ESCALON MEDICAL CORP
Form 10-K/A
October 28, 2013

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

FORM 10-K/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2013
Commission File Number 0-20127

Escalon Medical Corp.
(Exact name of registrant as specified in its charter)

Pennsylvania	33-0272839
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

435 Devon Park Drive, Building 100, Wayne, PA 19087
(Address of principal executive offices, including zip code)
(610) 688-6830
(Registrant's telephone number, including area code)
Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, par value $0.001	NASDAQ Capital Market
(Title of class)	(Name of each exchange on which registered)

Securities Registered Pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.   Yes ¨   No ý
Indicate by check mark if the registrant is a not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.   Yes ¨   No ý
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 ý   No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).   Yes ý   No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.   Yes ý   No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	ý

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on December 31, 2012 was approximately $7,576,430, computed by reference to the price at which the common equity was last sold on the NASDAQ Capital Market on such date.

As of September 26, 2013, the registrant had 7,526,430 shares of common stock outstanding.

Part III.

Item 10. Directors and Executive Officers and Corporate Governance

Directors and Executive Officers

The following table sets forth information with respect to our directors and our executive officers as of October 28, 2013.

Name	Age	Position
Richard J. DePiano	72	Chairman
Richard J. DePiano, Jr.	47	Chief Executive Officer, President and General Counsel
Robert M. O’Connor	52	Chief Financial Officer
Mark G. Wallace	44	Chief Operating Officer
William L.G. Kwan	72	Director
Lisa A. Napolitano	50	Director
Fred G. Choate	67	Director
C. Sean Closkey	45	Director

Set forth below are the names, positions held and business experience, including during the past five years, of our directors and executive officers as of October 28, 2013. Officers serve at the discretion of the board of directors.

The Chief Executive Officer, President and General Counsel, Richard J. DePiano, Jr., is the son of the Chairman, Richard J. DePiano. There are no other family relationships between any of the directors or executive officers and there is no arrangement or understanding between any director or executive officer and any other person pursuant to which the director or executive officer was selected.

Mr. DePiano has been a Class III director, whose term ends in 2014, since February 1996 and has served as our Chairman and Chief Executive Officer since March 1997 Mr. DePiano served as Chief Executive Officer from March 1997 to September 2013. Mr. DePiano had been the chief executive officer of the Sandhurst Company, L.P. and managing director of the Sandhurst Venture Fund, a venture capital fund. Mr. DePiano serves on the Board of trustees for Drexel University and is Chairman of its Audit Committee. Mr. DePiano serves on the Board of Trustees of Salus University. Mr. DePiano is a CPA and had been a partner with Deliotte and Touche with a concentration in Federal Taxation, with emphasis on health care, business organizations, and mergers and acquisition. Mr. DePiano was retired from day to day operations effective September 25, 2013 and assumes the role of executive Chairman of the Board of Directors. He is succeeded by his son, Richard J. DePiano Jr..

Mr. DePiano, Jr. was appointed our President and General Counsel of the Company on January 1, 2008 and our Chief Executive Officer on September 28, 2013. Previously, he was Chief Operating Officer and General Counsel.

Mr. DePiano, Jr. joined us in November of 2000 as Vice President Corporate and Legal Affairs. He currently serves as a member of the board of directors and was President from

2008 to 2009 of the Delaware Valley Corporate Counsel Association ("DELVACCA"). Mr. DePiano, Jr. also serves as a member of the nominations committee, Chairman of the law school initiative committee and member of the pro-bono committee of DELVACCA. He also is vice chairman of the board of directors of the Montgomery County Industrial Development Authority. Mr. DepPiano, Jr. was named Chief Executive Officer on September 25, 2013.

Mr. O'Connor was appointed our Chief Financial Officer on June 30, 2006. Mr. O'Connor joined us from BDO Seidman, LLP, where he served as a senior manager from 2004 to 2006. His prior experience includes both public and private accounting roles as a manager at PricewaterhouseCoopers, L.L.P., where he served in the middle market advisory services group from 1998 until 2000. He held positions of controller and chief financial officer of Science Dynamics, a manufacturer of high tech telecom equipment, from 2000 until 2002, and Ianieri & Giampapa, LLC, a certified public accounting firm, from 2002 until 2004. Mr. O'Connor holds an MBA from Rutgers University — Graduate School of Management and a B.S. from Kean University. He is a member of the American Institute of Certified Public Accountants (AICPA).

