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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 4, 2014

ORION ENERGY SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Wisconsin	01-33887	39-1847269
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2210 Woodland Drive, Manitowoc, Wisconsin, 54220
(Address of principal executive offices, including zip code)

(920) 892-9340
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 4, 2014, Orion Energy Systems, Inc. (the "Company") issued a press release announcing its quarterly financial results for its fiscal 2015 second quarter ended and first half ended September 30, 2014. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K. Also furnished as Exhibit 99.2 is certain supplemental information posted on the Company's website at www.oesx.com.

Item 9.01(d). Financial Statements and Exhibits.

Exhibit 99.1 Press Release of Orion Energy Systems, Inc. dated November 4, 2014.

Exhibit 99.2 Supplemental Financial Information.

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 hereunto duly authorized.

	ORION ENERGY SYSTEMS, INC.
Date: November 4, 2014	By: /s/ Scott R. Jensen
	Scott R. Jensen
	Chief Financial Officer

Orion Energy Systems Announces Fiscal 2015 Second Quarter Results

Orion Ends Quarter with Record Lighting Backlog of $11.8 Million
Company to Hold Conference Call with Accompanying Slide Presentation at 4:30 pm EST Today

MANITOWOC, Wis. - Orion Energy Systems, Inc. (NYSE MKT: OESX), a leading designer and manufacturer of high-performance, energy-efficient lighting platforms, today announced financial results for its fiscal 2015 second quarter and first half ended September 30, 2014.

Operating and Financial Highlights

- Total revenue for the fiscal 2015 second quarter was $13.4 million, compared to $27.5 million in the prior-year period, largely due to the expected significant decrease in non-core solar sales compared to the prior year and lower sales of high-intensity fluorescent (HIF) lighting products as Orion transitions its emphasis to its light emitting diode (LED) products.

- As of September 30, 2014, the Company had the largest lighting backlog in the Company's history, with $11.8 million in LED and HIF lighting orders, compared to a lighting backlog of $7.0 million as of June 30, 2014.

- LED lighting product sales increased to $5.2 million in the fiscal 2015 second quarter, accounting for 39.2% of total lighting product revenues, an increase from $1.0 million, or 5.4% of total lighting product revenues, in the prior-year period. The growth was largely driven by enterprise account wins and sales growth from the Company's expanded reseller network.

- The Company increased its network of key regional resellers to 70 at September 30, 2014, up from 30 at March 31, 2014. Although there is a necessary lead time associated with signing new resellers and when they begin to produce a consistent order flow, Orion believes it's significantly larger reseller base will lead to future potential sales expansion.

- In October 2014, the Company announced the launch of several new LED products at its Annual Sales Summit, including a new line of high bay and exterior lighting solutions.

- As a result of the Company's increased emphasis on its LED products, the Company recognized a non-cash impairment charge to its long-term wireless controls inventory of approximately $12.1 million during the fiscal quarter.

- As of September 30, 2014, the Company's working capital was $25.2 million compared to $33.1 million at March 31, 2014. In addition, for the six months ended September 30, 2014, the Company reduced total debt by approximately $1.6 million.

- The Company narrowed its fiscal 2015 revenue guidance range to between $80 million and $88 million from its previous range of between $80 million and $105 million. Management has a high level of confidence in achieving this guidance range based on its existing backlog and expected LED order flow in the second half of fiscal 2015.

Management Comments

John Scribante, Chief Executive Officer of Orion, stated, "Over the past 12 months, we have successfully transitioned the Company to take advantage of the large market opportunity in LED lighting. We closed the quarter with the largest lighting backlog in our history, largely driven by our escalating LED product adoption rates and continued efforts in expanding our sales infrastructure. In the second quarter, our top line and gross margins were impacted by a number of large account wins that were delayed into the second half of fiscal 2015. However, we are now beginning to see our pipeline of LED product sales build, and we have the capacity and personnel to handle it. Sales are being generated through a number of channels. We secured LED lighting solutions orders from several large enterprise accounts and also have seen our reseller sales increase dramatically from January 2014. We believe this is largely due to the success of our LED Troffer Door Retrofit product. We will continue to expand our LED product suites to address increasing customer demand for our LED lighting solutions."

Financial Review

Fiscal 2015 Second Quarter

- **Revenue**: Total revenue was $13.4 million for the fiscal 2015 second quarter, compared to $27.5 million in the prior-year period. Orion reported an $8.9 million decrease in revenues year over year as a result of the expected lower revenues from the Company's phased out non-core solar energy business and a $5.2 million decrease in lighting revenues from the Company's ongoing transition to an LED-driven sales platform.

- **LED Lighting Revenue**: Product revenue from Orion's LED products increased to $5.2 million during the fiscal 2015 second quarter, compared to $1.0 million in the prior-year period. Due to recent new LED product releases and an increased reseller network, Orion believes its LED product sales will continue to grow during the second half of fiscal year 2015.

