

ESCALON MEDICAL CORP  
Form 10-K/A  
October 28, 2015

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, 2015  
Commission File Number 0-20127

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

Pennsylvania  
(State or other jurisdiction of  
incorporation or organization)  
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:

33-0272839  
(I.R.S. Employer  
Identification No.)

Common Stock, par value \$0.001  
(Title of class)  
Securities Registered Pursuant to Section 12(g) of the Act: NONE

NASDAQ Capital Market  
(Name of each exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is a not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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  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  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  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on December 31, 2014 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 28, 2015, 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, 2015.

| Name                    | Age | Position  |
|-------------------------|-----|---|
| Richard J. DePiano      | 74  | Chairman  |
| Richard J. DePiano, Jr. | 49  | Chief Executive Officer, President and General Counsel and Director |
| Robert M. O'Connor      | 54  | Chief Financial Officer   |
| Mark G. Wallace         | 46  | Chief Operating Officer   |
| Lisa A. Napolitano      | 52  | Director  |
| Fred G. Choate          | 69  | Director  |
| Sean C. Closkey         | 47  | 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, 2015. 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 2017, since February 1996 and as our Chairman since 1997. Mr. DePiano served as our 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 Deloitte 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 continues in the role of Chairman of the Board of Directors. He is succeeded by his son, Richard J. DePiano Jr..

Mr. DePiano, Jr. has been a Class I director since May 9, 2013, whose term ends in 2016, and 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 served as 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. 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 and a B.S. from Kean University.

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.

Ms. Napolitano has served on our board of directors since 2003. She is a Class II director, and her term ends in 2016. 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. Napolitano’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 2016. 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. We believe that 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., whose term ends in 2017. 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, 2015.

#### 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](http://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](http://www.escalonmed.com) or by other appropriate means as required or permitted under the applicable regulations of the Securities and Exchange Commission ( the "SEC") 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. Closkey and Mr. Choate. Our board of directors has determined that each of Messrs. Closkey and Mr. Choate 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 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 2015, 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, 2015, 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 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 2015 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 fiscal years 2013, 2014 and 2015 did not exceed the limits under Section 162(m) for tax deductibility; no executive exercised any options in fiscal years 2013, 2014 or 2015.

#### Overview of Executive Employment Agreements and Equity-Based Awards

On September 18, 2013, the Board of Directors authorized compensation of \$50,000 per year to Richard J. DePiano, our Chairman. The current base salary provided by the Board of Directors as adjusted for yearly cost of living adjustments, is \$50,000 per year, and 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 and also provides for health and long-term disability insurance.

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:

The Company is obligated to pay the executive \$8,491 per month for life, with payments commencing the month after retirement. The payout continued in 2015. 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.

As of June 30, 2015 and 2014 approximately \$899,000 and \$944,000 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, 2015, 2014 and 2013.

| Name and Principal Position  | Year | Salary    | Bonus | Stock Awards | Option Awards (1) | Non-Equity Incentive Plan Compensation | Nonqualified Deferred Compensation Earnings | All Other Compensation (1) | Total     |
|--|------|-----------|-------|--------------|-------------------|--|---|----------------------------|-----------|
| Richard J. DePiano<br>Chairman   | 2015 | \$50,000  |       |              | \$15,264          |  |   | \$ 110,391                 | \$175,655 |
|  | 2014 | \$50,000  | \$—   | \$—          | \$8,307           | \$ —                                   | \$—   | \$ 4,800                   | \$63,107  |
|  | 2013 | \$256,627 | \$—   | \$—          | \$—               | \$ —                                   | \$—   | \$ 4,800                   | \$261,427 |
| Richard J. DePiano, Jr.<br>Chief Executive Officer,<br>President and General Counsel | 2015 | \$215,000 | \$—   | \$—          | \$18,690          | \$ —                                   | \$—   | \$ 11,310                  | \$245,000 |
|  | 2014 | \$215,000 | \$—   | \$—          | \$37,381          | \$ —                                   | \$—   | \$ 11,310                  | \$263,691 |
|  | 2013 | \$215,000 | \$—   | \$—          | \$—               | \$ —                                   | \$—   | \$ 9,600                   | \$224,600 |
| Robert M. O'Connor<br>Chief Financial Officer  | 2015 | \$212,589 | \$—   | \$—          | \$14,537          | \$ —                                   | \$—   | \$ 10,842                  | \$237,968 |
|  | 2014 | \$212,589 | \$—   | \$—          | \$29,074          | \$ —                                   | \$—   | \$ 10,842                  | \$252,505 |
|  | 2013 | \$212,589 | \$—   | \$—          | \$—               | \$ —                                   | \$—   | \$ 9,600                   | \$222,189 |
| Mark Wallace<br>Chief Operating Officer  | 2015 | \$175,000 | \$—   | \$—          | \$14,537          | \$ —                                   | \$—   | \$ 810                     | \$190,347 |
|  | 2014 | \$175,000 | \$—   | \$—          | \$29,074          | \$ —                                   | \$—   | \$ 810                     | \$204,884 |
|  | 2013 | \$175,000 | \$—   | \$—          | \$—               | \$ —                                   | \$—   | \$ —                       | \$175,000 |

(1)Includes payment of, (a) an automobile allowance and (b) insurance premiums paid for life insurance. For Mr. DePiano, includes payment of \$101,891 under his supplemental Executive Retirement Agreement in 2015.

