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): May 12, 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
(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 May 12, 2014, Orion Energy Systems, Inc. (the "Company") issued a press release announcing its quarterly financial results for its fiscal 2014 fourth quarter and year ended March 31, 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 May 12, 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: May 12, 2014	By: /s/ Scott R. Jensen
	Scott R. Jensen
	Chief Financial Officer

EXHIBIT 99.1

Orion Energy Systems Announces Fiscal 2014 Fourth Quarter and Year-end Financial Results

Company to Hold Conference Call with Accompanying Slide Presentation at 5 p.m. EDT

MANITOWOC, Wis.-May 12, 2014 -- Orion Energy Systems, Inc. (NYSE MKT: OESX) ("Orion" or the "Company"), a leading designer and manufacturer of energy management systems consisting primarily of high-performance, energy-efficient lighting platforms, today announced financial results for its fiscal 2014 fourth quarter and year ended March 31, 2014.

Operating Highlights

- Total revenue for fiscal 2014 was $88.6 million, compared to $86.1 million in fiscal 2013.
- Total revenue for the fiscal 2014 fourth quarter declined to $12.6 million, from $22.3 million in the prior-year period, largely as a result of delayed lighting sales coupled with a decline in the number of solar projects under construction as Orion deemphasizes its non-core solar business.
- The Company continued to expand its penetration into the LED market, as product revenue from LED lighting systems increased 156.9% year over year to $4.8 million in fiscal 2014 and 117.6% year over year to $1.3 million in the fiscal 2014 fourth quarter. The Company believes that its LED lighting systems will be a primary driver of its sales during fiscal 2015.
- The Company continued to implement a number of cost-cutting initiatives throughout the year to increase efficiency and streamline costs, including consolidating all operations into its headquarters in Manitowoc. In the fourth quarter of fiscal 2014, the Company sold its leased corporate jet, resulting in expected savings of $1.0 million per year.
- Orion generated $9.9 million in net cash from operations during fiscal 2014 compared to $2.3 million during fiscal 2013. The Company's working capital at March 31, 2014, was $33.1 million compared to $34.8 million at March 31, 2013.

Management Comments

John Scribante, Chief Executive Officer of Orion, stated, "We continued to make progress during fiscal 2014 through improved operating efficiencies and better positioning our Company to take advantage of a lighting retrofit marketplace with ample opportunity for growth. We have successfully undergone a transformation of Orion's operations with the implementation of LEAN manufacturing processes, reorganization of the Company's salesforce while increasing the number of salespeople to better serve Orion's customers, and completion of the acquisition and integration of Harris Manufacturing and Harris LED to expand our product offering of LED and expand our customer base, all while generating $9.9 million in cash from operations during fiscal 2014. In the fourth quarter, we experienced a slower-than-expected adoption by potential customers of our newer LED product offerings and retrofit solutions that affected our sales in the short term. We believe this is due to larger national companies delaying the decision to integrate newer technologies as the LED advantages start to overtake existing infrastructure. Our pipeline of opportunities has been growing at unprecedented levels. We remain focused on expanding the value proposition of our core lighting solutions and are not dissuaded from our long-term objectives, nor do we feel that a longer timeline diminishes the progress our team has made since my appointment 18 months ago."

Mr. Scribante continued, "We successfully integrated Harris into our operations and in January 2014 launched the industry's first complete suite of LED Troffer Door Retrofit (LDR) products that are completely assembled within the door frame for ease of installation. Our LDR product provides potential customers in office, retail and industrial markets with quality lighting, immediate reduction of energy costs and non-invasive quick installation. We are beginning to gain traction as our team introduces these new LED solutions to the market and are singularly focused on driving sales."

Financial Review

Fiscal 2014 Fourth Quarter

- Total revenue was $12.6 million for the fiscal 2014 fourth quarter, compared to $22.3 million in the prior-year quarter. The decrease in revenue was a result of delayed customer purchase decisions and lower revenues from the Company's non-core solar operations. Product revenue from Orion's LED products increased to $1.3 million, or 12.4% of total lighting product revenues, during fiscal 2014 fourth quarter, compared to $0.6 million, or 3.4% of total lighting product revenues, in the prior-year period.

- Total gross margin was 10.2% for the fiscal 2014 fourth quarter, compared to 35.8% for the prior-year period, largely as a result of reduced sales volumes of manufactured lighting products and the related impact of fixed expenses within its manufacturing facility and $1.4 million of increased inventory reserves being recorded due to lower fluorescent product sales. In addition, the Company reported lower margins on its non-core solar projects, which compared to an unusually high-margin solar project in the fourth quarter of the prior year.