- **Gross Margin**: The Company's gross margin was impacted by a non-cash impairment charge to its long-term wireless controls inventory of approximately $12.1 million, which was included in Orion's cost of product revenue.
  Total gross margin excluding this charge was 11.8% for the fiscal 2015 second quarter, compared to 28.5% for the prior-year period, largely as a result of the decline in the Company's HIF lighting product revenue and the related impact of the Company's fixed expenses associated with its manufacturing facility on the Company's reduced sales volume.

- **Net Income / Loss**: The Company reported a net loss for the fiscal 2015 second quarter of $18.3 million, or $0.84 per share, which includes the $12.1 million, or $0.56 per share, non-cash impairment charge relating to the write-down of its long-term wireless controls inventory. In the prior year period, Orion reported net income of $2.4 million, or $0.11 per diluted share, which included a $2.2 million tax benefit related to deferred tax liabilities related to the acquisition of Harris Lighting.

Fiscal 2015 First Half

- **Revenue**: Total revenue was $26.7 million for the fiscal 2015 first half, compared to $48.3 million in the prior-year period. Orion reported a $12.7 million decrease in revenues year over year as a result of the expected lower revenues from the Company's phased out non-core solar energy business and an $8.9 million decrease in lighting revenues from the Company's ongoing transition to an LED-driven sales platform.

- **Gross Margin**: The Company's gross margin was impacted by a non-cash impairment charge to its long-term wireless controls inventory of approximately $12.1 million, which was included in Orion's cost of product revenue.
  Total gross margin excluding this charge was 15.7% for the fiscal 2015 first half, compared to 28.0% for the prior-year period, largely as a result of the decline in the Company's HIF lighting product revenue and the related impact of the Company's fixed expenses associated with its manufacturing facility on the Company's reduced sales volume.

- **Net Income / Loss**: The Company reported a net loss for the fiscal 2015 first half of $22.7 million, or $1.04 per share, which includes the $12.1 million, or $0.56 per share, non-cash impairment charge relating to the write-down of its long-term wireless controls inventory. In the prior year period, Orion reported net income of $1.6 million, or $0.08 per diluted share, which included a $2.2 million tax benefit related to deferred tax liabilities related to the acquisition of Harris Lighting.

Balance Sheet Review

- **Cash and Investments**: Orion had approximately $11.1 million in cash and cash equivalents and $0.5 million in short-term investments as of September 30, 2014, compared to $17.6 million and $0.5 million, respectively, at March 31, 2014.

- **Working Capital**: The Company's working capital as of September 30, 2014 was $25.2 million, consisting of $41.3 million in current assets and $16.1 million in current liabilities, compared to $33.1 million, consisting of $50.3 million in current assets and $17.2 million in current liabilities, at March 31, 2014.

- **Net Cash from Operations**: The Company reported a $3.8 million decrease of net cash from operations during second quarter of fiscal 2015, compared to a $7.5 million increase of net cash from operations in the prior-year period.

- **Total Debt**: Orion's total debt decreased $1.6 million to $5.0 million at September 30, 2014, compared to $6.6 million at March 31, 2014.

Outlook

- **Revenue Guidance**: The Company narrowed its expectations of its total revenues for fiscal 2015 to between $80.0 million and $88.0 million, compared to the Company's prior expected range between $80 million and $105 million. The Company has a high level of confidence that it will achieve this range largely based on its existing backlog, customer acceptance of new LED products and pipeline conversion from its growing reseller network and enterprise accounts. The Company revised the upper end of its previous revenue guidance range based upon achieved bookings through the first six months. The Company intends to further tighten this range after the Company's fiscal 2015 third quarter.

- **LED Sales Outlook**: The Company anticipates an increase in sales revenue for the second half of fiscal 2015 due to its recent release of innovative new LED products for industrial, commercial and exterior applications. Orion released its new product offerings at its October Annual Sales Summit. Orion began taking orders for its new products immediately after the introduction and will begin shipments during the third quarter of fiscal 2015. Thirty companies represented at the Annual Sales Summit were new partners with Orion, and the Company plans to continue to increase its reseller network throughout the remainder of fiscal 2015.

- **Margin Outlook**: The Company expects its gross margins to improve during the second half of fiscal 2015 as revenue volume increases, the Company realizes improved leverage within its manufacturing operations, and as it realizes the benefits from expected improved component costs. Orion is aggressively working on cost improvement initiatives with component suppliers for its LED product lines and anticipates greater purchasing leverage as its LED volumes increase. The Company believes its recent investments in new product development and branding will deliver incremental gross profits from customer and product sales expansion. The Company is targeting gross margins for fiscal 2015 to range between 18-20%, before the inventory impairment charge, based upon current costs and execution of its margin enhancement initiatives. As the Company begins to realize economies of scale in its lighting product categories, it expects to achieve gross margins of approximately 30% in fiscal 2016. Management will provide additional detail about its margin improvement plans during Orion's quarterly conference call.

- **Acquisitions**: The Company continues to evaluate potential acquisition opportunities that could expand its supply chain capabilities, product lines, and be complementary to its existing operations.

