33,683	9,255	82,972	81,347
Total lease cost	<u>\$ 271,734</u>	<u>\$ 239,604</u>	<u>\$ 764,698</u>	<u>\$ 727,621</u>

Supplemental balance sheet information related to the leases was as follows:

	Classification	March 31, 2024		June 30, 2023	
		2024	2023	2024	2023
Assets:					
Operating lease assets	Operating lease assets	\$ 7,164,556	\$ 9,571,604		
Finance lease assets	Property and equipment, net ⁽¹⁾	991,507	542,105		
Total lease assets		<u>\$ 8,156,063</u>	<u>\$ 10,113,709</u>		
Liabilities:					
Current:					
Operating leases	Operating lease liabilities, current	\$ 1,090,896	\$ 969,890		
Finance leases	Finance lease liabilities, current	172,904	103,646		
Noncurrent:					
Operating leases	Operating lease liabilities, less current portion	8,315,001	8,393,248		
Finance leases	Finance lease liabilities, less current portion	573,130	341,201		
Total lease liabilities		<u>\$ 10,151,931</u>	<u>\$ 9,807,985</u>		

(1) Finance lease assets were recorded net of accumulated depreciation of approximately \$ 72,000 as of both March 31, 2024 and June 30, 2023.

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Lease term and discount rate information related to leases was as follows:

Lease Term and Discount Rate	March 31, 2024	
Weighted Average Remaining Lease Term (in years)		
Operating leases	9.6	
Finance leases	4.2	
Weighted Average Discount Rate		
Operating leases	2.9%	
Finance leases	8.0%	
Supplemental cash flow information:		
Nine Months Ended March 31, 2024		
2023		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash used for operating leases	\$ 634,033	\$ 772,659
Operating cash used for finance leases	\$ 25,105	\$ 4,242
Financing cash used for finance leases	\$ 87,610	\$ 63,345

Future maturities of lease liabilities were as follows as of March 31, 2024:

Fiscal year ending:	Finance Leases	Operating Leases
June 30, 2024 (remaining three months)	\$ 57,448	\$ 298,603
June 30, 2025	226,407	1,160,742
June 30, 2026	204,092	1,132,304
June 30, 2027	176,948	1,139,537
June 30, 2028	161,011	1,157,953
Thereafter	57,642	6,759,635
Total future minimum payments	883,548	11,648,774
Less imputed interest	(137,514)	(2,242,877)
Present value of lease liabilities	<u>\$ 746,034</u>	<u>\$ 9,405,897</u>

12. Loans Payable

As of March 31, 2024, loans payable consisted of two equipment loans and the ANBTEX Note (as defined below). As of June 30, 2023, loans payable primarily consisted of the BankUnited Term Loan (as defined below) payable to BankUnited N.A. ("BankUnited"). This loan was paid in full in February

2024 and is no longer outstanding as of March 31, 2024.

Equipment Loans

In December 2020, ISP Latvia entered into an equipment loan with a third party (the "2020 Equipment Loan"), which party is also a significant customer, and which the 2020 Equipment Loan was subordinate to the BankUnited Loans (as defined below), and collateralized by certain equipment. The initial advance under the 2020 Equipment Loan was 225,000 EUR (or USD \$275,000), payable in equal installments over 60 months, the proceeds of which were used to make a prepayment to a vendor for equipment to be delivered at a future date. An additional 225,000 EUR (or USD \$267,000) was drawn in September 2021, which proceeds were paid to the vendor for the equipment, payable in equal installments over 52 months. The 2020 Equipment Loan bears interest at a fixed rate of 3.3%.

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In May 2023, ISP Latvia entered into an equipment loan with a third party (the "2023 Equipment Loan"). The 2023 Equipment Loan is collateralized by certain equipment. Through March 31, 2024, ISP Latvia has received two advances under the 2023 Equipment Loan totaling 260,258 EUR (or USD \$284,000), the proceeds of which were used to make installment payments to a vendor for equipment to be delivered at a future date. The 2023 Equipment Loan will be payable over 48 months, with monthly installments beginning January 1, 2024. The 2023 Equipment Loan bears interest at the six-month EURIBOR rate, plus 2.84% (6.69% as of March 31, 2024).

ANBTEX Note

In connection with the acquisition of Visimid in July 2023, we executed a promissory note of \$ 150,000 in favor of The American National Bank of Texas (the "ANBTEX Note") which bore interest at a fixed rate of 6.15% and was secured by a certificate of deposit for the same amount. The cash collateral is

reflected as Restricted Cash in the accompanying unaudited Condensed Consolidated Balance Sheet as of March 31, 2024. The ANBTEX Note was repaid in full on May 2, 2024.

BankUnited Term Loan

On February 26, 2019, we entered into a Loan Agreement (the "Loan Agreement") with BankUnited for (i) a revolving line of credit up to a maximum amount of \$2,000,000 (the "Revolving Line"), (ii) a term loan in the amount of up to \$ 5,813,500 ("BankUnited Term Loan"), and (iii) a non-revolving guidance line of credit up to a maximum amount of \$10,000,000 (the "Guidance Line" and, together with the Revolving Line and BankUnited Term Loan, the "BankUnited Loans"), which the Revolving Line and Guidance Line have since been terminated. Each of the BankUnited Loans is evidenced by a promissory note in favor of BankUnited (the "BankUnited Notes").

On May 6, 2019, we entered into that certain First Amendment to Loan Agreement, effective February 26, 2019, with BankUnited (the "First Amendment"). The First Amendment amended the definition of the fixed charge coverage ratio to more accurately reflect the parties' understandings at the time the Loan Agreement was executed. On September 9, 2021, we entered into a letter agreement with BankUnited (the "Letter Agreement"). In accordance with the Letter Agreement, the parties agreed to the following terms, among others: (i) we were granted a waiver of default for our failure to comply with the fixed charge coverage ratio measured on June 30, 2021; (ii) certain financial covenant requirements were modified; and (iii) the Guidance Line was terminated.

On November 5, 2021, we entered into a letter agreement with BankUnited (the "Second Letter Agreement"). In accordance with the Second Letter Agreement, the parties agreed to initiate discussions regarding a possible modification, forbearance, or other resolution of the Amended Loan Agreement (as defined below), which resolution would occur on or before December 31, 2021. On December 20, 2021, we entered into the Second Amendment to the Loan Agreement dated February 26, 2019 (the "Second Amendment"), which further amended the Loan Agreement with BankUnited. In accordance with the Second Amendment, the parties agreed to the following terms, among others: (i) a maturity date of April 15, 2023 with respect to the Term Loan (as defined in the Amended Loan Agreement); (ii) an increased monthly payment amount of \$100,000 commencing on November 1, 2022; (iii) beginning on December 20, 2021, each facility would bear interest at BankUnited's then-prime rate of interest minus fifty (50) basis points, as adjusted from time to time; (iv) the Term Loan would bear a higher interest rate commencing on August 1, 2022; (v) an exit fee equal to 4% of the outstanding principal balance of the Term Loan on April 15, 2023 (to the extent the Term Loan would still be outstanding on such date); and (vi) a fee of \$50,000 payable upon execution of the Second Amendment. The Second Amendment also granted us a waiver of compliance for the Financial Covenants (as set forth in the Amended Loan Agreement) for the periods ended December 31, 2021, March 31, 2022 and June 30, 2022. Based on the waiver, we were no longer in default of the Amended Loan Agreement.

On May 11, 2022, we entered into the Third Amendment to the Loan Agreement dated February 26, 2019 (the "Third Amendment"; and, together with the First Amendment, the Letter Agreement and the Second Letter Agreement, the "Amended Loan Agreement"), which further amended the Loan Agreement with BankUnited. In accordance with the Third Amendment, the parties agreed to the following terms, among others: (i) an amended maturity date of April 15, 2024 with respect to the Term Loan (as defined in the Amended Loan Agreement); and (ii) an amended exit fee equal to (a) 2% of the outstanding principal balance of the Term Loan on September 30, 2022, (b) 1% of the outstanding principal balance on December 31, 2022, (c) 1% of the outstanding principal balance on March 31, 2023, and (d) 4% of the outstanding principal balance on April 15, 2024 (to the extent the Term Loan is still outstanding on the respective dates).