Mr. Wallace was appointed our Chief Operating Officer on January 1, 2008. Mr. Wallace has worked with us since 1997. Previous to being appointed Chief Operating Officer he was Executive Vice President of our Escalon Digital Solutions and Trek Medical subsidiaries. He has jointly held the position of Vice President-Quality, with quality and regulatory responsibilities for all of our companies, and has also previously served as Operations Manager at Sonomed, Inc. and our Quality Manager. He had previously worked with Lunar Corp (now GE Healthcare) and Trek Medical. He holds a B.S. in Industrial Engineering and a M.S. in Manufacturing Systems Engineering, both from the University of Wisconsin-Madison, is a senior member of the American Society of Quality, and has over 19 years experience in the medical device industry.

Mr. Kwan has served on our board of directors since 1999. He is a Class I director, and his term ends in 2012.

Mr. Kwan is the retired Vice President of Business Development of Alcon Laboratories, Inc. a medical products company, from October 1996 to 1999, and Vice President of International Surgicals from November 1989 to October 1999. Mr. Kwan's executive and leadership experience in the ophthalmology business provides him with a valuable perspective from which to contribute to our board of directors, as it oversees its ophthalmology operations. We believe that Mr. Kwan's executive, operational and financial experience qualifies him to serve as a member of our board of directors and our audit committee.

Ms. Napolitano has served on our board of directors since 2003. She is a Class II director, and her term ends in 2013.

Ms. Napolitano has served as a Tax Manager at Global Tax Management, Inc., a provider of compliance support services for both federal and state taxes, since 1998. Ms. Napolitano is a Certified Public Accountant in Pennsylvania. Ms. Napolitano qualifies for our board of directors and audit committee based on her extensive experience in public accounting and through her understanding of internal controls, accounting principles, business operations and regulatory compliance. We believe that Ms. Napolotano's financial, operational and regulatory experience qualifies her to serve as a member of our board of directors and our audit committee.

Mr. Choate has served on our board of directors since 2005. He is a Class II director, and his term ends in 2013.

Mr. Choate has served as the Managing Member of Atlantic Capital Funding LLC, a venture capital fund, from 2003 to present, Managing Member of Atlantic Capital Management LLC, a venture capital fund, from 2004 to present; Baltic-American Enterprise Fund, a venture capital fund, Chief Investment Officer from 2003 to present; Managing Member of Greater Philadelphia Venture Capital Corp., a venture capital fund, from 1992 to present. Mr. Choate has been a director of Parke Bank since 2003. Mr. Choate was formerly one of our directors from 1998 to 2003.

Mr. Choate has extensive banking, business and industry experience, both in leadership positions, as Managing Member of several venture capital funds and his lengthy experience serving on boards of various companies.

Mr. Choate's substantial financial, banking, corporate, executive and operational experience, in addition to his prior board experience, qualify him to serve on our board of directors.

Mr. Closkey was appointed as a member of our Board in May 2012 as a Class III director. Mr. Closkey is the President of TRF Development Partners "TRF DP". TRF DP was established in 2006 as a non-profit real estate development company whose mission is to develop affordable housing and stabilize distressed urban areas. TRF DP focuses its resources on creating quality affordable housing and urban redevelopment work in the Mid-Atlantic US. Prior to that Mr. Closkey was the executive vice president of The Reinvestment Fund (TRF) in Philadelphia, PA. is one of the nation's largest and most productive community development financial institutions. Mr. Closkey was the executive director of The New Jersey Housing & Mortgage Finance Agency the nation's 7th largest State housing finance agency. The agency's mission is to finance the development of affordable housing throughout the State of New Jersey. We believe that Mr. Closkey's financial, operational and executive experience qualifies him to serve as a member of our Board and our Audit Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and 10% shareholders to file initial reports of ownership and reports of changes in ownership of our common stock and other equity securities with the SEC and the NASDAQ Capital Market. The directors, executive officers and 10% shareholders are required to furnish us with copies of all Section 16(a) reports they file. Based on a review of the copies of such reports furnished to us and written representations from our directors and executive officers that no other reports were required, we believe that our directors, executive officers and 10% shareholders complied with all Section 16(a) filing requirements applicable to them for the year ended June 30, 2013.