Mr. Scribante continued, "We have made considerable strides to take advantage of the market opportunity for LED products. We are capitalizing on this transition from traditional lighting products, as evidenced by recent enterprise account wins from both the private and public sectors, favorable response from our reseller network, and increasing efficiency throughout our manufacturing facilities. We are confident that we can achieve our fiscal 2015 revenue guidance range based on our current backlog and sales pipeline, and we believe that the infrastructure is in place to take advantage of a sizable market in LED."

Mr. Scribante concluded, "We believe that the momentum built in fiscal 2015 will continue to position Orion for growth in the coming years. Historically, we have relied on strong relationships in commercial industries and leveraging strong manufacturing capabilities to drive sales. While we continue to maintain a first-rate manufacturing process, we have expanded our product offerings to meet changing customer requirements while also entering new markets. Our investments in product development and re-branding culminated in a successful new product sales launch in October, which expanded our product offerings to take advantage of the potential of LED retrofit in the office, retail, and commercial markets. The LED adoption in these markets is still incredibly low, and our new suite of interior, high bay, and exterior products provide customizable solutions for our customers and allows us to target multiple price points."

Supplemental Information

In conjunction with this press release, Orion has posted supplemental information on its website which further discusses the financial performance of the Company for the three months and first half ended September 30, 2014. The supplemental information can be found in the Investor Relations section of Orion's website at www.oesx.com.

Conference Call

Orion will discuss these results in a conference call today, Tuesday, November 4, 2014, at 4:30 p.m. ET.

The dial-in numbers are:

U.S. callers: (877) 754-5294

International callers: (678) 894-3013

The Company will be utilizing an accompanying slideshow presentation in conjunction with this call, which will be available on the Investor Relations section of Orion’s website at www.oesx.com.

To listen to the live webcast, go to the Investor Relations section of Orion Energy Systems’ website at http://investor.oriones.com/events.cfm for a live webcast link. To ensure a timely connection, it is recommended that users register at least 15 minutes prior to the scheduled webcast.

An audio replay of the earnings conference call will be available shortly after the call and will remain available through November 11, 2014. The replay can be accessed by dialing (855) 859-2056. The replay pass code for callers is 18415912.

About Orion Energy Systems

Orion is leading the transformation of commercial and industrial buildings with state-of-the-art energy efficient lighting systems. Orion manufactures and markets a cutting edge portfolio of products encompassing LED Solid-State Lighting and high intensity fluorescent lighting. Orion's 70+ patents held or pending provide unparalleled optical and thermal performance, which drive financial, environmental, and work-space benefits for a wide variety of retrofit markets.

Safe Harbor Statement

Certain matters discussed in this press release, including under our "Outlook" section are “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements will include words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or words of similar import. Similarly, statements that describe the Company’s financial guidance or future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause results to differ materially from those expected, including, but not limited to, the following: (i) our development of, and participation in, new product and technology offerings or applications, including customer acceptance of our LED product lines; (ii) the rate of customer adoption of LED lighting products and the increasing duration of customer sales cycles as customers defer purchasing decisions to evaluate LED product costs and performance; (iii) deterioration of market conditions, including delays to customer capital expenditure budgets; (iv) our ability to compete and execute our growth and profitability strategy in a highly competitive market and our ability to respond successfully to market competition; (v) any material changes to our inventory obsolescence reserves; (vi) our ability to recruit and hire sales talent to increase our in-market sales; (vii) the substantial cost of our various legal proceedings; (viii) our decreasing emphasis on obtaining new solar photovoltaic construction projects; (ix) price fluctuations, shortages or interruptions of component supplies and raw materials used to manufacture our products; (x) loss of one or more key customers or suppliers, including key contacts at such customers; (xi) our ability to effectively manage our product inventory to provide our products to customers on *a timely basis; (xii) our ability to achieve our revenue expectations in fiscal 2015; (xiii) a reduction in the price of electricity; (xiv) the cost to comply with, and the effects of, any current and future government regulations, laws and policies; (xv) increased competition from government subsidies and utility incentive programs; (xvi) dependence on customers' capital budgets for sales of products and services; (xvii) our current liquidity and the availability of additional debt financing and/or equity capital; (xviii) potential warranty claims; and (xix) potential acquisitions. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this press release and the Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at http://www.sec.gov or at http://www.oesx.com in the Investor Relations section of the Company's Web site.*

Investor Relations Contacts:
Scott Jensen
Chief Financial Officer
Orion Energy Systems, Inc.
(920) 892-9340

OR

Adam Prior
Senior Vice President
The Equity Group Inc.
(212) 836-9606
aprior@equityny.com