- The Company reported a number of non-recurring expenses during its fiscal 2014 fourth quarter that partially contributed to a net loss for the period of $(8.8) million, or $(0.41) per diluted share, compared to net income of $0.5 million, or $0.03 per diluted share, in the prior-year period. These expenses included the previously noted $1.4 million in inventory reserves, a loss of $1.5 million from the sale of a leased corporate jet, and $0.3 million in acquisition-related expenses.

Fiscal 2014 Year-end Financial Highlights

Total revenue for the fiscal 2014 year was $88.6 million, compared to $86.1 million in fiscal 2013. For fiscal 2014, Orion's gross margin declined due to reduced sales volumes of manufactured lighting products and the related impact of fixed manufacturing facility expenses, as well as the increased relative impact in total gross margin of its low-margin solar projects. The Company's gross margin from its integrated lighting systems revenue for fiscal 2013 was 31.2% compared to 26.0% during fiscal 2014. For fiscal 2014, the Company reported a net loss of $(6.2) million, or $(0.30) per diluted share, compared to a net loss of $(10.4) million, or $(0.50) per diluted share, in the prior year.

Balance Sheet Review

- Orion had approximately $17.6 million in cash and cash equivalents and $0.5 million in short-term investments as of March 31, 2014, compared to $14.4 million and $1.0 million, respectively, at March 31, 2013.
- The Company's 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, compared to $34.8 million, consisting of $53.6 million in current assets and $18.8 million in current liabilities, at March 31, 2013.
- The Company generated $9.9 million of net cash from operations during fiscal 2014, compared to $2.3 million in fiscal 2013.
- On July 1, 2013, the Company completed its acquisition of Harris Manufacturing, Inc. and Harris LED, LLC. The purchase price was paid through a combination of $5.0 million in cash, $3.1 million of a seller-financed three-year unsecured subordinated note and 856,997 shares of unregistered Orion common stock, representing a fair value on the date of issuance of $2.1 million. In October 2013, the Company completed an amendment to modify the Harris purchase agreement to fix the value of future earn-out consideration at $1.4 million. Pursuant to the amendment, the Company issued an aggregate of 83,943 unregistered shares of its common stock on January 1, 2014, and will pay $0.8 million in cash on January 1, 2015.

- Total debt was $6.6 million at March 31, 2014, compared with $6.7 million at March 31, 2013, and $7.4 million as of December 31, 2013.

Outlook for Fiscal 2015

As Orion increases its focus on the lighting retrofit market, which has inherently limited visibility and unpredictability between quarters, and moves away from its non-core solar construction projects, the Company is formally adjusting its previous policy of providing quarterly revenue and earnings guidance ranges to providing annual revenue projections. Orion will also begin providing updated operating metrics and financial goals each quarter to assist shareholders and potential investors in evaluating the Company. Orion currently has the following expectations for the fiscal 2015 year ending March 31, 2015:

- The Company expects its total revenues for fiscal 2015 to range from $80.0 million to $105.0 million, based on its projected sales growth of LED lighting solutions. Orion intends to update this range quarterly or as necessary.
- The Company expects its sales of LED products will continue to grow as a percentage of total revenue in fiscal 2015. Orion has seen its pipeline of potential sales orders expand as its product offering has increased, with many of its potential orders exceeding $1 million.
- Revenue from the non-core solar business is expected to be less than $1.0 million during fiscal 2015 and will not continue into future years.
- The Company intends to expand its growth of key regional resellers, with 30 at March 31, 2014. Orion believes that expansion in this metric will serve as a leading indicator as there is a certain ramp-up time from signing to when resellers begin to produce a decent order flow.
- The Company expects gross margins to be approximately 30% across all lighting product categories.
- Orion has ample capacity at its manufacturing facility (currently operating at approximately 15% to 25% of its capacity) and does not foresee any significant capital expenditures within its existing Manitowoc location.
- The Company continues to explore strategic acquisitions that can broaden its product lines and create synergies through better asset utilization and economies of scale.

Mr. Scribante concluded, “Within our industrial, office, and retail customer base, LED product costs have been declining while performance, and the related energy reduction, is improving. In line with our strategy to emphasize our LED products, we intend to redeploy a portion of the savings resulting from the eliminated aviation operating expenses and make investments this year into a corporate rebranding and a meaningful R&D initiative to highlight our LED capabilities. We expect to utilize our operating leverage, intellectual property, and talented staff to drive sales and build on the solid foundation we have created over the past year. With the majority of the Company’s cost-cutting initiatives completed, Orion has transitioned its focus to driving top-line growth and profits through new orders in fiscal 2015.”

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 year ended March 31, 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 on Monday, May 12, 2014, at 5 p.m. ET.

The dial-in numbers are:
Domestic 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 May 19, 2014. The replay can be accessed by dialing (855) 859-2056. The replay pass code for callers is 40382100.