Code of Conduct and Ethics

Our board of directors has adopted a Code of Conduct and Ethics, which applies to all of our directors, the principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions, officers and employees. Our Code of Conduct and Ethics is posted in the "Corporate Governance" section of our Internet web site at www.escalonmed.com. Any amendments to, or grant of waiver with respect to, any provision of our Code of Conduct and Ethics, will be disclosed noting the nature of such amendment or waiver in the "Corporate Governance" section of our Internet web site at www.escalonmed.com or by other appropriate means as required or permitted under the applicable regulations of the Securities and Exchange Commission and rules of the NASDAQ Stock Market.

Audit Committee Members and Financial Expert

The members of the audit committee of our board of directors are Ms. Napolitano, Mr. McCloskey and Mr. Kwan. Our board of directors has determined that each of Messrs. McCloskey and Kwan and Ms. Napolitano has the attributes, education and experience of, and therefore is, an "audit committee financial expert," as such term is defined in Item 407(d)(5) of Regulation S-K, and that each member of our audit committee is "independent," as such term is defined in the applicable regulations of the Securities and Exchange Commission and rules of the NASDAQ Capital Market relating to directors serving on audit committees.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Introduction

Our compensation committee is responsible for reviewing and approving the annual compensation of our executive officers and our non-employee directors.

Our compensation committee is composed solely of directors who are not our current or former employees, and each is independent under the current listing standards of the NASDAQ Capital Market. The board of directors has delegated to our compensation committee the responsibility to review and approve our compensation and benefits plans, programs and policies, including the compensation of the chief executive officer and our other executive officers as well as middle-level management and other key employees. The compensation committee administers all of our executive compensation programs, incentive compensation plans and equity-based plans and provides oversight for all of our other compensation and benefit programs.

The key components of the compensation program for executive officers are base salary, bonus and long-term incentives in the form of stock options. These components are administered with the goal of providing total compensation that is competitive in the marketplace, recognizes meaningful differences in individual performance and offers the opportunity to earn superior rewards when merited by individual and corporate performance.

Objectives of Compensation Program

Our compensation committee intends to govern and administer compensation plans to support the achievement of our long-term strategic objectives, to enhance shareholder value, to attract, motivate and retain highly qualified employees by paying them competitively and rewarding them for their own and our success.

Our executive officers are eligible to participate under our 401(k) plan. We have a Supplemental Executive Retirement and Benefit Agreement with Richard J. DePiano, our Chairman. Compensation is generally paid as earned. We do not have an exact formula for allocating between cash and non-cash compensation, which has been in the form of stock options. We do not have a non-equity incentive plan, as that term is used in the FASB issued authoritative guidance related to share based payments.

To the extent consistent with the foregoing objectives, our compensation committee also intends to maximize the deductibility of compensation for tax purposes. The committee may, however, decide to exceed the tax deductible limits established under Section 162(m) of the Internal Revenue Code, of 1986, as amended, or the Code, when such a decision appears to be warranted based upon competitive and other factors.

What Our Compensation Program Is Designed to Reward

The key components of the compensation program for executive officers are base salary, bonus and long-term incentives in the form of stock options. These components are administered with the goal of providing total compensation that is competitive in the marketplace, recognizes meaningful differences in individual performance and offers the opportunity to earn superior rewards when merited by individual and corporate performance.

Stock price performance has not been a factor in determining annual compensation insofar as the price of our common stock is subject to a number of factors outside our control. We have endeavored through the grants of stock options to the executive officers to incentivize individual and team performance, providing a meaningful stake in us and linking them to a stake in our overall success.

Elements of Our Compensation Plan and How Each Element Relates to Objectives

There are three primary elements in the compensation package of our executive officers: base salary, bonus and long-term incentives.

Base Salaries

Base salaries for our executive officers are designed to provide a base pay opportunity that is appropriately competitive within the marketplace. We make adjustments to each individual's base salary in connection with annual performance reviews in addition to the assessment of market competitiveness.