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On February 7, 2023, we entered into the Fourth Amendment to the Loan Agreement dated February 26, 2019 (the "Fourth Amendment" and, together with the First Amendment, the Letter Agreement and the Second Letter Agreement, the Second Amendment, and the Third Amendment, the "Amended Loan Agreement"), which further amended the Loan Agreement with BankUnited. In accordance with the Fourth Amendment, the parties agreed to the following terms, among others: (i) an amended maturity date of December 31, 2024 with respect to the Term Loan (as defined in the Amended Loan Agreement); (ii) an amended exit fee equal to (a) 1% of the outstanding principal balance on December 31, 2023 and (b) 4% of the outstanding principal balance on December 31, 2024 (to the extent the Term Loan is still outstanding on the respective dates); (iii) a principal reduction payment of \$1,000,000 on or before February 28, 2023; (iv) commencing on March 1, 2023 and continuing on the first day of each month thereafter until December 31, 2023, monthly payments of \$75,000, and commencing on January 1, 2024 and continuing on the first day of each month thereafter until the maturity date, monthly payments of \$100,000, with each such payment applied first to interest, costs and expenses and then to principal; (v) commencing on March 1, 2023, each facility will bear interest at BankUnited's then prime rate of interest, and (vi) BankUnited waived compliance with certain financial covenants until December 31, 2023.

On May 9, 2023, we entered into the Fifth Amendment to the Loan Agreement dated February 26, 2019 (the "Fifth Amendment"), which further amended the Loan Agreement with BankUnited. In accordance with the Fifth Amendment, the parties agreed to the following terms, among others: (i) BankUnited agreed to release its security interest in the collateral securing the BankUnited Loans other than a cash collateral account maintained at BankUnited, initially in the amount of approximately \$2,457,000, with a portion of such cash collateral to be released on a quarterly basis equal to 110% of the principal reductions effected during that quarter, and (ii) certain other requirements and restrictions of the Loan Agreement were removed, including, among others, financial covenants, restrictions on acquisitions, and limitations on other financing sources. The cash collateral is reflected as Restricted Cash in the accompanying unaudited condensed consolidated balance sheets as of June 30, 2023.

Financing costs incurred related to the BankUnited Loans were recorded as a discount on debt and amortized over the term. Amortization of approximately \$19,000 and \$55,700 is included in interest expense for the three and nine months ended March 31, 2023, respectively. There was no amortization for the three and nine-month periods ended March 31, 2024, as all costs were fully amortized in prior periods.

Future maturities of loans payable are as follows:

	Equipment Loans	ANBTEX Note	Total
Fiscal year ending:			
June 30, 2024 (remaining three months)	\$ 52,521	\$ 150,000	\$ 202,521
June 30, 2025	174,790	—	174,790
June 30, 2026	113,024	—	113,024
June 30, 2027	68,906	—	68,906
After June 30, 2027	40,196	—	40,196
Total payments	<u>\$ 449,437</u>	<u>\$ 150,000</u>	<u>599,437</u>
Less current portion			<u>(323,689)</u>
Non-current portion			<u>\$ 275,748</u>

13. Foreign Operations

Assets and liabilities denominated in non-U.S. currencies 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 period. Gains or losses on the translation of the financial statements of a non-U.S. operation, where the functional currency is other than the U.S. dollar, are reflected as a separate component of equity, which was a cumulative gain of approximately \$629,000 and \$607,000 as of March 31, 2024 and June 30, 2023, respectively. We also recognized net foreign currency transaction gains of \$12,000 and losses of \$79,000 during the three months ended March 31, 2024 and 2023, respectively. During the nine months ended March 31, 2024 and 2023, we recognized net foreign currency transaction gains of \$41,000 and losses of \$85,000, respectively, included in the unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) in the line item entitled "Other income (expense), net."

Our cash, cash equivalents and restricted cash totaled approximately \$ 3.2 million at March 31, 2024. Of this amount, greater than 50% was held by our foreign subsidiaries in China and Latvia. These foreign funds were generated in China and Latvia as a result of foreign earnings. With respect to the funds generated by our foreign subsidiaries in China, the retained earnings of the respective subsidiary must equal at least 50% of its registered capital before any funds can be repatriated through dividends. As of March 31, 2024, LPOIZ had approximately \$2.0 million in retained earnings available for repatriation, and LPOI did not have any earnings available for repatriation, based on earnings accumulated through December 31, 2023, the end of the most recent statutory tax year, that remained undistributed as of March 31, 2024.

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Revenues from and long-lived assets located in foreign countries are as follows:

	<u>Nine Months Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Revenues:		
United States	\$ 13,523,888	\$ 11,296,585
Latvia	—	1,688,316
China	1,177,093	1,985,581
Other European countries	6,317,636	6,413,297
Other Asian countries	1,458,543	1,138,975
Rest of world	614,900	726,474
	<u>\$ 23,092,060</u>	<u>\$ 23,249,228</u>
	<u>March 31,</u>	
	<u>2024</u>	<u>June 30, 2023</u>
Long-lived assets:		

United States	\$ 26,140,980	\$ 23,336,063
Latvia	5,156,342	5,282,596
China	2,858,524	3,157,434
	<u>\$ 34,155,846</u>	<u>\$ 31,776,093</u>

14. Contingencies

Legal

The Company, from time to time, is involved in various legal actions arising in the normal course of business. Management, after reviewing with legal counsel all of these actions and proceedings, believes that the aggregate losses, if any, will not have a material adverse effect on the Company's financial position or results of operations.

In April 2021, we terminated several employees of our China subsidiaries, LPOIZ and LPOI, including the General Manager, the Sales Manager, and the Engineering Manager, after determining that they had engaged in malfeasance and conduct adverse to our interests, including efforts to misappropriate certain of our proprietary technology, diverting sales to entities owned or controlled by these former employees and other suspected acts of fraud, theft and embezzlement. In connection with such terminations, our China subsidiaries have engaged in certain legal proceedings with the terminated employees.

We incurred various expenses associated with the investigation into these matters prior and subsequent to the termination of the employees and the associated legal proceedings. These expenses, which include legal, consulting and other transitional management fees, totaled \$718,000 and \$400,000 during the years ended June 30, 2021 and 2022, respectively. During the three and nine months ended March 31, 2024 and 2023, respectively, expenses incurred related to the legal proceedings were immaterial. In December 2023, we recovered approximately \$190,000 in funds that had been recovered by the Chinese authorities, which is included in Other income in the accompanying unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended March 31, 2024. We expect to incur minimal additional legal fees and consulting expenses in future periods as we have exhausted nearly all of our legal options and remedies.

Knowing that employee transitions in international subsidiaries can lead to lengthy legal proceedings that can interrupt the subsidiary's ability to operate, compounded by the fact that our officers could not travel to China to oversee the transitions because of the travel restrictions imposed by COVID-19, we chose to enter into severance agreements with certain of the employees at the time of termination. Pursuant to the severance agreements, LPOIZ and LPOI agreed to pay such employees severance of approximately \$485,000 in the aggregate, to be paid over a six-month period following the terminations in April 2021. After the execution of the severance agreements, we discovered additional wrongdoing by the terminated employees. As a result, LPOIZ and LPOI have disputed the employees' rights to such payments and did not immediately begin making the severance payments. However, based on the likelihood that the courts in China will determine that our subsidiaries would ultimately be obligated to pay these amounts, we accrued for these payments as of June 30, 2021 and they remained accrued as of June 30, 2022. Such expenses were recorded as SG&A expenses in the Consolidated Statement of Comprehensive Income (Loss) for the year ended June 30, 2021. In October 2022, the severance amounts were paid to the court in accordance with a court order.

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We have transitioned the management of LPOI and LPOIZ to a new management team without any significant detrimental effects on the ability of those subsidiaries to operate. We have not experienced any material adverse impact to the business operations of LPOI or LPOIZ as a result of the transition. Although we took steps to minimize the business impacts from the termination of the management employees and transition to new management personnel, we experienced some short-term adverse impacts on LPOIZ's and LPOI's domestic sales in China and results of operations in the three-month period ended June 30, 2021 and the fiscal year ended June 30, 2022. The Company has not experienced, nor does management anticipate, any material adverse impact on LPOIZ's or LPOI's production and supply of products to its other subsidiaries for their customers.

