ESCALON MEDICAL CORP
Form 10-K/A
October 31, 2007

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

FORM 10-K/A
(AMENDMENT NO. 2)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2007

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 0-20127

ESCALON MEDICAL CORP.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

PENNSYLVANIA	33-0272839
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

565 EAST SWEDESFORD ROAD, SUITE 200, WAYNE, PA 19087
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE'S INCLUDING ZIP CODE)

610 688-6830
(ISSUER'S TELEPHONE NUMBER)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, $0.001 PAR VALUE PER SHARE

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

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act [ ]

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no discloser will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether registrant is a shell company (as defined in Rule

12b-2 of the Securities Exchange Act of 1934). Yes [ ] No [X]

The revenues for the fiscal year ended June 30, 2007, the most recent fiscal year, were $38,838,000.

The aggregate market value of the common voting stock held by non-affiliates of the Registrant was approximately $25,228,000 as of September 20, 2007, based upon the closing sale price of the Common Stock as quoted on the NASDAQ Capital Market.

The number of shares of the Registrant's Common Stock outstanding as of September 20, 2007 is 6,386,857.

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PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

EXECUTIVE OFFICERS OF THE COMPANY

Our executive officers are as follows:

NAME	AGE	POSITION
Richard J. DePiano	66	Chairman and Chief Executive Officer
Richard J. DePiano, Jr.	41	Chief Operating Officer and General Counsel
Robert M. O'Connor	46	Chief Financial Officer

Mr. DePiano has been a director of the Company since February 1996 and has served as Chairman and Chief Executive Officer of the Company since March 1997. Mr. DePiano has been the Chief Executive Officer of the Sandhurst Company, L.P. and Managing Director of the Sandhurst Venture Fund since 1986. Mr. DePiano also serves Chairman of the Board of Directors of PhotoMedex, Inc.

Mr. DePiano, Jr. was appointed Chief Operating Officer and General Counsel of the Company December 28, 2006. Mr. DePiano, Jr. joined the Company in November of 2000 as Vice President Corporate and Legal Affairs. Prior to joining Escalon, Mr. DePiano, Jr. worked with Forceno & Arangio, L.L.P., from September 1998 until November 2000 as a Senior Associate representing individual and business clients in various areas of the law including mergers and acquisitions, automotive dealership representation, family, small and emerging businesses, securities law, venture capital financing, consumer finance and general corporate and commercial matters. Prior to this Mr. DePiano, Jr. was in private law practice since 1992. He currently serves as 1st Vice President and as a member of the Board of Directors of the Delaware Valley Corporate Counsel Association ("DELVACCA"). Mr. DePiano, Jr. also serves as the Chairman of the Nominations Committee, Chairman of the Law School Initiative Committee and member of the Pro-Bono Committee of DELVACCA. He also is Vice Chairman of the Board of Directors of the Montgomery County Industrial Development Authority and is also a member of the Pennsylvania Bar Association.

Mr. O'Connor was appointed Chief Financial Officer of the Company on June 30, 2006. Mr. O'Connor joined Escalon Medical Corporation from BDO Seidman, LLP where he served as a senior manager from 2004. His prior experience includes both public and private accounting roles as a manager at PricewaterhouseCoopers, L.L.P. where he served in the middle market advisory services group from 1998 until 2000, and positions of controller and chief financial officer of Science Dynamics a manufacturer of high tech telecom equipment from 2000 until 2002 and Ianieri & Giampapa, LLC a certified public accounting firm from 2002 until 2004. Mr. O'Connor holds an MBA from Rutgers University - Graduate School of Management and a B.S. from Kean

University. He is a certified public accountant and a member of the American Institute of Certified Public Accountants (AICPA).

DIRECTORS OF THE COMPANY

The election of our directors by our shareholders is governed by the Pennsylvania Business Corporation Law and our Bylaws. The following discussion summarizes these provisions and describes the process our Governance and Nominating Committee will follow in connection with the nomination of candidates for election as directors by the holders of our common stock.

GOVERNANCE AND NOMINATING PROCEDURES

Our Governance and Nominating Committee is responsible for recommending to the Board of Directors candidates to stand for election to the Board of Directors at the annual meeting. Our Governance and Nominating Committee will also consider director candidates recommended by shareholders in accordance with the advance notice procedures in Section 2.3 of our Bylaws. These procedures are described under "Shareholder Proposals" in this proxy statement. The Governance and Nominating Committee may also consider director candidates proposed by our management. We have not utilized third-party executive search firms to identify candidates for director.