About Orion Energy Systems

Orion Energy Systems Inc. (NYSE MKT:OESX) is a leading designer and manufacturer of energy management systems consisting primarily of high-performance, energy-efficient lighting platforms and intelligent wireless control systems for commercial and industrial customers - without compromising their quantity and quality of light. For more information, visit www.oesx.com.

Safe Harbor Statement

Certain matters discussed in this press release, including under our "Outlook for Fiscal 2015" section, 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 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 and our ongoing SEC inquiry; (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 effectively manage the credit risk associated with our debt funded OTA contracts; (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) the availability of additional debt financing and/or equity capital; (xviii) potential warranty claims; (xix) potential acquisitions; and (xx) our expectations for the fiscal year ending March 31, 2015. 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 Contact:
Orion Energy Systems
Scott Jensen
Chief Financial Officer
(920) 892-9340

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

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2013	2014	2013	2014
Product revenue	$ 19,433	$ 10,870	$ 72,604	$ 71,954
Service revenue	2,848	1,714	13,482	16,669
Total revenue	22,281	12,584	86,086	88,623
Cost of product revenue	12,379	10,159	49,551	54,423
Cost of service revenue	1,931	1,147	9,805	11,220
Total cost of revenue	14,310	11,306	59,356	65,643
Gross profit	7,971	1,278	26,730	22,980
Operating expenses:				
General and administrative	3,158	5,817	13,946	14,951
Acquisition and integration related expenses	—	300	—	819
Sales and marketing	3,886	3,183	17,129	13,527
Research and development	425	610	2,259	2,026
Total operating expenses	7,469	9,910	33,334	31,323
Income (loss) from operations	502	(8,632)	(6,604)	(8,343)
Other income (expense):				
Interest expense	(126)	(103)	(567)	(481)
Interest income	189	108	845	567
Total other income	63	5	278	86
Income (loss) before income tax	565	(8,627)	(6,326)	(8,257)
Income tax (benefit) expense	—	212	4,073	(2,058)
Net income (loss)	$ 565	$ (8,839)	$ (10,399)	$ (6,199)
Basic net income (loss) per share attributable to common shareholders	$ 0.03	$ (0.41)	$ (0.50)	$ (0.30)
Weighted-average common shares outstanding	20,156,837	21,468,941	20,996,625	20,987,964
Diluted net income (loss) per share	$ 0.03	$ (0.41)	$ (0.50)	$ (0.30)
Weighted-average common shares and share equivalents outstanding	20,307,555	21,468,941	20,996,625	20,987,964

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

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2013	2014	2013	2014
Cost of product revenue	$ 36	$ 22	$ 114	$ 70
General and administrative	116	278	578	928
Sales and marketing	94	50	451	318
Research and development	3	4	21	13
Total	$ 249	$ 354	$ 1,164	$ 1,329

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

	March 31, 2013	March 31, 2014
Assets		
Cash and cash equivalents	$ 14,376	$ 17,568
Short-term investments	1,021	470
Accounts receivable, net	18,397	15,098
Inventories, net	15,230	11,790
Deferred contract costs	2,118	742
Prepaid expenses and other current assets	2,465	4,673
Total current assets	53,607	50,341
Property and equipment, net	27,947	23,135
Long-term inventory	11,491	10,607
Goodwill	—	4,409
Other intangible assets, net	1,709	7,551
Long-term accounts receivable	5,069	1,966
Other long-term assets	2,274	931
Total assets	$ 102,097	$ 98,940
Liabilities and Shareholders' Equity		
Accounts payable	$ 7,773	$ 8,412
Accrued expenses	5,457	4,715
Deferred revenue, current	2,946	614
Current maturities of long-term debt	2,597	3,450
Total current liabilities	18,773	17,191
Long-term debt, less current maturities	4,109	3,151
Deferred revenue	1,258	1,316
Other long-term liabilities	188	270
Total liabilities	24,328	21,928
Shareholders' equity:		
Additional paid-in capital	128,104	130,766
Treasury stock	(38,378)	(35,813)
Shareholder notes receivable	(265)	(50)
Retained deficit	(11,692)	(17,891)
Total shareholders' equity	77,769	77,012
Total liabilities and shareholders' equity	$ 102,097	$ 98,940