Bonus

Our compensation committee establishes a bonus program for executive officers and other managers and key employees eligible to participate in the program. We base the program is based on a financial plan for the fiscal year and other business factors. The amount of bonus, if any, hinges on corporate profitability and our overall cash position, and on the performance of the participant in the program. Provision for bonus expense is typically made over the course of a fiscal year. The provision becomes fixed, based on the final review of the compensation committee, which is usually made after the financial results of the fiscal year have been reviewed by our independent accountants. For fiscal 2013, there were two factors that determined executive bonuses, our profitability and a discretionary component. Profitability is the dominant factor under the bonus plan. For the year ended June 30, 2013, Mr. DePiano, Mr. DePiano, Jr. Mr. Wallace and Mr. O'Connor did not receive a bonus due to net loss incurred during this period.

Long-Term Incentives

Grants of stock options under our stock option plans are designed to provide executive officers and other managers and key employees with an opportunity to share, along with shareholders, in our long-term performance. In general, we make stock option grants are generally made annually to all executive officers, with additional grants being made following a significant change in job responsibility, scope or title or a significant achievement. The compensation committee sets the size of the option grant to each executive officer at a level that is intended to create a meaningful opportunity for stock ownership based upon the individual's current position with us, the individual's personal performance in recent periods and his or her potential for future responsibility and promotion over the option term. The compensation committee also takes into account the number of unvested options held by the executive officer in order to maintain an appropriate level of equity incentive for that individual. The relevant weight given to each of these factors varies from individual to individual.

Stock options granted under the various stock option plans generally have had a five-year vesting schedule and generally have been set to expire ten years from the date of grant. The exercise price of options granted under the stock option plans is at no less than 100% of the fair market value of the underlying stock on the date of grant. The number of stock options granted to each executive officer is determined by the compensation committee based upon several factors, including the executive officer's salary, performance and the estimated value of the stock at the time of grant, but the compensation committee has the flexibility to make adjustments to those factors in its discretion.

How Amounts Were Selected for Each Element of an Executive's Compensation

Each executive's current and prior compensation is considered in setting future compensation. Base salary and the long-term incentives are not set with reference to a formula.

A target bonus, or portion thereof, is earned, based on fulfillment of conditions, paramount of which is our profitability.

As a general rule, we make option awards in the first or second quarter of a year and after the financial results for the prior year have been audited and reported to the board of directors. Grants and awards are valued, and exercise prices are set, as of the date we make the grant or award. Exceptions to the general rule may arise for grants made to recognize a promotion or to address the effect of expiring options.

The compensation committee has considered whether our overall compensation program for employees in fiscal 2013 creates incentives for employees to take excessive or unreasonable risks that could materially harm us. We believe that several features of our compensation policies for management employees appropriately mitigate such risks, including a mix of long- and short-term compensation incentives that we believe is properly weighted, the uniformity of compensation practices across our company, as a baseline for bonus plan targets for our management.

Accounting and Tax Considerations

On July 1, 2007, we adopted in the FASB issued authoritative guidance related to share based payments. Under this accounting standard, we are required to value stock options granted in fiscal year 2007 and in subsequent fiscal years under the fair value method and expense those amounts in the income statement over the vesting period of the stock option. We were also required to value unvested stock options granted prior to our adoption of the FASB issued authoritative guidance related to share based payments under the fair value method and amortize such expense in the income statement over the stock option's remaining vesting period. A material portion of such amortizing expense relates to option grants made to our executive officers.

Under Section 162(m) of the Code, a limitation was placed on tax deductions of any publicly-held corporation for individual compensation to certain executives of such corporation exceeding $1,000,000 in any taxable year, unless the compensation is performance-based. The compensation committee has been advised that based upon prior shareholder approval of the material terms of our stock option plans, compensation under these plans is excluded from this limitation, provided that the other requirements of Section 162(m) are met. However, when warranted based upon competitive and other factors, the compensation committee may decide to exceed the tax deductible limits established under Section 162(m) Code. The base salary provided to each executive in 2011, 2012 and 2013 did not exceed the limits under Section 162(m) for tax deductibility; no executive exercised any options in fiscal years 2011, 2012 or 2013.