With the exception of applicable rules of the SEC and the Nasdaq Stock MarketSM ("Nasdaq"), our Governance and Nominating Committee does not have any specific, minimum qualifications for candidates for election to our Board of Directors, and our Governance and Nominating Committee may take into account such factors as it deems appropriate. Our Governance and Nominating Committee examines the specific attributes of candidates for election to our Board of Directors and also considers the judgment, skill, diversity, business experience, the interplay of the candidate's experience with the experience of the other members of our Board of Directors and the extent to which the candidate would contribute to the overall effectiveness of our Board of Directors.

Our Governance and Nominating Committee will utilize the following process in identifying and evaluating candidates for election as members of our Board of Directors:

- Evaluation of the performance and qualifications of the members of our Board of Directors whose term of office will expire at the forthcoming annual meeting of shareholders and determination of whether they should be nominated for re-election.

- Consideration of the suitability of the candidates for election, including incumbent directors.

- Review of the qualifications of any candidates proposed by shareholders in accordance with our Bylaws, candidates proposed by management and candidates proposed by individual members of our Board of Directors.

- After such review and consideration, propose to the Board of Directors a slate of candidates for election at the forthcoming annual meeting of shareholders.

NOMINEES FOR CLASS I NAME OF DIRECTOR	DIRECTOR SINCE	YEAR TERM WILL EXPIRE	AGE	PRINCIPAL OCCUPATION DURING PA YEARS AND CERTAIN DIRECTORS
William L.G. Kwan	1999	2009	66	Retired; Vice President of Business Develo Laboratories, Inc. a medical products comp 1996 to 1999, and Vice President of Intern Instruments from November 1989 to October
Anthony J. Coppola	2000	2009	70	Principal and operator of The Historic Tow Inc., a real estate and commercial propert to present; Retired Division President of manufacturing company, from 1963 to 1986.

CLASS II NAME OF DIRECTOR	DIRECTOR SINCE	YEAR TERM WILL EXPIRE	AGE	PRINCIPAL OCCUPATION DURING PAS YEARS AND CERTAIN DIRECTORSH
Lisa A. Napolitano	2003	2007*	44	Tax Manager, Global Tax Management, Inc., a compliance support services for both federa taxes, since 1998. Ms. Napolitano is a Cer Accountant in Pennsylvania.
Fred G. Choate	2005	2007*	61	Managing Member of Atlantic Capital Funding present, Managing Member of Atlantic Capita from 2004 to present; Baltic-American Enter Investment Officer from 2003 to present; Ma Greater Philadelphia Venture Capital Corp f present. Mr. Choate has been a director of 2003. Mr. Choate was formerly a director of from 1998 to 2003.

CLASS III NAME OF DIRECTOR	DIRECTOR SINCE	YEAR TERM WILL EXPIRE	AGE	PRINCIPAL OCCUPATION DURING PAS YEARS AND CERTAIN DIRECTORSH
Richard J. DePiano	1996	2008	66	Chairman and CEO of Escalon Medical Corp. s CEO of the Sandhurst Company, L.P. and Mana the Sandhurst Venture Fund since 1986; Chai of Directors of PhotoMedex, Inc.

Jay L. Federman, M.D.	1996	2008	69	Dr. Federman is an ophthalmologist subspecialing in the management of vitro-re Dr. Federman's Directorships include the Re Hospital from 1987 to 1995. Chief of Depart College of Pennsylvania from 1994 to 2004, Wills Eye Hospital from 1991 to 1999 and a Research Foundation of Philadelphia. Chairm the Company from February 1996 to March 199

CORPORATE GOVERNANCE

The SEC and Nasdaq have adopted regulations and listing requirements that relate to our corporate governance. Our Board of Directors has adopted standards and practices in order to comply with those regulations that apply to us. The Company has adopted a Code of Ethics, which can be accessed on the Company's web site at www.escalonmed.com. Our independent directors meet at regularly scheduled meetings at which only independent directors are present.

AUDIT COMMITTEE

Our Audit Committee consists of Anthony J. Coppola, William L.G. Kwan and Lisa A. Napolitano, the audit committee's financial expert. The Committee met four times in 2007. Each member of the Audit Committee is independent within the meaning of the rules of Nasdaq and of the SEC. Consistent with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), the Audit Committee has responsibility for:

- the selection of our independent public accountants;
- reviewing the scope and results of the audit;
- reviewing related-party transactions; and
- reviewing the adequacy of our accounting, financial, internal and operating controls.