OR

Forrest Hunt
Associate
The Equity Group Inc.
(212) 836-9610
fhunt@equityny.com

ORION ENERGY SYSTEMS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2014	2013	2014
Product revenue	$ 21,181	$ 12,645	$ 38,704	$ 24,888
Service revenue	6,314	748	9,643	1,818
Total revenue	27,495	13,393	48,347	26,706
Cost of product revenue	15,638	23,364	28,522	33,219
Cost of service revenue	4,028	584	6,273	1,430
Total cost of revenue	19,666	23,948	34,795	34,649
Gross profit	7,829	(10,555)	13,552	(7,943)
Operating expenses:				
General and administrative	3,173	3,842	5,857	7,490
Acquisition and integration related expenses	356	—	431	22
Sales and marketing	3,644	3,367	6,947	6,246
Research and development	448	569	938	985
Total operating expenses	7,621	7,778	14,173	14,743
Income (loss) from operations	208	(18,333)	(621)	(22,686)
Other income (expense):				
Interest expense	(142)	(83)	(255)	(173)
Dividend and interest income	153	83	327	177
Total other income	11	—	72	4
Income (loss) before income tax	219	(18,333)	(549)	(22,682)
Income tax (benefit) expense	(2,184)	13	(2,171)	23
Net income (loss)	$ 2,403	$ (18,346)	$ 1,622	$ (22,705)
Basic net income (loss) per share	$ 0.11	$ (0.84)	$ 0.08	$ (1.04)
Weighted-average common shares outstanding	21,089,917	21,820,365	20,634.333	21,745,156
Diluted net income (loss) per share	$ 0.11	$ (0.84)	$ 0.08	$ (1.04)
Weighted-average common shares outstanding	21,541,942	21,820,365	21,102,849	21,745,156

The following amounts of stock-based compensation were recorded (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2013	2014	2013	2014
Cost of product revenue	$ 17	$ 12	$ 37	$ 24
General and administrative	230	265	451	610
Sales and marketing	57	77	183	142
Research and development	2	4	5	9
Total	$ 306	$ 358	$ 676	$ 785

ORION ENERGY SYSTEMS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2014	September 30, 2014
Assets		
Cash and cash equivalents	$ 17,568	$ 11,130
Short-term investments	470	471
Accounts receivable, net	15,098	14,816
Inventories, net	11,790	12,103
Deferred contract costs	742	1,125
Prepaid expenses and other current assets	4,673	1,676
Total current assets	50,341	41,321
Property and equipment, net	23,135	21,599
Long-term inventory	10,607	—
Goodwill	4,409	4,409
Other intangible assets, net	7,551	6,822
Long-term accounts receivable	1,966	1,178
Other long-term assets	931	162
Total assets	$ 98,940	$ 75,491
Liabilities and Shareholders' Equity		
Accounts payable	$ 8,530	$ 9,066
Accrued expenses	4,597	3,692
Deferred revenue, current	614	403
Current maturities of long-term debt	3,450	2,926
Total current liabilities	17,191	16,087
Long-term debt, less current maturities	3,151	2,090
Deferred revenue, long-term	1,316	1,271
Other long-term liabilities	270	522
Total liabilities	21,928	19,970
Shareholders' equity:		
Additional paid-in capital	130,766	131,968
Treasury stock	(35,813)	(35,812)
Shareholder notes receivable	(50)	(39)
Retained deficit	(17,891)	(40,596)
Total shareholders' equity	77,012	55,521
Total liabilities and shareholders' equity	$ 98,940	$ 75,491

ORION ENERGY SYSTEMS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended September 30,	
	2013	**2014**
Operating activities		
Net income (loss)	$ 1,622	$ (22,705)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,024	1,503
Amortization	172	697
Stock-based compensation expense	676	785
Accretion of fair value of deferred and contingent purchase price consideration related to acquisition	425	—
Deferred income benefit expense	(2,212)	—
Loss on sale and impairment of property and equipment	96	1,130
Provision for inventory reserves and impairment	—	11,015
Provision for bad debts	75	142
Other	62	68
Changes in operating assets and liabilities:		
Accounts receivable, current and long-term	4,849	930
Inventories, current and long-term	3,269	(683)
Deferred contract costs	(335)	(384)
Prepaid expenses and other assets	58	2,791
Accounts payable	2,633	537
Accrued expenses	(1,837)	(660)
Deferred revenue	(2,027)	(253)
Net cash provided by (used in) operating activities	9,550	(5,087)
Investing activities		
Cash paid for acquisition, net of cash acquired	(4,992)	—
Purchase of property and equipment	(222)	(1,031)
Purchase of short-term investments	(3)	(1)
Additions to patents and licenses	(14)	(61)
Proceeds from sales of property, plant and equipment	39	1,040
Net cash used in investing activities	(5,192)	(53)
Financing activities		
Payment of long-term debt	(1,497)	(1,585)
Proceeds from repayment of shareholder notes	119	11
Deferred financing costs	(18)	(75)
Proceeds from issuance of common stock	225	351
Net cash used in financing activities	(1,171)	(1,298)
Net increase (decrease) in cash and cash equivalents	3,187	(6,438)
Cash and cash equivalents at beginning of period	14,376	17,568
Cash and cash equivalents at end of period	$ 17,563	$ 11,130

Orion Energy Systems, Inc.
Supplemental Information
Fiscal 2015 Second Quarter and First Half Ended September 30, 2014
November 4, 2014

On November 4, 2014, Orion Energy Systems, Inc. issued a press release announcing financial results for its fiscal 2015 second quarter and six-month period ended September 30, 2014. The purpose of the supplemental information included below is to provide further discussion and analysis of our financial results for the second quarter and six months ended September 30, 2014. Therefore, the accompanying information provided below should be read in conjunction with our press release, as well as with our Form 10-Q for our fiscal second quarter to be subsequently filed with the Securities and Exchange Commission.