Overview of Executive Employment Agreements and Equity-Based Awards

On May 12, 1998, we entered into an employment agreement with Richard J. DePiano, our Chairman. The initial term of the employment agreement commenced on May 12, 1998 and continued through June 30, 2001. The employment agreement renews on July 1 of each year for successive terms of three years unless either party notifies the other party at least 30 days prior to such date of the notifying party's determination not to renew the agreement. The current base salary provided under the agreement, as adjusted for yearly cost of living adjustments, is $394,384 per year, and the agreement provides for additional incentive compensation in the form of a cash bonus to be paid to Mr. DePiano at the discretion of our board of directors. The agreement also provides for health and long-term disability insurance and other fringe benefits as well as an automobile allowance.

On June 23, 2005, we entered into a Supplemental Executive Retirement Benefit Agreement with Mr. DePiano. The agreement provides for the payment of supplemental retirement benefits to the covered executive in the event of the covered executive's termination of services with the Company under the following circumstances:

- If the covered executive retires, the Company would be obligated to pay the executive $8,491 per month for life, with payments commencing the month after retirement. If the covered executive were to die within a period of three years after such retirement, the Company would be obligated to continue making such payments until a minimum of 36 months payments have been made to the covered executive and his beneficiaries in the aggregate.

- If the covered executive dies before his retirement while employed by the Company, the Company would be obligated to make 36 months payments to his beneficiaries of $8,491 per month commencing in the month after his death.

- If the covered executive were to become disabled while employed by the Company, the Company would be obligated to pay the executive $8,000 per month for life, with payments commencing the month after he suffers such disability. If the covered executive were to die within three years after suffering such disability, the Company would be obligated to continue making such payments until a minimum of 36 months payments have been made to the covered executive and his beneficiaries in the aggregate.

- If the covered executive's employment with the Company is terminated by the Company, or if the executive terminates his employment with the Company for good reason, as defined in the agreement, the Company would be obligated to pay the executive $8,491 per month for life. If the covered executive were to die within a period of three years after such termination, the Company would be obligated to continue making such payments until a minimum of 36 months payments have been made to the covered executive and his beneficiaries in the aggregate.

As of June 30, 2013 and 2012 approximately $1,026,000 and $1,042,000 was accrued retirement benefits, respectively.

Compensation of Named Executive Officers

Summary Compensation Table

The following table sets forth certain summary information concerning compensation that we paid or accrued to or on behalf of each of our executive officers (the "Named Executive Officers") during each of the fiscal years ended June 30, 2013, 2012 and 2011.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation (1)	Total
Richard J.	2013	$256,627	$—	$—	$—	$ —	$ —	$ 4,800	$261,427
DePiano	2012	$348,115	$—	$—	$—	$ —	$ —	$ 17,920	$366,035
Chairman	2011	$394,384	$—	$—	$—	$ —	$ —	$ 17,001	$411,385
Richard J.	2013	$215,000	$—	$—	$—	$ —	$ —	$ 9,600	$224,600
DePiano, Jr.	2012	$214,999	$—	$—	$—	$ —	$ —	$ 9,600	$224,599
Chief Executive Officer, President and General Counsel	2011	$240,512	$—	$—	$—	$ —	$ —	$ 9,600	$250,112
Robert M.	2013	$212,589	$—	$—	$—	$ —	$ —	$ 9,600	$222,189
O'Connor	2012	$212,589	$—	$—	$—	$ —	$ —	$ 9,600	$222,189
Chief Financial Officer	2011	$234,471	$—	$—	$—	$ —	$ —	$ 9,600	$244,071
Mark Wallace	2013	$175,000	$—	$—	$—	$ —	$ —	$ —	$175,000
Chief Operating	2012	$175,000	$—	$—	$—	$ —	$ —	$ —	$175,000
Officer	2011	$198,550	$—	$—	$—	$ —	$ —	$ —	$198,550

(1) Includes payment of, (a) an automobile allowance and (b) insurance premiums paid for life insurance.

Grants of Plan Based Awards

Grants of Plan Based Awards

There were no plan-based awards granted during the fiscal year ended June 30, 2013.