Our Audit Committee operates pursuant to a written charter, the full text of which was attached to our proxy statement for our 2004 annual meeting and is available on our website.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires that our officers and directors, as well as persons who own 10% or more of a class of our equity securities, file reports of their ownership of our securities, as well as statements of changes in such ownership, with us and the Securities Exchange Commission (the "SEC"). Based upon written representations received by us from our officers, directors and 10% or greater shareholders, and our review of the statements of beneficial ownership changes filed with us by our officers, directors and 10% or greater shareholders during fiscal 2007, all filing requirements applicable to our officers and directors were complied with.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

INTRODUCTION

The compensation committee of our board of directors, or our compensation committee, oversees our compensation and policies, our compensation levels, including reviewing and approving equity awards to our executive officers, and reviews and recommends annually for approval by our board of directors all compensation decisions relating to our executive officers.

Our compensation committee believes that the primary objectives of our compensation programs for our executive officers are to:

- attract and retain talented and dedicated executive officers who contribute to our growth, development and profitability and to encourage them to remain with us for many years;

- motivate our executive officers to achieve our strategic business objectives and to reward them when they achieve those objectives; and

- provide long-term compensation to our executive officers that rewards our executive officers for sustained financial and operating performance and leadership excellence.

To achieve these objectives, we compensate our executive officers through a combination of base salary, annual cash bonuses, car allowance and long-term equity compensation.

Our compensation committee is comprised entirely of independent directors in accordance with NASDAQ standards and the director independence criteria established by our corporate governance guidelines.

Our compensation committee's charter reflects these responsibilities, and the compensation committee and our board of directors reviews the charter annually.

OUR COMPENSATION PHILOSOPHY AND OBJECTIVES

The most significant component of the compensation policy administered by our compensation committee is that a substantial portion of the aggregate annual compensation of our named executive officers should be based on our annual financial results, our overall sales, growth and our profitability. Our compensation committee also evaluates the achievement of our other corporate objectives and the contribution of each named executive officer to those achievements.

We rely on our judgment in making compensation decisions after reviewing our performance and the performance of our executives based on financial and operational objectives. We do not retain the services of any compensation consultants. Our named

executive officers, Richard DePiano, Sr. and Robert O'Connor, do have employment, severance and change-of-control agreements. (See Employment

Agreement below)

For a number of years, we have maintained a cash incentive compensation program for our officers, including our named executive officers. The amount of the bonus is dependent upon several factors listed below including our financial results, sales growth and our profitability. Our compensation committee does not assign specific weights to these factors.

THE COMPENSATION OF OUR OFFICERS

Our officers receive the following types of compensation:

- Base Salary. The base salaries of our officers, including our named executive officers, are established based on the scope of their responsibilities and the recommendation of our chief executive officer to our compensation committee for other than his own compensation. Our compensation committee reviews the base salaries of our named executive officers annually, including our chief executive officer, and adjusts those salaries annually after taking into account individual responsibilities, performance, length of service with us, current salary, experience and compensation history as well as our results of operations.

- Annual Cash Bonus. Our officers, including our named executive officers, receive annual cash bonuses based on our financial results, overall sales growth and profitability. Our compensation committee then recommends to our board of directors the percentage of the maximum amount to be allocated among our officers, including our named executive officers, on a discretionary basis. Our chief executive officer submits recommended bonus allocations for our officers, including our named executive officers other than himself, to our compensation committee, which reviews his recommendations and then establishes the annual bonus allocations for our officers and reports its decisions to our board of directors. The annual cash bonuses approved by our compensation committee are paid in a single installment following the completion of a particular fiscal year.

- Long-Term Equity Incentives. We believe that we can maximize our long-term performance best when the performance of our officers is motivated by equity-based awards that provide value based on our long-term performance. We have designed our long-term equity compensation plans to provide all of the members of our management, including our named executive officers, with equity incentives to foster the alignment of the interests of our officers with the interests of our stockholders. Our equity-based compensation plans provide the principal method by which our officers can acquire ownership of our common stock.

The primary form of equity compensation that we have historically awarded to our officers, including our named executive officers, is stock options. Our compensation committee receives preliminary recommendations for periodic stock option grants from our chief executive officer for our officers other than himself. Our compensation committee then recommends stock option grants for all of our officers, including our chief executive officer, for approval by our board of directors.