Statement of Operations

Revenue. Product revenue decreased from $21.2 million for the fiscal 2014 second quarter to $12.6 million for the fiscal 2015 second quarter, a decrease of $8.5 million, or 40%. The decrease in product revenue was a result of the expected $4.9 million decrease in sales of solar photovoltaic, or PV, systems and delayed customer purchase decisions as a result of the continuing emergence of light emitting diode, or LED, lighting solutions. As previously disclosed, we began to experience this customer delay during our fourth quarter of fiscal 2014. Within our industrial customer base, LED product costs have been declining while performance, and the related energy reduction, is improving. However, while customer return on investment, or ROI, realization using LED technology is improving, these products have still not yet currently met existing customer payback expectations of two years. As a result, we believe that customers have been delaying their lighting system retrofit project decisions as they continue to monitor and evaluate lighting technology alternatives. We believe that the ROI of LED lighting products will continue to improve and, thus, will result in increased customer purchase decisions during the second half of fiscal 2015.

Product sales of our LED fixtures increased from $1.0 million for the fiscal 2014 second quarter to $5.2 million for the fiscal 2015 second quarter, an increase of $4.2 million, or 420%. Service revenue decreased from $6.3 million for the fiscal 2014 second quarter to $0.7 million for the fiscal 2015 second quarter, a decrease of $5.6 million, or 88%. The decrease in service revenue was a result of fewer solar projects under construction and lower national account, or enterprise account, lighting sales versus the prior year. As expected, our revenue from renewable energy systems was only $0.2 million for the fiscal 2015 second quarter compared to $9.1 million for the fiscal 2014 second quarter. The decrease in revenue from renewable energy systems was due to fewer solar projects under construction as compared to a single large solar project under construction during fiscal 2014.

We expect this trend of decreasing solar PV system revenue to continue through the remainder of fiscal 2015 as a result of our de-emphasis on new solar PV projects.

Total revenue decreased from $48.3 million for the fiscal 2014 first half to $26.7 million for the fiscal 2015 first half, a decrease of $21.6 million, or 45%. As expected, our revenue from renewable energy systems declined from $14.0 million for the fiscal 2014 first half to $1.3 million for the fiscal 2014 first half, a decrease of $12.7 million, or 91%.

Backlog. Total cash order backlog as of September 30, 2014 was $12.2 million, which included $0.4 million of solar PV orders, compared to a backlog of $7.4 million as of June 30, 2014, which included $0.4 million of solar PV orders. We currently expect approximately $12.1 million of our backlog to be recognized as revenue during the remainder of fiscal 2015. We typically expect the non-solar portion of our backlog to be recognized as revenue within 90 days from receipt of order. Our solar PV orders are typically longer-term construction type projects and we expect revenue to be recognized over a period of between three and 24 months from receipt of order, depending upon the size and complexity of the project. The roll-forward of cash backlog from June 30, 2014 to September 30, 2014 is as follows (in millions):

Backlog – June 30, 2014	$	7.4
Q2 – Plus: Cash orders and OTA contracts at net present value of future cash flows		18.4
Q2 – Less: Revenue recognized during the quarter		(13.4)
Q2 – Plus: Portion of revenue recognized from PPAs		0.1
Q2 – Plus: Other miscellaneous and project change orders		(0.3)
Backlog – September 30, 2014	$	12.2

Cost of Revenue and Gross Margin. Our cost of product revenue increased from $15.6 million for the fiscal 2014 second quarter to $23.4 million for the fiscal 2015 second quarter, an increase of $7.7 million, or 49%. During the fiscal 2015 second quarter, we recorded a non-cash impairment charge of $12.1 million related to an assessment of the carrying cost of our long-term wireless control inventory and related development and intangible costs. The wireless controls inventory was deemed to be impaired based upon current market conditions, including a significant decline during the quarter in unit volume sales, an increase in product sales in the commercial office and retail markets where the controls product offering is not saleable, limitations in alternative uses for the inventory and the increasing adoption of, and performance improvements in, LED lighting products. Our cost of service revenue decreased from $4.0 million for the fiscal 2014 second quarter to $0.6 million for the fiscal 2015 second quarter, a decrease of $3.4 million, or 86%. Our gross margin on solar PV revenue was 31.1% during the fiscal 2015 second quarter compared to 21.2% during the fiscal 2014 second quarter. Gross margin from sales of our integrated lighting systems for the fiscal 2015 second quarter was 11.5% compared to 28.5% for the fiscal 2014 second quarter.