#### Grants of Plan Based Awards

#### Grants of Plan Based Awards

#### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information regarding grants of equity awards held by the named executive officers as of June 30, 2015.

#### Option Awards

| Name | Number of Securities | Number of Securities | Equity Incentive | Option Exercise | Option Expiration |
|------|----------------------|----------------------|------------------|-----------------|-------------------|
|------|----------------------|----------------------|------------------|-----------------|-------------------|

Edgar Filing: ESCALON MEDICAL CORP - Form 10-K/A

|                         | Underlying<br>Unexercised<br>Options | Underlying<br>Unexercised<br>Options | Plan Awards:<br>Number of<br>Securities<br>Underlying<br>Unexercised<br>Unearned<br>Options | Price  | Date       |
|-------------------------|--------------------------------------|--------------------------------------|---|--------|------------|
|                         | Exercisable                          | Unexercisable                        |   |        |            |
|                         | —                                    | 25,000                               | —   | \$6.94 | 11/10/2013 |
|                         | —                                    | 25,000                               | —   | \$6.19 | 8/17/2014  |
|                         | 40,000                               | —                                    | —   | \$8.06 | 8/16/2015  |
| Richard J. DePiano      | 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 |
|                         | 10,000                               | —                                    | —   | \$1.57 | 5/7/2024   |
| 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 |
|                         | 20,000                               | —                                    | —   | \$2.22 | 9/26/2018  |
|                         | 12,000                               | —                                    | —   | \$1.51 | 11/16/2019 |
|                         | 26,250                               | 18,750                               | 18,750  | \$1.57 | 5/7/2024   |
| Robert M. O'Connor      | 60,000                               | —                                    | —   | \$5.05 | 6/29/2016  |
|                         | 20,000                               | —                                    | —   | \$3.05 | 11/13/2017 |
|                         | 20,000                               | —                                    | —   | \$2.22 | 9/26/2018  |
|                         | 1,200                                | —                                    | —   | \$1.51 | 11/16/2019 |
|                         | 20,417                               | 14,583                               | 14,583  | \$1.57 | 5/7/2024   |
| Mark Wallace            | 5,000                                | —                                    | —   | \$3.05 | 11/13/2017 |
|                         | 20,000                               | —                                    | —   | 2.22   | 9/26/2018  |
|                         | 10,000                               | —                                    | —   | 1.51   | 11/16/2019 |
|                         | 20,417                               | 14,583                               | 14,583  | 1.57   | 5/7/2024   |

Potential Payments upon Termination or Change-in-Control

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, 2015, the aggregate amount of payments would have been \$250,000 to Mr. O'Connor.

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 2015, none of our non-employee directors received any compensation.

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, 2015. 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, 2015.

Compensation Committee:

Sean C. Closkey



Fred G. Choate  
 Lisa A. Napolitano  
 October 28, 2015

#### 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, 2015, information about the beneficial ownership of our common stock by (1) each director as of October 28, 2015, (2) each Named Executive Officer, (3) all directors and executive officers as of October 28, 2015 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 Underlying Shares | Amount of Beneficial Ownership of Underlying Options | Aggregate Percent of Class |   |
|---|--|------------------|---|--|----------------------------|---|
| Richard J. DePiano  | 144,278  | 1.9              | % 185,200   | 329,478  | 4.3                        | % |
| Richard J. DePiano, Jr.                                     | 206  | —                | % 172,000   | 172,206  | 2.3                        | % |
| Robert O'Connor   | —  | —                | % 149,000   | 149,000  | 2.0                        | % |
| Mark G. Wallace   | —  | —                | % 70,000  | 70,000   | *                          |   |
| Lisa A. Napolitano  | —  | —                | % 54,000  | 54,000   | *                          |   |
| Fred G. Choate  | —  | —                | % 42,000  | 42,000   | *                          |   |
| Sean C. Closkey   | —  | —                | % 7,000   | 7,000  | 2.2                        | % |
| All Directors and Executive Officers as a group (8 persons) | 144,484  | 1.9              | % 679,200   | 823,684  | 10.8                       | % |

(\* ) Less than one 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, 2015, 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     | 813,942 | \$ 3.36 | 66,859 |
| Equity Compensation plans not approved by shareholders | —       | —       | —      |
|  | 813,942 | \$ 3.36 | 66,859 |

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.

Director Independence

Our board of directors has determined that, Lisa Napolitano, Sean Closkey, 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, 2015 and 2014.

|                    | For the years ended |            |
|--------------------|---------------------|------------|
|                    | June 30,            |            |
|                    | 2015                | 2014       |
| Audit Fees         | \$ 125,000          | \$ 123,000 |
| Audit-Related Fees | \$ —                | \$ —       |
| Tax Fees           | \$ —                | \$ —       |
| All Other Fees     | \$ —                | \$ —       |
| Total Fees         | \$ 125,000          | \$ 189,000 |

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, Jr.  
Richard J. DePiano  
Chief Executive Officer

Dated: October 28, 2015