We have stock option plans that authorize us to grant options to purchase shares of our common stock to our employees, officers and directors. We have consistently followed the practice of granting stock options at an exercise price of the closing price of our common stock on NASDAQ on the date of grant.

THE OPERATION OF OUR COMPENSATION PROCESS

Our compensation committee recommends all compensation and equity awards to our executive officers for final discretionary action by our board of directors. Our compensation committee, in recommending the annual compensation of our officers, including our named executive officers, to be established by our board of directors, reviews the performance and compensation of our officers. In assessing the performance of our named executive officers in relation to the objectives established by our board of directors, our compensation committee reviews specific achievements associated with attainment of the objectives, the degree of difficulty of the objectives and the extent to which significant unforeseen obstacles or favorable circumstances affected their performance.

Our compensation committee recommends to our board of directors the base salaries, annual aggregate bonus amount and stock option grants to the members of our management. As part of its oversight of the compensation of our named executive officers, our compensation committee recommended the following compensation adjustments for 2007 for our named executive officers:

- increases in base salaries of our named executive officers in 2007 that averaged 2.7% which our compensation committee considered an adjustment consistent with published information about CPI increases in the United States in 2007;

- increases in individual bonus represented an increase which our compensation committee regarded as appropriate recognition of our named executives performance across a combination of qualitative and quantitative objectives during the performance period, and

- continued grants of stock options at exercise prices at which we would be prepared to sell our common stock in the event we were to determine to raise additional capital because our compensation committee believes that our history of stock option grants has in fact been successful in motivating our named executive officers to achieve superior performance.

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INSERT TAX MATTERS

EXECUTIVE COMPENSATION

The following table shows the compensation paid during each of the three fiscal years ended June 30, 2007 for services rendered in all capacities to our Chief Executive Officer, our Chief Financial Officer and our other most highly compensated executive officer whose compensation exceeded $100,000 in the fiscal year ended June 30, 2007.

SUMMARY COMPENSATION TABLE

NAME	C PEN NO

AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	STOCK AWARDS	OPTION AWARDS	NON-EQUITY INCENTIVE PLAN COMPENSATION	CO
RICHARD J. DEPIANO CHAIRMAN AND CHIEF EXECUTIVE OFFICER	2007	$317,700	$ 250,000	$ -	$ 23,207	$ -	
RICHARD J. DEPIANO, JR. CHIEF OPERATING OFFICER AND GENERAL COUNSEL	2007	$127,200	$ 80,000	$ -	$ 7,425	$ -	
ROBERT M. O'CONNOR CHIEF FINANCIAL OFFICER	2007	$200,000	$ 25,000	$ -	$ -	$ -	

1) Includes payment by the Company of (i) in the case of Mr. DePiano, (a) an automobile allowance and (b) insurance premiums paid for life insurance.

The following table shows information with respect to options exercised during the year ended June 30, 2007 and held on June 30, 2007 by the persons named in the Summary Compensation Table and the status of their options at June 30, 2007.

OPTION EXERCISES AND STOCK VESTED

NAME	OPTION AWARDS NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED UPON EXERCISE	NUMBER OF S ACQUIRED ON E
RICHARD J. DEPIANO CHAIRMAN AND CHIEF EXECUTIVE OFFICER	-	$-	-
RICHARD J. DEPIANO, JR. CHIEF OPERATING OFFICER AND GENERAL COUNSEL	-	$-	-
ROBERT M. O'CONNOR CHIEF FINANCIAL OFFICER	-	$-	-

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No awards were made to any named executive officer during such fiscal year under any long-term incentive plan. The Company does not currently sponsor any defined benefit or actuarial plans.

EMPLOYMENT AGREEMENT

On May 12, 1998, the Company entered into an employment agreement with Richard J. DePiano as the Chairman and Chief Executive Officer of the Company. The initial term of the employment agreement commenced on May 12, 1998 and continued through June 30, 2001. The employment agreement renews on July 1 of each year for successive terms of three years unless either party notifies the other party at least 30 days prior to such date of the notifying party's determination not to renew the agreement. The current base salary provided under the agreement, as adjusted for yearly cost of living adjustments, is $300,000 per year, and the agreement provides for additional incentive compensation in the form of a cash bonus to be paid by the Company to Mr. DePiano at the discretion of the Board of Directors. The agreement also provides for health and long-term disability insurance and other fringe benefits as well as an automobile allowance of $800 per month.