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

	Twelve Months Ended March 31,	
	2013	**2014**
Operating activities		
Net loss	$ (10,399)	$ (6,199)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	4,322	3,798
Amortization of long-term assets	255	740
Stock-based compensation expense	1,164	1,372
Accretion of fair value of deferred and contingent purchase price consideration related to acquisition	—	11
Deferred income tax expense (benefit)	4,158	(2,123)
Loss on sale of property and equipment	69	1,733
Provision for inventory reserves	859	1,995
Provision for bad debts	757	174
Other	71	129
Changes in operating assets and liabilities:		
Accounts receivable, current and long-term	2,499	8,395
Inventories, current and long-term	2,880	3,962
Deferred contract costs	75	1,376
Prepaid expenses and other assets	1,315	(1,072)
Accounts payable	(6,527)	(880)
Accrued expenses	2,221	(1,236)
Deferred revenue	(1,458)	(2,274)
Net cash provided by operating activities	2,261	9,901
Investing activities		
Cash paid for acquisition, net of cash acquired	—	(4,992)
Purchase of property and equipment	(2,159)	(410)
Purchase of short-term investments	(5)	(4)
Sale of short-term investments	—	555
Additions to patents and licenses	(153)	(43)
Proceeds from sales of property, plant and equipment	46	80
Net cash used in investing activities	(2,271)	(4,814)
Financing activities		
Payment of long-term debt	(3,169)	(3,229)
Proceeds from long-term debt	380	—
Proceeds from repayment of shareholder notes	38	215
Repurchase of common stock into treasury	(6,007)	—
Excess tax benefits from stock-based compensation	70	13
Deferred financing costs	—	(19)
Proceeds from issuance of common stock	63	1,125
Net cash used in financing activities	(8,625)	(1,895)
Net (decrease) increase in cash and cash equivalents	(8,635)	3,192
Cash and cash equivalents at beginning of period	23,011	14,376
Cash and cash equivalents at end of period	$ 14,376	$ 17,568

Orion Energy Systems, Inc.
Supplemental Information
Fiscal 2014 Fourth Quarter and Fiscal 2014 Ended March 31, 2014
May 12, 2014

On May 12, 2014, Orion Energy Systems, Inc. issued a press release announcing our financial results for our fiscal 2014 fourth quarter and fiscal 2014 year ended March 31, 2014. The purpose of the supplemental information included below is to provide further discussion and analysis of our financial results for the fourth quarter and fiscal 2014 year ended March 31, 2014. Therefore, the accompanying information provided below should be read in conjunction with our press release.

Statement of Operations

Revenue. Product revenue decreased from $19.4 million for the fiscal 2013 fourth quarter to $10.9 million for the fiscal 2014 fourth quarter, a decrease of $8.6 million, or 44%. Product revenue from sales of energy efficient lighting systems decreased from $17.5 million for the fiscal 2013 fourth quarter to $10.4 million for the fiscal 2014 fourth quarter, a decrease of $7.1 million or 41%. Product revenue from light emitting diode, or LED, lighting sales for the fiscal 2014 fourth quarter was $1.3 million, or 12.4% of total fiscal 2014 fourth quarter lighting product revenue compared to $0.6 million or 3.4% of total fiscal 2013 fourth quarter lighting revenue. We attribute the overall decline in product revenue during our fiscal 2014 fourth quarter to delayed customer purchase decisions as a result of the continuing emergence of LED lighting solutions. Within our industrial customer base, LED product costs have been declining while performance, and the related energy reduction, is improving. However, while return on investment for our customers using LED technology is improving, these products do not currently meet existing customer payback expectations of two years. We believe customers are delaying decisions as they continue to monitor and evaluate technology alternatives. We believe that these products will become more economically viable during the back half of calendar 2014. Additionally, we believe our product revenues were negatively impacted by challenging weather conditions, which impacted our exterior product sales, and by the expiration of a federal tax incentive under the Energy Policy Act, or EPACT in December 2013. The decrease in product revenue was also a result of decreased sales of solar photovoltaic, or PV, systems of $1.5 million versus the fiscal 2013 fourth quarter. Service revenue decreased from $2.8 million for the fiscal 2013 fourth quarter to $1.7 million for the fiscal 2014 fourth quarter, a decrease of $1.1 million, or 40%. The decrease in service revenue was a result of the decline in the number of solar projects currently under construction as we deemphasize our non-core solar business. Total revenue from PV systems was $1.0 million for the fiscal 2014 fourth quarter compared to $3.6 million for the fiscal 2013 fourth quarter. The decrease in revenue from PV systems was due to fewer solar projects under construction as compared to several projects under construction during fiscal 2013. We expect this trend of decreasing solar PV systems revenue to continue into fiscal 2015 as we continue to deemphasize our focus on pursuing new solar PV projects. We further expect that revenue from solar PV systems will be less than $1.0 million during fiscal 2015 and will not continue into future years.