The decrease in our lighting gross margin percentage was due to the decrease in sales volumes of manufactured lighting products and the related under absorption of the fixed expenses associated with our underutilized manufacturing facility. Additionally, our gross margin from sales of our LED lighting products was negatively impacted by production costs related to inefficiency and overtime as our LED product volumes increased. We expect that our gross margins from sales of lighting products will improve as we begin to recognize the benefits of higher purchase volumes of LED components and as we recognize efficiencies in our production processes as our sales volumes of manufactured lighting products increases and our manufacturing facility can achieve further economies of scale.

Total cost of product revenue increased from $28.5 million for the fiscal 2014 first half to $33.2 million for the fiscal 2015 first half, an increase of $4.7 million, or 16%. The increase in cost of product revenue was due to the aforementioned impairment charges to our wireless controls inventory and development assets. Total gross margin before the impairment charge decreased from 28.0% for the fiscal 2014 first half to 15.7% for the fiscal 2015 first half. Our gross margin on renewable revenues was 21.5% during the fiscal 2014 first half compared to 21.4% during the fiscal 2015 first half. Gross margin from our HIF and LED lighting systems revenue for the fiscal 2014 first half was 30.7% compared to 15.4% during the fiscal 2015 first half.

General and Administrative Expenses. Our general and administrative expenses increased from $3.2 million for the fiscal 2014 second quarter to $3.8 million for the fiscal 2015 second quarter, an increase of $0.6 million, or 21%. The increase was due to an increase in depreciation and intangible amortization expenses, increased legal expenses, increased compensation and benefit expenses, and increased consulting expenses related to initiatives for recruiting and talent development, strategic sourcing and the creation of financial systems tools. These increases were partially offset by decreased audit expenses during the quarter.

Our general and administrative expenses increased from $5.9 million for the fiscal 2014 first half to $7.5 million for the fiscal 2015 first half, an increase of $1.6 million, or 28%. The increase for the first half was due to incremental operating expenses from the acquisition of Harris during fiscal 2014, an increase in depreciation and intangible amortization expenses, increased compensation and benefit expenses, and increased consulting expenses related to initiatives for recruiting and talent development, strategic sourcing and the creation of financial systems tools.

Acquisition and Integration Related Expenses. Our acquisition and integration related expenses for the fiscal 2014 second quarter and fiscal 2014 first half were $0.4 million related to the Harris acquisition. We incurred no acquisition related expenses for the fiscal 2015 second quarter and $22,000 for the fiscal 2015 first half.

Sales and Marketing Expenses. Our sales and marketing expenses decreased from $3.6 million for the fiscal 2014 second quarter to $3.4 million for the fiscal 2015 second quarter, a decrease of $0.2 million, or 8%. The decrease was due to reduced commission expense of $0.1 million due to the decline in revenue, reduced depreciation of $0.1 million as certain of our sales information systems reached the end of their depreciable lives, and reduced travel expenses of $0.2 million due to the sale of our corporate jet. These decreases were partially offset by increased spending of $0.2 million for advertising, brand development and product promotions to increase our LED revenue opportunities. We have recently been increasing, and intend to continue to increase, our in-market direct sales force during fiscal 2015. Additionally, we have been investing and intend to continue to invest, in a re-branding initiative during fiscal 2015 to educate our customers about our LED product offerings.

Our sales and marketing expenses decreased from $6.9 million for the fiscal 2014 first half to $6.2 million for the fiscal 2015 first half, a decrease of $0.7 million, or 10%. The decrease was due to reduced commission expense of $0.3 million due to the decline in revenue, reduced depreciation of $0.3 million as certain of our sales information systems reached the end of their depreciable lives, and reduced travel expenses of $0.4 million due to the sale of our corporate jet. These decreases were partially offset by increased spending of $0.2 million for advertising, brand development and product promotions to increase LED revenue opportunities and incremental expenses resulting from the acquisition of Harris during fiscal 2014.

Total sales and marketing employee headcount was 87 and 90 at September 30, 2013 and 2014, respectively.

Research and Development Expenses. Our research and development, or R&D, expenses increased from $0.4 million for the fiscal 2014 second quarter to $0.6 million for the fiscal 2015 second quarter, an increase of $0.2 million, or 27%. Our R&D expenses increased from $0.9 million for the fiscal 2014 first half to $1.0 million for the fiscal 2015 first half, an increase of $0.1 million, or 5%. Our R&D expenses increased during the second quarter and first half due to spending for samples, testing and certification of our new LED products. We expect our R&D expenses to continue to increase during the remainder of fiscal 2015 due to initiatives to expand our LED fixture product lines.

Interest Expense. Our interest expense decreased from $142,000 for the fiscal 2014 second quarter to $83,000 for the fiscal 2015 second quarter, a decrease of $59,000, or 42%. Our interest expense decreased from $255,000 for the fiscal 2014 first half to $173,000 for the fiscal 2015 first half, a decrease of $82,000, or 32%. The decrease in interest expense was due to the reduction in financed contract debt for our Orion Throughput Agreements, or OTAs, and our Harris acquisition debt compared to the prior year second quarter.