Potential Impact of Economic Conditions in China

Due to our operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of other countries in many respects, including with respect to the level of development, growth rate, amount of government involvement, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth over the past several decades, its growth rate has declined in recent years and may continue to decline. Deteriorating economic conditions in China generally have led to lower demand for our products in China and thus lower revenues and net income for our subsidiaries in China and the Company overall. A continuation of China's current economic conditions or a further slowdown in the economic growth, an economic downturn, a recession, or other adverse economic conditions in China is likely to have a material adverse effect on our business and results of operations in future quarters.

Impact of Recent Wars

In February 2022, Russian military forces invaded Ukraine. This war has led to sanctions on Russia, which have had some impacts, though temporary, on our supply chain of raw materials. Separately, Israel declared war on Hamas in October 2023. Initially, this resulted in a temporary increase in our sales, as Israel worked to replace electro-optical systems that in some cases use our materials. However, it is possible that this war will also have a negative impact on our business at some point as a result of the economic impact in Israel. In addition to the significant defense related market in Israel, we also serve many commercial related applications and work with commercial companies in Israel, and the business of those customers may be negatively impacted by the war over time. Given the dynamic nature of this situation, we cannot reasonably estimate the impact of either the Russian-Ukraine conflict or the Israel-Hamas war on our financial condition, results of operations or cash flows into the foreseeable future.

15. Liquidity

We generally rely on cash from operations and equity and debt offerings, to the extent available, to satisfy our liquidity needs and to maintain our ability to repay our debt.

On February 16, 2022, we filed a shelf registration statement to facilitate the issuance of our Class A common stock, warrants exercisable for shares of our Class A common stock, and/or units up to an aggregate offering price of \$75.8 million from time to time. In connection with the filing of the shelf registration statement, we also included a prospectus supplement relating to an at-the-market equity program under which we may issue and sell shares of our Class A common stock up to an aggregate offering price of \$25.2 million from time to time, decreasing the aggregate offering price available under the shelf registration statement to \$50.6 million. The shelf registration statement was declared effective by the SEC on March 1, 2022. As of March 31,

2024, we issued 68,041 shares of our Class A common stock pursuant to the at-the-market equity program.

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On January 12, 2023, the Company entered into a securities purchase agreement ("Purchase Agreement"), pursuant to which the Company agreed to

issue and sell in a public offering under the shelf registration statement an aggregate of 9,090,910 shares of the Company's Class A common stock, par value \$0.01 per share for a purchase price of \$1.10 per share and filed a prospectus supplement with the SEC related thereto. The sale of shares pursuant to the Purchase Agreement closed on January 17, 2023, and resulted in net proceeds of approximately \$9.2 million after payment of placement agent fees, and certain other costs and expenses of the offering.

There are a number of factors that could result in the need to raise additional funds, 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 costs. In addition, we may identify opportunities for acquisitions and other strategic transactions to expand and further enhance our business that may require that we raise additional capital should we elect to pursue any of such transactions.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations is designed to provide a reader of the financial statements with a narrative report on our financial condition, results of operations, and liquidity. This discussion and analysis should be read in conjunction with the attached unaudited Condensed Consolidated Financial Statements and notes thereto and our Annual Report on Form 10-K for the year ended June 30, 2023, including the audited Consolidated Financial Statements and notes thereto. 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 Quarterly Report regarding forward-looking statements.

Introduction

We were incorporated in Delaware in 1992 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. Today, LightPath is a global company with major facilities in the United States, the People's Republic of China, and the Republic of Latvia.

Our capabilities include precision molded optics, thermal imaging optics, custom designed optics, and the design and manufacturing of optical assemblies and subsystems. These capabilities allow us to manufacture optical components and higher-level assemblies, including precision molded glass aspheric optics, molded and diamond-turned infrared aspheric lenses and other optical materials used to produce products that manipulate light. We design, develop, manufacture and integrate optical components and assemblies utilizing advanced optical manufacturing processes. Product verticals range from consumer (e.g., cameras, cell phones, gaming, and copiers) to industrial (e.g., lasers, data storage, and infrared imaging), from products where the lenses are the central feature (e.g., telescopes, microscopes, and lens systems) to products incorporating lens components (e.g., 3D printing, machine vision, LIDAR, robotics and semiconductor production equipment) and communications. 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 instrumentation manufacturers and industrial measurement equipment manufacturers, government defense agencies, and research institutions worldwide.

Subsidiaries

In November 2005, we formed LPOI, a wholly-owned subsidiary, located in Jiading, People's Republic of China. LPOI provides sales and support functions. In December 2013, we formed LPOIZ, a wholly-owned subsidiary located in the New City district, of the Jiangsu province, of the People's Republic of China. LPOIZ's 55,000 square foot manufacturing facility (the "Zhenjiang Facility") serves as our primary manufacturing facility in China and provides a lower cost structure for production of larger volumes of optical components and assemblies.

In December 2016, we acquired ISP, and its wholly-owned subsidiary, ISP Latvia. ISP is a vertically integrated manufacturer offering a full range of infrared products from custom infrared optical elements to catalog and high-performance lens assemblies. Since June 2019, ISP's manufacturing operation has been located at our Orlando Facility. ISP Latvia is a manufacturer of high precision optics and offers a full range of infrared products, including catalog and custom infrared optics. ISP Latvia's facility in Riga, Latvia (the "Riga Facility") functions as its manufacturing facility.

In July 2023, we acquired Liebert Consulting LLC, dba Visimid Technologies ("Visimid"). Visimid is an engineering and design firm specializing in thermal imaging, night vision and IOT applications. Visimid provides design and consulting services for DoD contractors, commercial and industrial customers, and OEMs for original new products. Visimid's core competency is developing and producing custom thermal and night vision cores. We believe that Visimid's capabilities are aligned with our strategy to focus on engineered solutions. Visimid's facility is located in Plano, TX.

For additional information, please refer to our Annual Report on Form 10-K for the year ended June 30, 2023.

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Product Groups

We previously organized our products in three groups: PMO, infrared, and specialty products. Revenues from product development agreements for engineering services were included in specialty products. With our strategic transition into more value-added solutions, and the addition of Visimid in July 2023, we reorganized our products into four product groups: infrared components, visible components, assemblies and modules, and engineering services. Assemblies and modules were previously included in infrared or specialty products, depending on the lens type.

Our visible components product group consists of visible precision molded optics with varying applications. Our infrared product group is comprised of infrared optical components, including molded, diamond-turned, or polished lenses. Polished lenses include both conventional and CNC (computer numerical control) ground and polished lenses. Between these two product groups, we have the capability to manufacture lenses from very small (with diameters of a sub-millimeter) to over 300 millimeters, and with focal lengths from approximately 0.4 millimeters to over 2,000 millimeters. In addition, both product groups offer both catalog and custom designed optics.

Our assemblies and modules product group is comprised of value-added engineered solutions, such as infrared cameras, infrared imaging modules and cores, optical assemblies, thermal imaging assemblies, and collimators. Products in this category are typically designed for specific customer needs and requirements, and are sold into OEMs that further integrate them into their systems. We design, build, and sell cameras and optical assemblies in markets for defense, industrial test and measurement, medical devices, sporting, and communications applications based on our proprietary technologies. Our solutions and assemblies can vary in complexity level from assemblies of lenses that get mounted on a customer's camera, laser or detector, to complete imaging systems that generate a processed image electronically.

Our engineering services product group represents services we provide pursuant to product development agreements that we enter into with customers. Typically, customers approach us and request that we develop new products or applications utilizing our existing products to fit their particular needs or specifications. The timing and extent of any such product development requests are outside of our control, and the related revenue is recognized upon satisfaction of the performance obligation, and transfer of control of the agreed-upon deliverable. As we continue a strategic shift into highly engineered solutions, we expect this product group to grow in a similar way as our assemblies and modules business. Furthermore, as the engineering effort precedes the product revenue, the revenue from this product group is often, but not always, a lead indicator to the revenue in assemblies and modules product group.