Product revenue decreased from $72.6 million for fiscal 2013 to $72.0 million for fiscal 2014, a decrease of $0.6 million, or 1%. Service revenue increased from $13.5 million for fiscal 2013 to

$16.7 million for fiscal 2014, an increase of $3.2 million, or 24%. Product revenue from LED lighting systems was $1.9 million for fiscal 2013 compared to $4.8 million for fiscal 2014, an increase of $2.9 million, or 157%. Total revenue from PV systems was $18.7 million for fiscal 2013 compared to $21.8 million for fiscal 2014, an increase of $3.2 million, or 17%. In the future, we expect revenue from LED products to continue to increase as we introduce new LED products in the commercial office, retail and exterior markets.

Cost of Revenue and Gross Margin. Our cost of product revenue decreased from $12.4 million for the fiscal 2013 fourth quarter to $10.2 million for the fiscal 2014 fourth quarter, a decrease of $2.2 million, or 18%. Our cost of service revenue decreased from $1.9 million for the fiscal 2013 fourth quarter to $1.1 million for the fiscal 2014 fourth quarter, a decrease of $0.8 million, or 41%. Total gross margin was 10.2% for the fiscal 2014 fourth quarter compared to 35.8% for the fiscal 2013 fourth quarter. Our gross margin on PV revenue was 22.2% during the fiscal 2014 fourth quarter compared to 47.9% during the fiscal 2013 fourth quarter. In the fiscal 2013 fourth quarter, our solar PV gross margins were unusually high due to one high margin solar PV project. Gross margins from sales of our integrated lighting systems for the fiscal 2014 fourth quarter were 9.1% compared to 33.4% for the fiscal 2013 fourth quarter. Our gross margin was negatively impacted by the sales volume reduction and our fixed manufacturing facility expenses. Additionally, our gross margin was unfavorably impacted by $1.4 million related to inventory reserves recorded due to declining fluorescent product sales occurring during the quarter.

Total cost of product revenue increased from $49.6 million for fiscal 2013 to $54.4 million for fiscal 2014, an increase of $4.9 million, or 10%. Total gross margin decreased from 31.1% for fiscal 2013 to 25.9% for fiscal 2014. For fiscal 2014, our gross margin declined due to reduced sales volumes of manufactured lighting products and the related impact of fixed expenses within our manufacturing facility, an increased mix of lower margin solar projects compared to the prior year, increased expense of $1.1 million related to inventory reserves established and severance expenses of $0.1 million related to the acquisition of Harris. Our gross margin on renewable revenues was 30.5% during fiscal 2013 compared to 25.6% during fiscal 2014. Gross margin from our integrated lighting systems revenue for fiscal 2013 was 31.2% compared to 26.0% during fiscal 2014.

General and Administrative Expenses. Our general and administrative expenses increased from $3.2 million for the fiscal 2013 fourth quarter to $5.8 million for the fiscal 2014 fourth quarter, an increase of $2.7 million, or 84%. The increase was due to a loss of $1.5 million from the sale of our corporate leased aircraft, incremental Harris acquisition expenses of $0.3 million (which included compensation expense related to the initial earn-out attributed to Harris shareholders who became Orion employees), intangible amortization expense of $0.3 million, $0.3 million in asset impairment expenses and contract terminations related to facility consolidations, $0.2 million in increased stock compensation expenses, and $0.1 million in increased compensation expense.

Our general and administrative expenses increased from $13.9 million for fiscal 2013 to $15.0 million for fiscal 2014, an increase of $1.0 million, or 7%. The increase was due to a loss of $1.5 million from the sale of our corporate leased aircraft, increased insurance expenses of $0.2 million, $0.5 million for the amortization of intangible assets resulting from the acquisition of Harris, $0.9 million for incremental operating expenses from the acquisition of Harris and $0.3 million in asset impairment expenses and contract terminations related to facility consolidations. These increases were partially offset by decreases due to prior year expenses of $1.2 million resulting from our reorganization, $0.6 million in reduced compensation and benefit expenses resulting from headcount reductions, $0.2 million in reduced legal expenses and $0.4 million in other reductions in discretionary spending.

Acquisition and Integration Related Expenses. Our acquisition related expenses for the fiscal 2014 fourth quarter were $0.3 million and for fiscal 2014 were $0.8 million. We incurred no acquisition expenses in fiscal 2013. We incurred $0.5 million in expenses that were due to the acquisition of Harris which included $0.3 million for variable mark-to-market purchase accounting expenses related to the contingent consideration earn-out for the acquisition of Harris, and $0.2 million for legal, accounting and integration related costs. We incurred $0.3 million in other acquisition related activities for legal and consulting activities.