Interest Income. Our interest income decreased from $153,000 for the fiscal 2014 second quarter to $83,000 for the fiscal 2015 second quarter, a decrease of $70,000, or 46%. Our interest income decreased from $327,000 for the fiscal 2014 first half to $177,000 for the fiscal 2015 first half, a decrease of $150,000, or 46%. Our interest income decreased as we increased the utilization of third party finance providers for a majority of our financed projects. In the future, we expect our interest income to continue to decrease as we continue to utilize third party finance providers for our OTA projects.

Income Taxes. Our income tax expense increased from a benefit of $2.2 million for the fiscal 2014 second quarter to income tax expense of $13,000 for the fiscal 2015 second quarter, an increase of $2.2 million, or 100%. Our income tax expense increased from a benefit of $2.2 million for the fiscal 2014 first half to income tax expense of $23,000 for the fiscal 2015 first half, an increase of $2.2 million, or 100%. During our fiscal 2014 second quarter and first half, we reversed $2.2 million of our valuation reserve to offset deferred tax liabilities created by the acquisition of Harris. Our effective income tax rate for the fiscal 2015 first half was (0.1)%, compared to 395.5% for the fiscal 2014 first half. The change in effective rate was due primarily to the changes in the valuation reserve and expected minimum state tax liabilities.

Statement of Cash Flows

Cash Flows Related to Operating Activities. Cash used in operating activities primarily consists of net income (loss) adjusted for certain non-cash items, including depreciation and amortization, stock-based compensation expenses, income taxes and the effect of changes in working capital and other activities.

Cash used in operating activities for the fiscal 2015 first half was $5.1 million and consisted of net cash provided by changes in operating assets and liabilities of $2.3 million and cash used from a $7.4 million net loss adjusted for non-cash expense items. Cash provided by changes in operating assets and liabilities consisted of a decrease in accounts receivable of $0.9 million due to collections of customer payments from prior period shipments and financed contracts, a decrease in prepaid and other assets of $2.8 million for unbilled revenue related to solar projects where construction progress is billed to the customer at the beginning of the month following the month in which the work was performed and ordinary amortization of prepaid expenses, and an increase in accounts payable of $0.5 million due to vendor terms on inventory purchases. Cash used from changes in operating assets and liabilities included a $0.7 million increase in inventories due to purchases of LED components, an increase of $0.4 million in deferred costs due to product shipments on financed contracts where project completion has not yet occurred, a decrease in accrued expenses of $0.7 million due to reduced project installation expenses incurred during the quarter, and a decrease in deferred revenue of $0.3 million due to the timing of project billing for solar projects under construction.

Cash provided from operating activities for the fiscal 2014 first half was $9.6 million and consisted of net cash provided by changes in operating assets and liabilities of $6.6 million and $3.0 million of net income adjusted for non-cash expense items. Cash provided by changes in operating assets and liabilities consisted of a decrease of $3.3 million in inventory on decreased purchases of lighting components, predominantly fluorescent ballasts, a decrease of $4.8 million in accounts receivable on higher cash collections and an increase in accounts payable of $2.6 million due to the timing of vendor payments for solar project materials and construction installation costs. Cash used from changes in operating assets and liabilities included a $1.8 million decrease in accrued expenses and other liabilities related to the payment of accrued settlement expenses and other timing differences for legal and construction installation costs, a $2.0 million decrease in deferred revenue related to an increase in completed projects due to the timing of project billing for a large solar project under construction, a $0.3 million decrease in deferred solar project costs as projects move through the construction completion stage.

Cash Flows Related to Investing Activities. For the fiscal 2015 first half, cash used in investing activities was $0.1 million which included $1.0 million of proceeds from the sale of our facility in Plymouth, Wisconsin, offset by $1.0 million for capital improvements related to new product tooling, information systems technologies and infrastructure investments to improve our response time to customers and generate business efficiencies, and $61,000 for investment in patents.

For the fiscal 2014 first half, cash used in investing activities was $5.2 million. This included $5.0 million related to the acquisition of Harris and $0.2 million for capital improvements related to product development tooling and information technology systems.

Cash Flows Related to Financing Activities. For the fiscal 2015 first half, cash flows used in financing activities were $1.3 million which included $1.6 million used for repayment of long-term debt and $0.1 million for financing costs partially offset by $0.4 million received from stock option exercises and stock note repayments.

For the fiscal 2014 first half, cash flows used in financing activities were $1.2 million which included $1.5 million used for repayment of long-term debt, offset by $0.3 million received from stock option exercises and stock note repayments.