Outstanding Equity Plan Based Awards at Fiscal Year-End 2013

The following table sets forth certain information regarding grants of equity awards held by the named executive officers as of June 30, 2013.

Option Awards

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date
Richard J. DePiano	25,000	—	—	$6.94	11/10/2013
	25,000	—	—	$6.19	8/17/2014
	40,000	—	—	$8.06	8/16/2015
	15,200	—	—	$2.65	11/9/2016
	25,000	—	—	$3.05	11/13/2017
	25,000	—	—	$2.22	9/26/2018
	20,000	—	—	$1.51	11/16/2019
Richard J. DePiano, Jr.	10,000	—	—	$6.94	11/10/2013
	25,000	—	—	$6.19	8/17/2014
	20,000	—	—	$8.06	8/16/2015
	20,000	—	—	$2.65	11/9/2016
	20,000	—	—	$3.05	11/13/2017
	19,000	1,000	1,000	$2.22	9/26/2018
	8,600	3,400	3,400	$1.51	11/16/2019
Robert M. O'Connor	60,000			$5.05	6/29/2016
	20,000	—	—	$3.05	11/13/2017
	15,333	4,667	4,667	$2.22	9/26/2018
	10,033	3,967	3,967	$1.51	11/16/2019
Mark Wallace	5,000	—	—	$3.05	11/13/2017
	19,000	1,000	1,000	2.22	9/26/2018
	7,167	2,833	2,833	1.51	11/16/2019

(1) These options were granted under our 1999 Equity Incentive Plan and have a term of ten years, subject to earlier termination in certain events. The options granted to Mr. DePiano, Sr. vest over a two-year period. Options granted to Mr. DePiano, Jr., Mr. O'Connor and Mr. Wallace vest over a five-year period. No options were exercised by the named executives during the year ended June 30, 2013.

Potential Payments upon Termination or Change-in-Control

If Mr. Depiano's employment with us is terminated by the Company or if he terminates his employment with us for good reason, as defined in the agreement, we would be obligated to pay him $8,491 per month for life. If Mr. DePiano were to die within a period of three years after such termination, we would be obligated to continue making such payments until a minimum of 36 monthly payments have been made to him and his beneficiaries in the aggregate.
Mr. O'Connor, pursuant to his offer letter, will be entitled to a severance payment equal to 100% of his annual base salary and an increase of his annual base salary to $250,000 in connection with a change of control.
If a change of control had occurred on June 30, 2013, the aggregate amount of payments would have been $288,000 to Mr. DePiano and $250,000 to Mr. O'Connor.
Compensation Committee Report on Executive Compensation

We have reviewed and discussed with management the Compensation Discussion and Analysis to be included in our Form 10-K for the year ended June 30, 2013. Based on the reviews and discussions referred to above, we recommend to our board of directors that the Compensation Discussion and Analysis referred to above be included in our Form 10-K for the year ended June 30, 2013.

Compensation Committee:
Sean McCloskey
Fred G. Choate
Lisa A. Napolitano
October 28, 2013
Compensation of Directors
The compensation committee of our board recommends director compensation to our board of directors based on factors it considers appropriate, market conditions and trends and the recommendations of management. In fiscal 2013, none of our non-employee directors received any compensation.
Compensation Committee Interlocks and Insider Participation
No members of our compensation committee are former or current officers, or have other interlocking relationships, as defined by the SEC.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management
The following table indicates, as of October 28, 2013, information about the beneficial ownership of our common stock by (1) each director as of October 28, 2013, (2) each Named Executive Officer, (3) all directors and executive officers as of October 28, 2013 as a group and (4) each person who we know beneficially owns more than 5% of our common stock. All such shares were owned directly with sole voting and investment power unless otherwise indicated.