Sales and Marketing Expenses. Our sales and marketing expenses decreased from $3.9 million for the fiscal 2013 fourth quarter to $3.2 million for the fiscal 2014 fourth quarter, a decrease of $0.7 million, or 18%. The decrease was due to a $0.3 million reduction in commission expense on lower revenue, reduced depreciation expense of $0.2 million and reduced compensation and benefit expense of $0.3 million resulting from headcount reductions and discretionary spending reductions of $0.3 million, offset by $0.4 million in incremental expenses resulting from the acquisition of Harris.

Our sales and marketing expenses decreased from $17.1 million for fiscal 2013 to $13.5 million for fiscal 2014, a decrease of $3.6 million, or 21%. The decrease was due to reduced compensation and benefit expense of $1.7 million resulting from headcount reductions, reduced bad debt expense of $0.6 million, reorganization expenses incurred in fiscal 2013 of $0.3 million, $0.2 million in reduced depreciation expense and discretionary spending reductions of $2.2 million, offset by an increase in our sales commission expense of $0.1 million resulting from the revenue increase and incremental expenses of $1.3 million resulting from the acquisition of Harris.

Total sales and marketing employee headcount was 90 and 84 at March 31, 2013 and 2014, respectively.

Research and Development Expenses. Our research and development, or R&D, expenses increased from $0.4 million for the fiscal 2013 fourth quarter to $0.6 million for the fiscal 2014 fourth quarter, an increase of $0.2 million, or 44%. Our R&D expenses increased during the fourth quarter due to increased compensation and severance expenses of $0.1 million and $0.1 million for product development and testing materials. Our R&D expenses decreased from $2.3 million for fiscal 2013 to $2.0 million for fiscal 2014, a decrease of $0.2 million, or 10%. Our R&D expenses decreased during fiscal 2014 due to a reduction in compensation expenses, consulting expenses and product testing costs related to our energy management controls initiatives.

Interest Expense. Our interest expense decreased from $126,000 for the fiscal 2013 fourth quarter to $103,000 for the fiscal 2014 fourth quarter, a decrease of $23,000, or 18%. Our interest expense decreased from $567,000 for fiscal 2013 to $481,000 for fiscal 2014, a decrease of $86,000, or

15%. The decrease in interest expense was due to the reduction in financed contract debt for our Orion Throughput Agreements, or OTAs, compared to the prior year first half.

Interest Income. Our interest income decreased from $189,000 for the fiscal 2013 fourth quarter to $108,000 for the fiscal 2014 fourth quarter, a decrease of $81,000, or 43%. Our interest income decreased from $845,000 for fiscal 2013 to $567,000 for fiscal 2014, a decrease of $278,000, or 33%. Our interest income decreased as we increased the utilization of third party finance providers for a majority of our financed projects. 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 $16,000 for the fiscal 2013 fourth quarter to $212,000 for the fiscal 2014 fourth quarter. Our income tax expense decreased from $4.1 million for fiscal 2013 to an income tax benefit of $2.1 million for fiscal 2014, a decrease of $6.1 million, or 151%. During fiscal 2013, we recorded a valuation reserve against our deferred tax assets in the amount of $4.1 million due to uncertainty over the realization value of these assets in the future. During fiscal 2014, we reversed $2.3 million of our valuation reserve to offset deferred tax liabilities created by the acquisition of Harris. Our effective income tax rate for fiscal 2014 was 24.9%, compared to 64.4% for fiscal 2013. The change in effective rate was due primarily to the changes in the valuation reserve and expected minimum state tax liabilities.

Backlog. Total cash order backlog as of March 31, 2014 was $2.7 million, which included $1.1 million of solar PV orders, compared to a backlog of $4.1 million as of December 31, 2013, which included $2.2 million of solar PV orders. We currently expect $2.6 million of our backlog to be recognized as revenue during fiscal 2015 and the balance in future periods. 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 December 31, 2013 to March 31, 2014 is as follows (in millions):

Backlog – December 31, 2013	$	4.1
Q4 – Plus: Cash orders and OTA contracts at net present value of future cash flows		11.1
Q4 – Less: Revenue recognized during the quarter		(12.6)
Q4 – Plus: Portion of revenue recognized from PPAs		0.1
Backlog – March 31, 2014	$	2.7

As a result of the decreased volume of our solar PV orders, the lengthening of our customer’s purchasing decisions because of the emergence of LED lighting products and the number of projects sold through OTAs, a comparison of backlog from period to period is not necessarily meaningful and may not be indicative of actual revenue recognized in future periods.