Working Capital

Our net working capital as of September 30, 2014 was $25.2 million, consisting of $41.3 million in current assets and $16.1 million in current liabilities. Our net working capital as of March 31, 2014 was $33.1 million, consisting of $50.3 million in current assets and $17.2 million in current liabilities. Our current accounts receivables decreased from our fiscal 2014 year-end by $0.3 million due to increased collections. Our current inventories increased from our fiscal 2014 year-end by $0.3 million due to increases in LED component inventories. Our deferred contract costs increased from our fiscal 2014 year-end by $0.4 million due to product shipments on financed contracts where project completion has not yet occurred. Our prepaid expenses and other assets decreased from our fiscal 2014 year-end by $2.8 million due to the sale of our Plymouth building resulting in a $1.0 million decrease and a $1.7 million decrease in unbilled revenue related to the timing of billing on solar projects. Our accounts payable increased from our fiscal 2014 year end by $0.5 million due to increased inventory purchases and the timing of vendor payments. Our accrued expenses decreased from our fiscal 2014 year end by $0.9 million due to decreases in accrued project installation costs. Deferred revenue decreased from our fiscal 2014 year end by $0.2 million due to the timing of project billing for solar projects

We generally attempt to maintain at least a three-month supply of on-hand inventory of purchased components and raw materials to meet anticipated demand, as well as to reduce our risk of unexpected raw material or component shortages or supply interruptions. Our accounts receivables, inventory and payables may increase to the extent our revenue and order levels increase.

Capital Spending

Capital expenditures totaled $1.0 million during the fiscal 2015 first half due to investments in new product tooling, information systems technologies and infrastructure investments to improve our response time to customers and generate business efficiencies. We expect to incur a total of approximately $0.5 to $0.7 million in capital expenditures during the remainder of fiscal 2015. Our capital spending plans predominantly consist of investments related to new product development tooling, our manufacturing operations to improve efficiencies and reduce costs, investments in information technology systems, and improvements in telecommunication systems to enhance communications to customers. We expect to finance these capital expenditures primarily through our existing cash, equipment secured loans and leases, to the extent needed, long-term debt financing, or by using our available capacity under our credit facility.

Additionally, a key part of our strategic growth plans is to pursue potential acquisition opportunities.

Liquidity and Capital Resources

We had approximately $11.1 million in cash and cash equivalents and $0.5 million in short-term investments as of September 30, 2014, compared to $17.6 million and $0.5 million at March 31, 2014.

We were not in compliance with our line of credit covenant requirements related to EBITDA as of September 30, 2014. We are in the process of requesting a covenant waiver and anticipate receiving such waiver due to our cash balances and no borrowings outstanding under the credit facility.

Our current bank revolving credit facility requires that we maintain certain minimum cash balances on hand at the bank in order to utilize the facility. In order to ensure that we have sufficient liquidity to meet our anticipated cash needs for the next 12 months, we are pursuing additional credit and debt facilities that would provide us with additional access to liquidity sources. There can be no assurance that we will be able to obtain such financing, or obtain it on favorable terms. Any such failure could materially adversely affect our access to liquidity.

Any future potential acquisitions would likely need to be funded by our existing cash resources, seller financing and/or the issuance of additional equity or debt securities.

On January 17, 2014, we filed a universal shelf registration statement with the Securities and Exchange Commission. Under our shelf registration statement, we have the flexibility to publicly offer and sell from time to time up to $75.0 million of debt and/or equity securities. The filing of the shelf registration statement will help facilitate our ability to raise public equity or debt capital to expand existing businesses, fund potential acquisitions, invest in other growth opportunities, or repay existing debt.

Safe Harbor Statement

Certain matters discussed in this supplemental information are “forward-looking statements” intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements will include words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or words of similar import. Similarly, statements that describe our financial guidance or future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause results to differ materially from those expected, including, but not limited to, the following: (i) our development of, and participation in, new product and technology offerings or applications, including customer acceptance of our LED product lines; (ii) the rate of customer adoption of LED lighting products and the increasing duration of customer sales cycles as customers defer purchasing decisions to evaluate LED product costs and performance; (iii) deterioration of market conditions, including delays to customer capital expenditure budgets; (iv) our ability to compete and execute our growth and profitability strategy in a highly competitive market and our ability to respond successfully to market competition; (v) any material changes to our inventory obsolescence reserves; (vi) our ability to recruit and hire sales talent to increase our in-market sales; (vii) the substantial cost of our various legal proceedings; (viii) our decreasing emphasis on obtaining new solar photovoltaic construction projects, (ix) price fluctuations, shortages or interruptions of component supplies and raw materials used to manufacture our products; (x) loss of one or more key customers or suppliers, including key contacts at such customers; (xi) our ability to effectively manage our product inventory to provide our products to customers on a timely basis; (xii) our ability to achieve our revenue expectations in fiscal 2015; (xiii) a reduction in the price of electricity; (xiv) the cost to comply with, and the effects of, any current and future government regulations, laws and policies; (xv) increased competition from government subsidies and utility incentive programs; (xvi) dependence on customers' capital budgets for sales of products and services; (xvii) our current liquidity and the availability of additional debt financing and/or equity capital; (xviii) potential warranty claims; and (xix) potential acquisitions. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this supplemental information and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at http://www.sec.gov or at http://www.oesx.com in the Investor Relations section of our Web site.