We believe these four product groups better align with our strategic direction and will allow us to better track the results of our focus on engineered solution and assemblies.

Growth Strategy

The optics industry is transforming from a fragmented industry with many component manufacturers into a solution-focused industry with the potential for partnerships for solution development and production. Based on the shifts in the marketplace and the changes that come when a technology, like photonics, moves from being a specialty product to being integrated into mainstream industries and applications, we redefined our strategic direction to

leverage our strengths and specifically our subject matter expertise in optics, to provide our wide customer base with complete optical and electro-optical solutions, and to become their partner for the optical engine of their systems.

Since 2020, we have focused on developing a strategy and executing a plan that capitalizes on the changing market conditions, creates a unique and long-lasting value to our customers, and utilizes our unique capabilities and differentiators. We intend to use our differentiators to move up the value chain, thereby offering a more comprehensive value proposition to our customers.

Understanding the shifts that are happening in the marketplace and the changes that come when a technology, like photonics, moves from being a specialty to being integrated into mainstream industries and applications, we redefined our strategic direction to provide our wide customer base with domain expertise in optics, and became their partner for the optical engine of their systems. In our view, as the use of photonics evolves, so do customer needs. The industry is transforming from a fragmented industry with a component-oriented supply chain, into a solution-focused industry with the potential for partnerships for solution development and production. Over the last couple of years we have worked to align our organization to this strategy, and leverage our in-house domain expertise in photonics, knowledge and experience in advanced optical technologies, and the necessary manufacturing techniques and capabilities. We have been developing these partnerships by working closely with our customers throughout their design process, designing optical solutions that are tailored to their needs, often times using unique technologies that we own, and supplying the customer with a complete optical subsystem to be integrated into their product. Such an approach builds on our unique, value-added technologies that we currently own, such as infrared materials, optical molding, fabrication, system design, and proprietary manufacturing technologies, along with other technologies that we may acquire or develop in the future, to create tailored solutions for our customers.

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Our domain expertise and the extensive "know how" in optical design, fabrication, production and testing technologies will allow our customers to focus on their own development efforts, freeing them from the need to develop subject matter expertise in optics. By providing the bridge into the optical solution world, we are able to partner with our customers on a long-term basis, create value for our customers, and capture that value through the long-term supply relationships we seek to develop.

Further information about our strategic direction can be found in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Results of Operations

Revenue

Three months ended March 31, 2024, compared to three months ended March 31, 2023

Revenue for the third quarter of fiscal 2024 was approximately \$7.7 million, an increase of approximately \$0.3 million, or 4%, as compared to approximately \$7.4 million in the same quarter of the prior fiscal year, driven by increases in sales of infrared components and engineering services.

Revenue generated by infrared components was approximately \$3.6 million in the third quarter of fiscal 2024, an increase of approximately \$0.5 million, or 16%, as compared to the same quarter of the prior fiscal year. The increase in revenue is primarily due to an increase in shipments against an annual

contract for an international military program. Revenue from the visible components product group for the third quarter of fiscal 2024 was \$2.7 million, a decrease of approximately \$0.4 million, or 13%, as compared to the same quarter of the prior fiscal year. The decrease in revenue is primarily due to a decrease in sales to customers in the defense and medical industries. Sales to customers in the telecommunications industry in China also decreased. Revenue from assemblies and modules decreased by 16%, as compared to the same quarter of the prior fiscal year, primarily due to timing of shipments against a multi-year contract with a defense customer. This decrease was partially offset by the addition of Visimid sales of infrared camera cores. Revenue from engineering services increased by \$0.4 million, or 211%, for the third quarter of fiscal 2024, as compared to the same quarter of the prior fiscal year. This increase was primarily driven by Visimid's contract with Lockheed Martin, where revenue is generally recognized based on the achievement of milestones.

Nine months ended March 31, 2024, compared to nine months ended March 31, 2023

Revenue for the first nine months of fiscal 2024 was approximately \$23.1 million, a decrease of approximately \$0.2 million, or 1%, as compared to approximately \$23.2 million in the same period of the prior fiscal year, primarily driven by a decrease in sales of visible components, partially offset by increases in sales of infrared components and engineering services.

Revenue generated by infrared components was approximately \$11.0 million in the first nine months of fiscal 2024, an increase of approximately \$1.4 million, or 15%, as compared to approximately \$9.6 million in the same period of the prior fiscal year. The increase in revenue is primarily due to an increase in shipments against an annual contract for an international military program. Revenue from the visible components product group for the first nine months of fiscal 2024 was \$8.1 million, a decrease of approximately \$2.2 million, or 21%, as compared to the same period of the prior fiscal year. The decrease in revenue is primarily due to a decrease in sales to customers in the defense industry, as well as a decrease in sales through catalog and distribution channels in the U.S. and in Europe. Sales to customers in the telecommunications industry in China also decreased. Revenue from assemblies and modules were flat, as compared to the same period of the prior fiscal year, due to a decrease in shipments against a multi-year contract with a defense customer, due to timing, which was offset by the addition of Visimid sales of infrared camera cores. Revenue from engineering services increased by \$621,000, or 213%, as compared to the same period of the prior fiscal year. This increase was primarily driven by Visimid's contract with Lockheed Martin, where revenue is generally recognized based on the achievement of milestones. The remaining increase is driven by revenue from one of our space-related funded research contracts.

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Cost of Sales and Gross Margin

Three months ended March 31, 2024, compared to three months ended March 31, 2023

Gross margin in the third quarter of fiscal 2024 was approximately \$1.6 million, a decrease of \$0.9 million, or 37%, as compared to the same quarter of the prior fiscal year. Total cost of sales was approximately \$6.1 million for the third quarter of fiscal 2024, compared to approximately \$4.9 million for the same quarter of the prior fiscal year. Gross margin as a percentage of revenue was 21% for the third quarter of fiscal 2024, compared to 34% for the same quarter of the prior fiscal year. The decrease in gross margin as a percentage of revenue is due to two main factors. First, the decrease in visible components sales, offset by an increase in infrared components sales which typically have lower margins than visible components. Second, our quarterly revaluation of inventory resulted in a more significant adjustment for the third quarter of fiscal 2024 than in prior periods. The revaluation was a net write-down of inventory, driven by cost reduction efforts related to material, labor and outside services.

Nine months ended March 31, 2024, compared to nine months ended March 31, 2023

Gross margin in the first nine months of fiscal 2024 was approximately \$6.1 million, a decrease of \$1.9 million, or 24%, as compared to the same period of the prior fiscal year. Total cost of sales was approximately \$17.0 million for the first nine months of fiscal 2024, compared to approximately \$15.3 million for the same period of the prior fiscal year. Gross margin as a percentage of revenue was 26% for the first nine months of fiscal 2024, compared to 34% for the same period of the prior fiscal year. The decrease in gross margin as a percentage of revenue is primarily due to the decrease in visible components sales, which typically have higher margins than our infrared components product group. Our infrared components product group comprised a greater portion of our sales for the first half of fiscal 2024. In addition, gross margin as a percentage of revenue for the first nine months of fiscal 2024 was unfavorably impacted by the aforementioned revaluation of inventory during the third quarter of fiscal 2024.

Selling, General and Administrative

Three months ended March 31, 2024, compared to three months ended March 31, 2023

SG&A costs were approximately \$3.2 million for the third quarter of fiscal 2024, an increase of approximately \$412,000, or 15%, as compared to approximately \$2.8 million in the same quarter of the prior fiscal year. The increase in SG&A costs is primarily due to an increase in wages, including the addition of employees upon the acquisition of Visimid. We also incurred additional legal and professional fees in the third quarter of fiscal 2024 associated with our rescheduled annual stockholder meeting and previously disclosed Delaware chancery court proceedings.