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

- If Mr. DePiano retires at age 65 or older, the Company is obligated to pay the executive $8,000 per month for life, with payments commencing the month after retirement. If Mr. DePiano were to die within a period of three years after such retirement, the Company would be obligated to continue making such payments until a minimum of 36 monthly payments have been made to the covered executive and his beneficiaries in the aggregate.

- If Mr. DePiano dies before his retirement, while employed by the Company, the Company would be obligated to make 36 monthly payments to his beneficiaries of $8,000 per month commencing in the month after his death.

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

- If Mr. DePiano's employment with the Company is terminated by the Company, prior to him attaining age 65 or if he terminates his employment with the Company for good reason, as defined in the agreement, the Company would be obligated to pay him $8,000 per month for life. If Mr. DePiano were to die within a period of three years after such termination, the Company would be obligated to

continue making such payments until a minimum of 36 monthly payments have been made to him and his beneficiaries in the aggregate.

During the fourth quarter of fiscal 2005, we recorded as an expense in our Consolidated Statement of Income, $1,087,000, which represents the present value of the supplemental retirement benefits awarded.

As Chief Operating Officer and General Counsel, Mr. DePiano, Jr. received an annual salary of $127,300.

As Chief Financial Officer, Mr. O'Connor's annual base salary is $200,000. Mr. O'Connor has been granted stock options to purchase 60,000 shares of the Company's common stock, which are exercisable in full as of the June 30, 2006 grant date. The exercise price of these options is $5.05 per share. Mr. O'Connor pursuant to his offer letter will be entitled to a severance payment equal to his annual base salary and an increase of his annual base salary to $250,000 in connection with a change of control.

Section 162(m) of the Code generally does not allow us a deduction for federal income tax purposes to the extent that we pay annual compensation to any of our executive officers named in the Summary Compensation Table in this proxy statement that is in excess of $1 million. However, compensation paid to such an executive officer that is paid pursuant to a performance-based plan is generally not subject to the Section 162(m) limitation. Although our compensation committee is aware of the Section 162(m) limitation, our compensation committee believes that it is equally important to maintain flexibility and the competitive effectiveness of the compensation of our named executive officers. Our compensation committee may, therefore, from time to time, authorize compensation that is not deductible for federal income tax purposes if our compensation committee believes it is in our best interests and the best interests of our stockholders to do so.

DISCUSSION OF ELEMENTS OF COMPENSATION

Salary. Salaries for named executive officers are determined based on a variety of factors, including the executive's scope of responsibilities. Salaries are reviewed for our named executive officers once each year, and may be adjusted after considering the below factors and the named executive officer's performance.

Annual Cash Bonus. In fiscal year 2007, named executive officers had the opportunity to earn a cash bonus. Bonuses are provided to reward achieving business results against individual annual performance commitments and to deliver cash as part of an overall compensation package that is competitive in the marketplace.

The Compensation Committee determines bonuses in its discretion based on performance across a combination of qualitative and quantitative objectives during the performance period. Working with our chief executive officer, each named executive officer establishes these objectives annually. The chief executive officer establishes his goals in consultation with the Board. The goals used to determine bonuses vary for each executive based on his responsibilities and may include financial or strategic measures, including:

- revenue,
- profitability,
- innovation,
- product development and implementation,
- quality,
- customer satisfaction,
- customer acceptance,
- organizational and leadership,
- strategic planning and development,
- operations excellence, and
- efficiency and productivity.

For named executive officers other than the chief executive officer, the chief executive officer recommends individual bonus payments based on the executive's performance against his goals for the year. The Compensation Committee considers the recommendations and makes a final decision on the bonus payments.

For Mr. DePiano, the Compensation Committee recommends a bonus payment to the independent members of the Board. In making this recommendation, the Compensation Committee considers the performance evaluation of Mr. DePiano. The Board considers the Committee's recommendation and Mr. DePiano's performance evaluation in determining the bonus for Mr. DePiano.

REPORT OF OUR COMPENSATION COMMITTEE

The following report of our compensation committee does not constitute proxy solicitation material and shall not be deemed filed or incorporated by reference into any of our filings under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate this compensation committee report by reference therein.

Our compensation committee held a joint meeting with the board of directors of the company. The committee reviewed and discussed the compensation discussion and analysis that appears under the caption "Executive Compensation" with management.