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 provided from operating activities for fiscal 2014 was $9.9 million and consisted of net cash provided by changes in operating assets and liabilities of $8.3 million and net income adjusted for non-cash expense items of $1.6 million. Cash provided by changes in operating assets and liabilities consisted of a decrease of $4.0 million in inventory on decreased purchases of lighting components, predominantly fluorescent ballasts, lamps, wireless controls and motion sensors, a decrease in deferred contract costs of $1.4 million due to the timing of project completions and a decrease in accounts receivable of $8.4 million related to customer collections. Cash used from changes in operating assets and liabilities included a $1.1 million increase in prepaid expenses and other for unbilled revenue related to solar projects, a decrease in accounts payable of $0.9 million on reduced inventory purchases, a $2.3 million decrease in deferred revenue due to the decline in solar project activity and a decrease in accrued expenses due to a decrease in accrued reorganization expenses.

Cash provided from operating activities for fiscal 2013 was $2.3 million and consisted of net cash provided by changes in operating assets and liabilities of $1.1 million and a net loss adjusted for non-cash expense items of $1.2 million. Cash provided by changes in operating assets and liabilities consisted of a decrease of $2.9 million in inventory on decreased purchases of lighting components, predominantly fluorescent lamps and ballasts, a decrease in accounts receivable of $2.5 million on increased collections, an increase in accrued expenses of $2.2 million due to the timing of reorganization expenses, accrued bonus expenses and increased accrued legal expenses, and a decrease in prepaid and other assets of $1.3 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. Cash used from changes in operating assets and liabilities included a $6.5 million decrease in accounts payable due to payments during the second half of fiscal 2013 resulting from the settlement of vendor disputes and a decrease in deferred revenue of $1.5 million due to the timing of advanced billings and the achievement of performance criteria for revenue recognition.

Cash Flows Related to Investing Activities. For fiscal 2014, cash used in investing activities was $4.8 million. This included $5.0 million related to the acquisition of Harris and $0.4 million for capital improvements related to product development tooling and information technology systems. Cash provided by investing activities included $0.5 million from the sales of short-term investments and $0.1 million in proceeds from asset sales.

For fiscal 2013, cash used in investing activities was $2.3 million. This included $2.2 million for capital improvements related to our product development, information technology systems, manufacturing improvements and facility investments and $0.2 million for investment in patent activities.

Cash Flows Related to Financing Activities. For fiscal 2014, cash flows used in financing activities were $1.9 million which included $3.2 million used for repayment of long-term debt, offset by $1.3 million received from stock option exercises and stock note repayments.

For fiscal 2013, cash flows used in financing activities were $8.6 million. This included $6.0 million used for repurchases of shares of our common stock and $3.2 million for repayment of long-term debt. In October 2012, we halted our common stock repurchase program. Cash flows provided by financing activities included $0.4 million in debt proceeds and $0.2 million received from stock option exercises, stock note repayments and for excess tax benefits from stock-based compensation.

Working Capital

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 net working capital as of March 31, 2013 was $34.8 million, consisting of $53.6 million in current assets and $18.8 million in current liabilities. Our current accounts receivables decreased from fiscal 2013 year-end by $3.3 million due to lower revenue within the fiscal 2014 fourth quarter. Our current inventory decreased by $3.6 million on reduced inventory spending and increased inventory reserves, which was net of $1.0 million of incremental Harris inventory. Our prepaid and other expenses increased by $2.2 million due to an increase of $1.0 million related to a reclassification from property, plant and equipment of our Plymouth building which is a held for sale asset and an increase of $1.2 million in unbilled revenue related to the timing of billing on solar projects. Our accounts payable increased from our fiscal 2013 year end by $0.6 million due primarily to the acquisition of Harris and related payables. Our accrued expenses decreased from our fiscal 2013 year end by $0.8 million due to the payment of $1.0 million in accrued settlement expenses and an increase of $0.2 million in accrued legal and other expenses. Our deferred revenue decreased from our fiscal 2013 year end by $2.3 million as we neared completion of the construction of our solar landfill project.

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 $0.4 million during the fiscal year 2014 due to investments in new product development tooling and information systems technologies. We expect to incur total capital expenditures in the range of approximately $0.8 to $1.0 million during our fiscal 2015. Our capital spending plans predominantly consist of investments related to our manufacturing operations to improve efficiencies and reduce costs and for investments in information technology systems. 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 plan is to actively pursue potential acquisition opportunities.

Liquidity and Capital Resources

We had approximately $17.6 million in cash and cash equivalents and $0.5 million in short-term investments as of March 31, 2014, compared to $14.4 million and $1.0 million at March 31, 2013. Additionally, as of March 31, 2014, we had $15.0 million of borrowing availability under our revolving credit agreement. We completed an amendment to our credit agreement in August 2013 which extended its term to August 2014. On July 1, 2013, we completed the acquisition of Harris. The purchase price was paid through a combination of $5.0 million in cash, $3.1 million in a three-year unsecured subordinated note bearing interest at the rate of 4% per annum and 856,997 unregistered shares of common stock, representing a fair value on the date of issuance of $2.1 million. We also agreed to issue up to $1.0 million of our unregistered common stock if Harris met certain financial earn-out targets through December 31, 2014. In October 2013, we amended the earn-out section of the Harris purchase agreement to fix the future consideration for the earn-out at $1.4 million. We agreed to settle the $0.6 million due under the earn-out on January 1, 2014, by issuing an aggregate of 83,943 unregistered shares of our common stock, and by paying $0.8 million on January 1, 2015 in cash. In July 2013, we paid $975,000, net of insurance proceeds, to settle claims filed against us by a former senior vice president.