Nine months ended March 31, 2024, compared to nine months ended March 31, 2023

SG&A costs were approximately \$8.7 million for the first nine months of fiscal 2024, an increase of approximately \$263,000, or 3%, as compared to approximately \$8.4 million in the same period of the prior fiscal year. The increase in SG&A costs is primarily due to an increase in wages, partially offset by a decrease in stock-based compensation. We also incurred approximately \$97,000 associated with the acquisition of Visimid, which closed in July 2023, as well as additional legal and professional fees in the third quarter of fiscal 2024 associated with our rescheduled annual stockholder meeting and previously disclosed Delaware chancery court proceedings.

New Product Development

New product development costs were approximately \$570,000 in the third quarter of fiscal 2024, an increase of approximately \$56,000, or 11%, as compared to the same quarter of the prior fiscal year. For the first nine months of fiscal 2024, new product development costs were \$1.8 million, an increase of \$288,000 or 19%, as compared to the same period of the prior fiscal year. These increases are primarily due to the addition of engineering personnel as a result of the Visimid acquisition, as well as an increase in materials and outside services utilized for development projects.

Amortization of Intangibles

Amortization of intangibles increased by \$153,000 and \$357,000 for three and nine months ended March 31, 2024, respectively, due to the amortization of identifiable intangible assets associated with the Visimid acquisition. See Note 3, *Acquisition of Visimid*, in the unaudited Condensed Consolidated Financial Statements, for further information.

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Other Income (Expense)

Interest expense, net, was approximately \$37,000 for the third quarter of fiscal 2024, as compared to \$77,000 for the same quarter of the prior fiscal year. For the first nine months of fiscal 2024, interest expense was approximately \$149,000, as compared to \$229,000 for the same period of the prior fiscal year. The decrease in interest expense is primarily due to a decrease in amortization of loan costs, as all loan costs have been fully amortized in prior periods. In February 2024, our largest loan balance was paid in full using the restricted cash that previously secured the loan.

Other income, net, was approximately \$29,000 for the third quarter of fiscal 2024, as compared to other expense, net of \$61,000 for the same quarter of the prior fiscal year. For the first nine months of fiscal 2024, other income, net, was \$234,000, as compared to other expense, net, of \$35,000 for the same period of the prior fiscal year. Other income for the first nine months of fiscal 2024 includes a gain of \$190,000 for the return of funds previously misappropriated by our former Chinese management team, as a result of the ongoing legal proceedings described in Note 14, *Contingencies*, in the unaudited Condensed Consolidated Financial Statements.

Other income and expenses also include net gains and losses on foreign exchange transactions. We execute all foreign sales from our U.S. facilities and inter-company transactions in U.S. dollars, partially mitigating the impact of foreign currency fluctuations. Assets and liabilities denominated in non-United States currencies, primarily the Chinese Yuan and Euro, 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.

Income Taxes

Income tax expense is primarily related to income taxes from our operations in China, including estimated Chinese withholding taxes associated with intercompany dividends declared by LPOIZ and payable to us as its parent company. Income tax expense was approximately \$6,000 for the third quarter of fiscal 2024, as compared to \$65,000 for the same period of the prior year. The decrease is due to timing of intercompany dividends. During the first nine months of fiscal 2024, income tax expense was approximately \$121,000, compared to \$222,000 for the same period of the prior fiscal year. The decrease is due to lower taxable income in that jurisdiction.

Net Loss

Net loss for the third quarter of fiscal 2024 was approximately \$2.6 million, or \$0.07 basic and diluted loss per share, compared to \$1.2 million, or \$0.03 basic and diluted loss per share, for the same quarter of the prior fiscal year. The increase in net loss of approximately \$1.4 million for the third quarter of fiscal 2024, as compared to the same quarter of the prior fiscal year, was primarily attributable to the decrease in gross margin, coupled with increased operating expenses, including amortization of intangibles.

Net loss for the first nine months of fiscal 2024 was approximately \$5.7 million, or \$0.15 basic and diluted loss per share, compared to \$3.2 million, or \$0.11 basic and diluted loss per share, for the same period of the prior fiscal year. The increase in net loss of approximately \$2.4 million for the first nine months of fiscal 2024, as compared to the same period of the prior fiscal year, was primarily attributable to the decrease in revenue and gross margin, coupled with increased operating expenses and partially offset by the aforementioned other income in our Chinese subsidiary.

Weighted-average common shares outstanding were 37,988,770, basic and diluted, in the third quarter of fiscal 2024, compared to 35,124,095, basic and diluted, in the same quarter of fiscal 2023. For the first nine months of fiscal 2024, weighted-average common shares outstanding were 37,639,464, basic and diluted, as compared to 29,750,138, basic and diluted, in the same period of the prior fiscal year. The increase in the weighted-average basic common shares was primarily due to the sale of an aggregate of 9,090,910 shares of Class A common stock pursuant to a public offering which closed on January 17, 2023. The increase is also attributable to the shares of Class A common stock issued in conjunction with the acquisition of Visimid, as well as the issuance of shares of Class A common stock under the 2014 ESPP and underlying vested RSUs and RSAs.

Potential Impact of Economic Conditions and Policies in China

Due to our operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of other countries in many respects, including with respect to the level of development, growth rate, amount of government involvement, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth over the past several decades, its growth rate has declined in recent years and may continue to decline. According to the National Bureau of Statistics of China, the annual economic growth rate in China was 6.9% in 2017, 6.8% in 2018, 6.1% in 2019, 2.3% in 2020, 8.1% in 2021, 3% in 2022, and 5.2% in 2023. The annual economic growth rate in 2024 is projected to be 4.6%, although some analysts have indicated that China's economic growth could be lower. Deteriorating economic conditions in China generally have led to lower demand for the Company's products in China and thus lower revenues and net income for our subsidiaries in China and the Company overall. A continuation of China's current economic conditions or a further slowdown in the economic growth, an economic downturn, a recession, or other adverse economic conditions in China is likely to have a material adverse effect on our business and results of operations in future quarters.

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In addition, on July 4, 2023 China announced export limitations on Germanium and Gallium, two materials that are commonly used in infrared optical components. A certain portion of our infrared optics revenue has always been dependent on those materials. As a precaution to the disruption in the supply chain of Germanium, and in anticipation of customers ordering more optics produced from other materials, primarily our own BlackDiamond materials, we have, in agreement with one key customer, proactively canceled some of our sales orders for optics made of Germanium. This serves to both reduce our exposure to possible shortages in Germanium material supply, as well as to free up capacity for orders for optics made of materials other than Germanium. This also led to us intentionally not renew a large annual customer order for optics made of Germanium from the same customer. This annual order is typically renewed during our second fiscal quarter; the prior renewal was announced in December 2022 for over \$5 million. The lack of this renewal impacts our backlog in the short term, as we would typically have received this order during the second fiscal quarter. The lack of this order booking does not mean, however, that we have lost the customer. Instead, we expect this order to renew in coming months, as the customer completes evaluating, and working toward transitioning to optics made of our BlackDiamond materials.

Liquidity and Capital Resources

As of March 31, 2024, we had working capital of approximately \$7.8 million and total cash, cash equivalents and restricted cash of approximately \$3.2 million, of which, greater than 50% of our cash and cash equivalents was held by our foreign subsidiaries.

Cash and cash equivalents held by our foreign subsidiaries in China and Latvia were generated in-country as a result of foreign earnings. We routinely declare intercompany dividends to remit a portion of the earnings of our foreign subsidiaries to us, as the U.S. parent company. It is still our intent to reinvest a significant portion of earnings generated by our foreign subsidiaries, however, we also plan to repatriate a portion of their earnings, and we accrue for these taxes on the portion of earnings that we intend to repatriate.

In China, before any funds can be repatriated, the retained earnings of the legal entity must equal at least 50% of the registered capital. As of March 31, 2024, LPOIZ had approximately \$2.0 million available for repatriation and LPOI did not have any earnings available for repatriation, based on earnings accumulated through December 31, 2023, the end of the most recent statutory tax year, that remained undistributed as of March 31, 2024.

Loans payable consists of two third-party equipment loans and the ANBTX Note. The BankUnited Term Loan was paid in full as of March 31, 2024. As of March 31, 2024, the outstanding balance on the equipment loans was approximately \$449,000, and the outstanding balance on the ANBTX Note was \$150,000. The ANBTX Note was repaid in full on May 2, 2024.