Beneficial Ownership Table

Name	Amount of Beneficial Ownership of Outstanding Shares (1)	Percent of Class		Amount of Beneficial Ownership of Shares Underlying Options	Amount of Aggregate Beneficial Ownership	Aggregate Percent of Class	
Richard J. DePiano	144,278	1.9	%	175,200	319,478	4.2	%
Richard J. DePiano, Jr.	706	—	%	127,000	127,706	1.7	%
Robert O'Connor	—	—	%	114,000	114,000	1.5	%
Mark Wallace	—	—	%	35,000	35,000	*	
William L.G. Kwan	—	—	%	80,000	80,000	1.0	%
Lisa Napolitano	—	—	%	52,000	52,000	*	
Fred Choate	—	—	%	40,000	40,000	*	
C. Sean Closkey	—	—	%	—	—	—	%
All Directors and Executive Officers as a group (9 persons)	156,556	2.0	%	753,200	909,756	12.0	%

(*) Less than on percent

(1) Information furnished by each individual named. This table includes shares that are owned jointly, in whole or in part with the person's spouse, or individually by his or her spouse. No shares held by board members or named executive officers are pledged as collateral.

Equity Compensation Plan Information
The following table sets forth information, as of June 30, 2013, with respect to compensation plans under which shares of our common stock are authorized for issuance.

Plan Category	Number of Shares to be issued upon exercise of outstanding stock options (a)	Weighted-average exercise price of outstanding stock options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)) (c)
Equity Compensation plans approved by shareholders	1,006,063	$ 4.58	15,625
Equity Compensation plans not approved by shareholders	—	—	—
	1,006,063	$ 4.58	15,625

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

Related Person Transactions

We recognize that related person transactions present a heightened risk of conflicts of interest and can create the appearance of a conflict of interest. Therefore, all proposed related person transactions are disclosed to our board of directors before we enter into the transaction, and, if the transaction continues for more than one year, the continuation is reviewed annually by our board of directors.

Escalon and a former member of the Company's Board of Directors are founding and equal members of Ocular Telehealth Management, LLC ("OTM"). OTM is a diagnostic telemedicine company providing remote examination, diagnosis and management of disorders affecting the human eye. OTM's initial solution focuses on the diagnosis of diabetic retinopathy by creating access and providing annual dilated retinal examinations for the diabetic population. OTM was founded to harness the latest advances in telecommunications, software and digital imaging in order to create greater access and a more successful disease management for populations that are susceptible to ocular disease. Through June 30, 2013, Escalon had invested $444,000 in OTM and owned 45% of OTM. The Company provides administrative support functions to OTM. The Company provides administrative support functions to OTM. For the years ended 2013 and 2012 the Company recorded a gain of $14,000 and $7,000, respectively included in other income. On May 9, 2013 the board member related to OTM resigned from the board of directors and is therefore no longer a related party. Additionally, the Company has come to an agreement with OTM to discontinue any additional efforts and investment related to OTM and has written off its remaining investment in OTM during fiscal year ended June 30, 2013.

Director Independence

Our board of directors has determined that, William L.G. Kwan, Lisa Napolitano, Sean McCloskey, and Fred Choate are "independent," as such term is defined in the applicable rules of the NASDAQ Stock Market relating to the independence of directors.

ITEM 14. Principal Accounting Fees and Services

The following table sets forth the aggregate fees billed to us by Mayer Hoffman McCann, LLP, our principal accountant for the fiscal years ended June 30, 2013 and 2012.

	For the years ended June 30, 2013	2012
Audit Fees	$189,000	$174,000
Audit-Related Fees	$—	$—

Tax Fees	$—	$—
All Other Fees	$—	$—
Total Fees	$189,000	$174,000

In the table above, pursuant to definitions under the applicable regulations of the SEC, “audit fees” are fees for professional services rendered for the audit of our annual financial statements and review of our financial statements included in our quarterly reports on Form 10-Q and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; “audit-related fees” are fees for assurance and related services that are reasonably related to the performance of the audit and review of our financial statements, and primarily include accounting consultations and audits in connection with potential acquisitions; "tax fees" are fees for tax compliance, tax advice and tax planning; and "all other fees" are fees for any services not included in the first three categories.

Our audit committee is responsible for pre-approving all audit services and permitted non-audit services to be performed by our principal accountant, except in those instances which do not require such pre-approval pursuant to the applicable regulations of the SEC. The audit committee has established policies and procedures for its pre-approval of audit services and permitted non-audit services and, from time to time, the audit committee reviews and revises its policies and procedures for pre-approval.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 to Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Escalon Medical Corp.
(Registrant)

By: /s/ Richard J. DePiano
Richard J. DePiano
Chairman

Dated: October 28, 2013