We were not in compliance with our line of credit covenant requirements related to debt service coverage ratio and funded debt to EBITDA ratio as of March 31, 2014. We are in the process of obtaining a covenant waiver and anticipate receiving such waiver due to our cash balances and no borrowings outstanding under the credit facility.

We believe that our existing cash and cash equivalents, our anticipated cash flows from operating activities and our borrowing capacity under our revolving credit facility will be sufficient to meet our anticipated normal operating cash needs for the next 12 months, dependent upon our growth opportunities with our cash and finance customers and our future potential acquisition opportunities. Any future potential acquisitions would likely be funded by our existing cash resources, our credit facility, additional credit facilities, 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 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.

Statistical Data

The following table presents certain statistical data, cumulative from December 1, 2001 through March 31, 2014, regarding sales of our HIF and LED lighting systems, total units sold (including HIF and LED lighting systems), customer kilowatt demand reduction, customer kilowatt hours saved, customer electricity costs saved, indirect carbon dioxide emission reductions from customers' energy savings, and square footage we have retrofitted. The assumptions behind our calculations are described in the footnotes to the table below.

	Cumulative From December 1, 2001 Through March 31, 2014
	(in thousands, unaudited)
HIF and LED lighting systems sold (1)	2,734
Total units sold (including HIF and LED lighting systems)	3,961
Customer kilowatt demand reduction (2)	888
Customer kilowatt hours saved (2)(3)	32,691,249
Customer electricity costs saved (4)	$ 2,516,102
Indirect carbon dioxide emission reductions from customers' energy savings (tons) (5)	20,047
Square footage retrofitted (6)	1,459,657

(1) "HIF and LED lighting systems" includes all HIF units sold under the brand name "Compact Modular" and its predecessor, "Illuminator."

(2) A substantial majority of our HIF lighting systems, which generally operate at approximately 224 watts per six-lamp fixture, are installed in replacement of HID fixtures, which generally operate at approximately 465 watts per fixture in commercial and industrial applications. We calculate that each six-lamp HIF lighting system we install in replacement of an HID fixture generally reduces electricity consumption by approximately 241 watts (the difference between 465 watts and 224 watts). In retrofit projects where we replace fixtures other than HID fixtures, or where we replace fixtures with products other than our HIF lighting systems (which other products generally consist of products with lamps similar to those used in our HIF systems, but with varying frames, ballasts or power packs), we generally achieve similar wattage reductions (based on an analysis of the operating wattages of each of our fixtures compared to the operating wattage of the fixtures they typically replace). We calculate the amount of kilowatt demand reduction by multiplying (i) 0.241 kilowatts per six-lamp equivalent unit we install by (ii) the number of units we have installed in the period presented, including products other than our HIF lighting systems (or a total of approximately 4.0 million units).

(3) We calculate the number of kilowatt hours saved on a cumulative basis by assuming the demand (kW) reduction for each fixture and assuming that each such unit has averaged 7,500 annual operating hours since its installation.

(4) We calculate our customers' electricity costs saved by multiplying the cumulative total customer kilowatt hours saved indicated in the table by $0.077 per kilowatt hour. The national average rate for the year-to-date period ended August 2013, which is the most current data for which this information is available, was $0.1009 per kilowatt hour according to the United States Energy Information Administration.

(5) We calculate this figure by multiplying (i) the estimated amount of carbon dioxide emissions that result from the generation of one kilowatt hour of electricity (determined using the Emissions and Generation Resource Integration Database, or EGrid, prepared by the United States Environmental Protection Agency), by (ii) the number of customer kilowatt hours saved as indicated in the table.

(6) Based on 4.0 million total units sold, which contain a total of approximately 19.8 million lamps. Each lamp illuminates approximately 75 square feet. The majority of our installed fixtures contain six lamps and typically illuminate approximately 450 square feet.

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 and our ongoing SEC inquiry; (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 effectively manage the credit risk associated with our debt funded OTA contracts; (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) the availability of additional debt financing and/or equity capital; (xviii) potential warranty claims; (xix) potential acquisitions; and (xx) our expectations for the fiscal year ending March 31, 2015. 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.