On February 16, 2022, we filed a shelf registration statement to facilitate the issuance of our Class A common stock, warrants exercisable for shares of our Class A common stock, and/or units up to an aggregate offering price of \$75.8 million from time to time. In connection with the filing of the shelf registration statement, we also included a prospectus supplement relating to an at-the-market equity program under which we may issue and sell shares

of our Class A common stock up to an aggregate offering price of \$25.2 million from time to time, decreasing the aggregate offering price available under the shelf registration statement to \$50.6 million. The shelf registration statement was declared effective by the SEC on March 1, 2022. As of March 31, 2024, we issued 68,041 shares of our Class A common stock pursuant to the at-the-market equity program.

On January 12, 2023, the Company entered into a securities purchase agreement ("Purchase Agreement"), pursuant to which the Company agreed to issue and sell in a public offering under the shelf registration statement an aggregate of 9,090,910 shares of the Company's Class A common stock, par value \$0.01 per share for a purchase price of \$1.10 per share and filed a prospectus supplement with the SEC related thereto. The sale of shares pursuant to the Purchase Agreement closed on January 17, 2023, and resulted in net proceeds of approximately \$9.2 million after payment of placement agent fees, and certain other costs and expenses of the offering.

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There are a number of factors that could result in the need to raise additional funds, 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 costs. In addition, we may identify opportunities for acquisitions and other strategic transactions to expand and further enhance our business that may require that we raise additional capital should we elect to pursue any of such transactions.

Cash Flows – Operating:

Cash provided by operations was approximately \$456,000 for the first nine months of fiscal 2024, compared to cash used in operations of approximately \$920,000 for the same period of the prior fiscal year. Cash provided by operations for the first nine months of fiscal 2024 was largely driven by decrease

in accounts receivable, as sales were higher in the fourth quarter of fiscal 2023 than in each of the first three quarters of fiscal 2024. Cash used in operations in the first nine months of fiscal 2023 reflects a decrease in accounts payable and accrued liabilities during such period resulting from the payment of certain expenses related to previously disclosed events that occurred at our Chinese subsidiaries, which were accrued in prior periods.

Cash Flows – Investing:

During the first nine months of fiscal 2024, we expended approximately \$1.9 million in investments in capital equipment, compared to approximately \$2.3 million in the same period of the prior fiscal year. We also expended approximately \$847,000, net of cash acquired, to acquire Visimid during the first nine months of fiscal 2024, as disclosed in Note 3, *Acquisition of Visimid Technologies*, in the unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The first nine months of fiscal 2024 also reflects proceeds of approximately \$365,000 from sale-leasebacks of equipment. The spending in the first nine months of fiscal 2024 is largely driven by the Orlando Facility expansion. As disclosed in Note 11, *Leases*, in the unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q, we constructed additional tenant improvements in our Orlando Facility subject to our continuing lease, of which the landlord agreed to provide \$2.4 million in tenant improvement allowances. The balance of the tenant improvement costs was \$3.7 million. During fiscal 2023, we expended approximately \$2.3 million toward this project, and during the first nine months of fiscal 2024, we expended \$1.3 million, with the remaining \$0.1 million to be expended during the fourth quarter of fiscal 2024. For the first nine months of fiscal 2023, the majority of our capital expenditures were related to the expansion of our infrared coating and lens diamond turning capacity.

Cash Flows – Financings:

Net cash used in financing activities was approximately \$2.1 million for the first nine months of fiscal 2024, compared to cash provided by financing activities of approximately \$7.5 million in the same period of the prior fiscal year. Cash used in financing activities for the first nine months of fiscal 2024 reflects approximately \$2.4 million in principal payments on our loans and finance leases, offset by \$143,000 in proceeds from the 2023 Equipment Loan, \$98,000 in proceeds from the sale of Class A common stock pursuant to the at-the-market equity program and \$40,000 in proceeds from the sale of Class A common stock under the 2014 ESPP. Cash provided by financing activities for the first nine months of fiscal 2023 reflects equity proceeds of \$9.2 million from a public offering of Class A common stock, which closed in January 2023, and \$40,000 in proceeds from the sale of Class A common stock under the 2014 ESPP, offset by approximately \$1.7 million in principal payments on our loans and finance leases.

Contractual Obligations and Commitments

As of March 31, 2024, our principal commitments consisted of obligations under operating and finance leases, and debt agreements. No material changes occurred during the first nine months of fiscal 2024 in our contractual cash obligations to repay debt or to make payments under operating and finance leases, or in our contingent liabilities as disclosed in our Annual Report on Form 10-K for the year ended June 30, 2023.

Off Balance Sheet Arrangements

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates during the nine months ended March 31, 2024 from those disclosed in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of our Annual Report on Form 10-K for the year ended June 30, 2023.

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How We Operate

We have continuing sales of two basic types: 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, integrated designs that we call "engineered solutions." These engineered solutions are often based on existing reference designs we have demonstrated, that then get further customized to the customer's specific needs. 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 leverages our engineering capabilities and makes the best use of our production capacity, as compared to the turns business, which is unpredictable and uneven. 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 design and sampling capability, including a high-quality and responsive optical design engineering staff, and proactive design of reference designs or technology demonstrators;
- 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 focus on reducing 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" and "engineered solutions" business, we nevertheless believe we can be successful in procuring this business because of our unique capabilities in optical design engineering and manufacturing. Additionally, we believe that we offer value to some customers as a source of supply in the U.S. should they be unwilling to commit to purchase their supply of a critical component from foreign production sources. For information regarding revenue recognition related to our various revenue streams, refer to *Critical Accounting Policies and Estimates* in our Annual Report on Form 10-K dated June 30, 2023.

Our Key Performance Indicators:

Typically, on a weekly basis, management reviews a number of performance indicators, both qualitative and quantitative. These indicators change from time to time as the opportunities and challenges in the business change. These indicators are used to determine tactical operating actions and changes. We believe that our non-financial production indicators, such as those noted, are proprietary information.

Financial indicators that are considered key and reviewed regularly are as follows:

- Sales backlog;
- Revenue by product group; and

- Other key indicators.

These indicators are also used to determine tactical operating actions and changes and are discussed in more detail below. Management continues to evaluate these key indicators as we transition to our new strategic plan, and is implementing certain changes and updates as further described below.

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Sales Backlog

We believe our sales activity has been and continues to be a key 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 evaluate our total backlog, which includes all firm orders requested by a customer that are reasonably believed 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 total backlog is better for us.

Our total backlog at March 31, 2024 was approximately \$22.0 million, a decrease of 17%, as compared to \$26.6 million as of March 31, 2023. Compared to the end of fiscal 2023, our total backlog increased by 1% during the first nine months of fiscal 2024. Backlog change rates for the last five fiscal quarters are:

Quarter	Total Backlog (\$ 000)	Change From Prior Year End	Change From Prior Quarter End
Q3 2023	\$ 26,620	50%	-10%
Q4 2023	\$ 21,652	22%	-19%
Q1 2024	\$ 21,303	-2%	-2%
Q2 2024	\$ 21,220	-2%	0%
Q3 2024	\$ 21,967	1%	4%

The decrease in backlog during the nine months ended March 31, 2024 as compared to March 31, 2023 is primarily due to shipments against the prior period backlog under several annual and multi-year contract renewals. The timing of multi-year contract renewals are not always consistent and, thus, backlog levels may increase substantially when annual and multi-year orders are received, and decrease as shipments are made against these orders. We anticipate that our existing annual and multi-year contracts will be renewed in future quarters. The reduction in backlog as a result of these shipments during the first nine months of fiscal 2024 were partially offset by the following: (i) a significant contract renewal for advanced infrared optics for a critical international military program, which renewal represented a 40% increase in dollar value as compared to the previous order; and (ii) a significant contract awarded to Visimid by Lockheed Martin in December 2023. In previous years we have typically received a significant contract renewal from our largest customer for infrared products made of Germanium during the second fiscal quarter. However, as previously disclosed we have decided to reduce the amount of optics we produce from Germanium, both to reduce our risk of supply chain disruption, and more importantly, to work with customers to convert their systems to use optics made of our own BlackDiamond materials. As such, in second quarter of fiscal 2024 we did not book our typical annual renewal order for Germanium optics with this customer. Instead, we continue to work with this customer, as well as other customers, to convert their systems to use BlackDiamond optics.

Markets continue to experience growing demand for infrared products used in the industrial, defense and first responder sectors. Demand for infrared products continues to be fueled by interest in lenses made with our proprietary BD6 and our new BDNL4 materials. With the global supply of germanium currently concentrated in Russia and China, ongoing global events are generating renewed interest in germanium alternatives such as our proprietary BlackDiamond materials, and other materials we are currently developing under an exclusive license with the Naval Research Lab. While the process of converting those systems over is progressing, it is not an immediate transition and as a result we may experience a short term adverse impact on our revenues and backlog as we decrease the orders for optics made of Germanium, before we start receiving the new orders for optics made of BlackDiamond.

As we have outlined in our strategic direction, we do not expect to see significant growth in our visible components product group in the near future. Competition in that product group has grown substantially over the last few years, and some of our new molding capabilities and technologies such as free-form molded optics, might take longer than anticipated to reach full commercialization, depending on economic conditions and technology trends in the area of AR/VR.

In addition, order bookings for both visible and infrared components and assemblies continue to be slow in China. Domestic sales in China have also been adversely impacted by the economic downturn in China, which continues to negatively impact revenue and bookings in that region.

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Revenue by Product Group

We previously organized our products in three groups: precision molded optics ("PMO"), infrared, and specialty products. Revenues from product development agreements for engineering services were included in specialty products. With our strategic transition into more value-added solutions, and the addition of Visimid in July 2023, we reorganized our products into four product groups: infrared components, visible components, assemblies and modules, and engineering services. Assemblies and modules were previously included in PMO, infrared or specialty products, depending on the lens type. We also previously presented the number of units sold by product group, however this is no longer a measure that we focus on internally, as our focus moves toward engineered solutions.

The following table sets forth revenue for our four product groups for the three and nine-month periods ended March 31, 2024 and 2023:

Revenue	(unaudited)						Year-to - date % Change	
	Three Months Ended March 31,		Quarter % Change	Nine Months Ended March 31,				
	2024	2023		2024	2023			
Infrared components	\$3,638,674	\$3,143,718	16%	\$11,046,129	\$ 9,623,597	15%		
Visible components	2,688,475	3,104,572	-13%	8,055,714	10,248,857	-21%		
Assemblies and modules	829,265	986,651	-16%	3,077,987	3,085,256	0%		
Engineering services	542,761	174,707	211%	912,230	291,518	213%		
Total revenue	\$7,699,175	\$7,409,648	4%	\$23,092,060	\$23,249,228	-1%		

Three months ended March 31, 2024

Our revenue increased by 4% in the third quarter of fiscal 2024, as compared to the same quarter of the prior fiscal year, driven by increases in sales of infrared components and engineering services.

Revenue generated by the infrared components product group for the third quarter of fiscal 2024 was \$3.6 million, an increase of 16%, as compared to same quarter of the prior fiscal year. The increase in revenue is primarily due to an increase in sales to customers in the defense industry, including an increase in shipments against an annual contract for an international military program.

Revenue from the visible components product group for the third quarter of fiscal 2024 was \$2.7 million, a decrease of 13%, as compared to the same quarter of the prior fiscal year. The decrease in revenue is primarily due to a decrease in sales to customers in the defense and medical industries. Sales to customers in the telecommunications industry in China also decreased for the third consecutive quarter, representing less than 1% of our consolidated revenue for the third quarter of fiscal 2024.

Revenue from assemblies and modules decreased by 16% for the third quarter of fiscal 2024, as compared to the same quarter of the prior fiscal year. The majority of the decrease is due to timing of shipments against a multi-year contract with a defense customer. This decrease was partially offset by the addition of Visimid revenue of approximately \$241,000.

Revenue from engineering services increased by \$0.4 million, or 211%, for the third quarter of fiscal 2024, as compared to the same quarter of the prior fiscal year. This increase was primarily driven by Visimid's contract with Lockheed Martin, where revenue is generally recognized based on the achievement of milestones.

Nine months ended March 31, 2024

Our revenue decreased by 1% in the first nine months of fiscal 2024, as compared to the same period of the prior fiscal year, driven by a decrease in sales of visible components, partially offset by increases in sales of infrared components and engineering services.

Revenue generated by the infrared components product group for the first nine months of fiscal 2024 was \$11.0 million, an increase of 15%, as compared to same period of the prior fiscal year. The increase in revenue is primarily due to an increase sales to customers in the defense industry, including an increase in shipments against an annual contract for an international military program. This contract was also renewed during the first quarter of fiscal 2024 for a higher dollar value than the previous contract.

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Revenue from the visible components product group for the first nine months of fiscal 2024 was \$8.1 million, a decrease of 21%, as compared to the same period of the prior fiscal year. The decrease in revenue is primarily due to a decrease in sales to customers in the defense industry, as well as a decrease in sales through catalog and distribution channels in the U.S. and in Europe. Sales to customers in the telecommunications industry in China also decreased by approximately 50%.

Revenue from assemblies and modules were flat for the first nine months of fiscal 2024, as compared to the same period of the prior fiscal year, due to a decrease in shipments against a multi-year contract with a defense customer, due to timing, which was offset by the addition of Visimid revenue of approximately \$521,000.

Revenue from engineering services increased by \$621,000 for the first nine months of fiscal 2024, as compared to the same period of the prior fiscal year. Approximately \$524,000 of this increase is due to the addition of Visimid revenue. This increase was primarily driven by Visimid's contract with Lockheed Martin, where revenue is generally recognized based on the achievement of milestones. The remaining increase is driven by revenue from one of our space-related funded research contracts.

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 evaluating the pipeline of sales opportunities, on time delivery trends, 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. The data from these reports is used to determine tactical operating actions and changes. Management also assesses business performance and makes business decisions regarding our operations using certain non-GAAP measures. These non-GAAP measures are described in more detail below under the heading "Non-GAAP Financial Measures."

Non-GAAP Financial Measures

We report our historical results in accordance with GAAP; however, our management also assesses business performance and makes business decisions regarding our operations using certain non-GAAP financial measures. We believe these non-GAAP financial measures provide useful information to management and investors that is supplementary to our financial condition and results of operations computed in accordance with GAAP; however, we acknowledge that our non-GAAP financial measures have a number of limitations. As such, you should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use.

EBITDA

EBITDA is a non-GAAP financial measure used by management, lenders, and certain investors as a supplemental measure in the evaluation of some aspects of a corporation's financial position and core operating performance. Investors sometimes use EBITDA, as it allows for some level of comparability of profitability trends between those businesses differing as to capital structure and capital intensity by removing the impacts of depreciation and amortization. EBITDA also does not include changes in major working capital items, such as receivables, inventory and payables, which can also indicate a significant need for, or source of, cash. Since decisions regarding capital investment and financing and changes in working capital components can have a significant impact on cash flow, EBITDA is not necessarily 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 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."

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We believe EBITDA is helpful for investors to better understand our underlying business operations. The following table adjusts net loss to EBITDA for the three and nine months ended March 31, 2024 and 2023:

	(unaudited)			
	Three Months Ended March 31, 2024	2023	2024	2023
Net loss	\$ (2,597,534)	\$ (1,163,270)	\$ (5,653,573)	\$ (3,238,031)
Depreciation and amortization	1,042,850	778,668	2,985,850	2,359,550
Income tax provision	5,798	65,282	121,402	222,416
Interest expense	37,649	77,094	149,048	228,705
EBITDA	\$ (1,511,237)	\$ (242,226)	\$ (2,397,273)	\$ (427,360)
% of revenue		-20%	-3%	-10%
				-2%

Our EBITDA for the quarter ended March 31, 2024 was a loss of approximately \$1.5 million, compared to \$242,000 for the same quarter of the prior fiscal year. The decrease in EBITDA in the third quarter of fiscal 2024 was primarily attributable to lower sales and gross margin, coupled with increased operating expenses.

Our EBITDA for the nine months ended March 31, 2024 was a loss of approximately \$2.4 million, compared to \$427,000 for the same period of the prior fiscal year. The decrease in EBITDA in the first nine months of fiscal 2024 was primarily attributable to lower revenue and gross margin, coupled with increased operating expenses and partially offset by the aforementioned other income in our Chinese subsidiary.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Because we are allowed to comply with the disclosure obligations applicable to a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, with respect to this Quarterly Report on Form 10-Q, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated

the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2024, the end of the period covered by this Quarterly Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024 in reporting on a timely basis information required to be disclosed by us in the reports we file or submit under the Exchange Act.

There have not been any significant changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the nine months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject, from time to time, to various legal proceedings that are incidental to the conduct of its business. The Company is not involved in any pending legal proceeding that it believes would reasonably be expected to have a material adverse effect on its financial condition or results of operations.

Item 1A. Risk Factors

Our business, operations, and financial condition are subject to various risks and uncertainties. The risk factors described in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K, for the year ended June 30, 2023, should be carefully considered, together with the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and in our other filings with the SEC in connection with evaluating us, our business, and the forward-looking statements contained in this Quarterly Report on Form 10-Q. During the nine months ended March 31, 2024, there have been no material changes from the risk factors previously disclosed under Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K, for the year ended June 30, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

During the nine months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

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Item 6. Exhibits

The following exhibits are filed herewith as a part of this report.

Exhibit Number	Description
3.1.1	Certificate of Incorporation of LightPath Technologies, Inc., filed June 15, 1992 with the Secretary of State of Delaware, which was filed as Exhibit 3.1.1 to our Annual Report on Form 10-K (File No. 000-27548) filed with the Securities and Exchange Commission on September 10, 2020, and is incorporated herein by reference thereto.
3.1.2	Certificate of Amendment to Certificate of Incorporation of LightPath Technologies, Inc., filed October 2, 1995 with the Secretary of State of Delaware, which was filed as Exhibit 3.1.2 to our Annual Report on Form 10-K (File No. 000-27548) filed with the Securities and Exchange Commission on September 10, 2020, and is incorporated herein by reference thereto.
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 LightPath Technologies, Inc., filed November 9, 1995 with the Secretary of State of Delaware, which was filed as Exhibit 3.1.3 to our Annual Report on Form 10-K (File No. 000-27548) filed with the Securities and Exchange Commission on September 10, 2020, and is incorporated herein by reference thereto.
3.1.4	Certificate of Designation of Series A Preferred Stock of LightPath Technologies, Inc., filed July 9, 1997 with the Secretary of State of Delaware, which was filed as Exhibit 3.4 to our Annual Report on Form 10-KSB (File No. 000-27548) filed with the Securities and Exchange Commission on September 11, 1997, and is incorporated herein by reference thereto.

3.1.5	Certificate of Designation of Series B Stock of LightPath Technologies, Inc., filed October 2, 1997 with the Secretary of State of Delaware, which was filed as Exhibit 3.2 to our Quarterly Report on Form 10-QSB (File No. 000-27548) filed with the Securities and Exchange Commission on November 14, 1997, and is incorporated herein by reference thereto.
3.1.6	Certificate of Amendment of Certificate of Incorporation of LightPath Technologies, Inc., filed November 12, 1997 with the Secretary of State of Delaware, which was filed as Exhibit 3.1 to our Quarterly Report on Form 10-QSB (File No. 000-27548) filed with the Securities and Exchange Commission on November 14, 1997, and is incorporated herein by reference thereto.
3.1.7	Certificate of Designation of Series C Preferred Stock of LightPath Technologies, Inc., filed February 6, 1998 with the Secretary of State of Delaware, which was filed as Exhibit 3.2 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.
3.1.8	Certificate of Designation, Preferences and Rights of Series D Participating Preferred Stock of LightPath Technologies, Inc. filed April 29, 1998 with the Secretary of State of Delaware, which was filed as Exhibit 1 to our Registration Statement on Form 8-A (File No. 000-27548) filed with the Securities and Exchange Commission on April 28, 1998, and is incorporated herein by reference thereto.
3.1.9	Certificate of Designation of Series F Preferred Stock of LightPath Technologies, Inc., filed November 2, 1999 with the Secretary of State of Delaware, which was filed as Exhibit 3.2 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.
3.1.10	Certificate of Amendment of Certificate of Incorporation of LightPath Technologies, Inc., filed February 28, 2003 with the Secretary of State of Delaware, which was filed as Appendix A to our Proxy Statement (File No. 000-27548) filed with the Securities and Exchange Commission on January 24, 2003, and is incorporated herein by reference thereto.
3.1.11	Certificate of Amendment of Certificate of Incorporation of LightPath Technologies, Inc., filed March 1, 2016 with the Secretary of State of Delaware, which was filed as Exhibit 3.1.11 to our Quarterly Report on Form 10-Q (File No: 000-27548) filed with the Securities and Exchange Commission on November 14, 2016, and is incorporated herein by reference thereto.
3.1.12	Certificate of Amendment of Certificate of Incorporation of LightPath Technologies, Inc., filed October 30, 2017 with the Secretary of State of Delaware, which was filed as Exhibit 3.1 to our Current Report on Form 8-K (File No: 000-27548) filed with the Securities and Exchange Commission on October 31, 2017, and is incorporated herein by reference thereto.
3.1.13	Certificate of Amendment of 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 LightPath Technologies, Inc., filed October 30, 2017 with the Secretary of State of Delaware, which was filed as Exhibit 3.2 to our Current Report on Form 8-K (File No: 000-27548) filed with the Securities and Exchange Commission on October 31, 2017, and is incorporated herein by reference thereto.
3.1.14	Certificate of Amendment of Certificate of Designation, Preferences and Rights of Series D Participating Preferred Stock of LightPath Technologies, Inc., filed January 30, 2018 with the Secretary of State of Delaware, which was filed as Exhibit 3.1 to our Current Report on Form 8-K (File No: 000-27548) filed with the Securities and Exchange Commission on February 1, 2018, and is incorporated herein by reference thereto.
3.1.15	Certificate of Amendment of Certificate of Incorporation of LightPath Technologies, Inc., filed January 31, 2024 with the Secretary of State of Delaware, which was filed as Exhibit 3.1 to our Current Report on Form 8-K (File No: 000-27548) filed with the Securities and Exchange Commission on February 6, 2024, and is incorporated herein by reference thereto.
3.2.1	Second Amended and Restated Bylaws of LightPath Technologies, Inc., which was filed as Exhibit 3.1 to our Current Report on Form 8-K (File No: 000-27548) filed with the Securities and Exchange Commission on February 3, 2021, and is incorporated herein by reference thereto.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS	Inline XBRL Instance Document *
101.SCH	Inline XBRL Taxonomy Extension Schema Document *
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document *
104 Cover	Page Interactive Data File – formatted in Inline XBRL and contained in Exhibit 101 *

*filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIGHTPATH TECHNOLOGIES, INC.

Date: May 9, 2024

By: /s/ Shmuel Rubin
Shmuel Rubin
President and Chief Executive Officer

Date: May 9, 2024

By: /s/ Albert Miranda
Albert Miranda
Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934**

I, Shmuel Rubin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LightPath Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Shmuel Rubin
Shmuel Rubin
President and Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934**

I, Albert Miranda, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LightPath Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Albert Miranda
Albert Miranda
Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code**

Pursuant to U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of LightPath Technologies, Inc. (the "Company") does hereby certify, to the best of such officer's knowledge, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2024

/s/ Shmuel Rubin
Shmuel Rubin
President and Chief Executive Officer

The certifications set forth above are being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to LightPath Technologies, Inc. and will be retained by LightPath Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer
Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code**

Pursuant to U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of LightPath Technologies, Inc. (the "Company") does hereby certify, to the best of such officer's knowledge, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2024

/s/ Albert Miranda
Albert Miranda
Chief Financial Officer

The certifications set forth above are being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to LightPath Technologies, Inc. and will be retained by LightPath Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.