Based on the review and discussion by our compensation committee with management, the members of our compensation committee then held a meeting at which they recommended to our board of directors that our board of directors approve the inclusion of the compensation disclosure and analysis set forth in this 10-K/A under the caption "Executive Compensation" for filing with the SEC report on Form 10-K/A for the year ended June 30, 2007 for filing with the SEC.

Lisa A. Napolitano
William L.G. Kwan
Anthony J. Coppola

October 29, 2007

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COMPENSATION OF DIRECTORS

None of the Company's directors were paid any directors fees by the Company during the fiscal year ended June 30, 2007. Historically each non-employee director was issued stock options to purchase 10,000 shares of the Company's common stock. This year the Board discussed various alternatives to the issuance of stock options and has charged the Compensation Committee to present a report concerning directors' fees. Directors are reimbursed for expenses incurred in connection with attending meetings of the Board and Board Committees.

DIRECTOR COMPENSATION

NAME	FEES EARNED OR PAID IN CASH	STOCK AWARDS	OPTION AWARDS	NON-STOCK INCENTIVE PLAN COMPENSATION	CHANGE IN PENSION VALUE AND NONQUALIFIED DEFERRED COMPENSATION EARNINGS	ALL OTHER COMPENSATION

WILLIAM L.G. KWAN	$ -	$ -	$ 24,754	$ -	$ -	$ -
ANTHONY J. COPPOLA	$ -	$ -	$ 24,754	$ -	$ -	$ -
LISA A. NAPOLITANO	$ -	$ -	$ 24,754	$ -	$ -	$ -
FRED G. CHOATE	$ -	$ -	$ 24,754	$ -	$ -	$ -
RICHARD J. DEPIANO	$ -	$ -	$-	$ -	$ -	$ -
JAY L. FEDERMAN, M.D.	$ -	$ -	$ 24,754	$ -	$ -	$ -

The following table details grants of plan based awards for the fiscal year ended June 30, 2007:

GRANTS OF PLAN-BASED AWARDS

NAME	GRANT DATE	ESTIMATED FUTURE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS THRESOLD	TARGET	MAXIMUM	ESTIMATED FUTURE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS THRESOLD	TARGET	MAXIMUM	ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS	ALL OP AW NUM SEC UND OP
RICHARD J. DEPIANO CHAIRMAN AND CHIEF EXECUTIVE OFFICER	2007	$ -	$ -	$ -	$ -	$ -	$ -	-	
RICHARD J. DEPIANO, JR. CHIEF OPERATING OFFICER AND GENERAL COUNSEL	2007	$ -	$ -	$ -	$ -	$ -	$ -	-	
ROBERT M. O'CONNOR CHIEF FINANCIAL OFFICER	2007	$ -	$ -	$ -	$ -	$ -	$ -	-	

The following table the outstanding equity awards as of June 30, 2007:

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

	OPTION AWARDS	
	PLAN INCENTIVE	NUMBE

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS EXERCISABLE	UNEXERCISABLE	PLAN AWARDS: NUMBER OF SECURITIES UNDERLYING UNEXERCISED UNEARNED OPTIONS	OPTION EXERCISE PRICE	OPTION EXPIRATION DATE	OF STO SHARE OR UNI OF STO THAT HAVE NOT VESTE
RICHARD J. DEPIANO	41,480	-	-	$ 2.13	8/12/2008	-
CHAIRMAN AND CHIEF	45,000	-	-	$ 2.38	11/1/2010	-
EXECUTIVE OFFICER	50,000	-	-	$ 2.77	11/1/2011	-
	10,417	-	-	$ 1.45	8/13/2012	-
	25,000	-	-	$ 6.94	11/10/2013	-
	25,000	-	-	$ 6.19	8/17/2014	-
	40,000	-	-	$ 8.06	8/16/2015	-
	7,600	12,400	12,400	$ 2.65	11/9/2016	-
	------	------	------	------	---------	--
RICHARD J. DEPIANO, JR.	700	-	-	$ 2.38	11/2/2010	-
CHIEF OPERATING OFFICER	1,100	-	-	$ 2.77	11/1/2011	-
AND GENERAL COUNSEL	3,567	-	-	$ 1.45	8/13/2012	-
	10,000	-	-	$ 6.94	11/10/2013	-
	25,000	-	-	$ 6.19	8/17/2014	-
	20,000	-	-	$ 8.06	8/16/2015	-
	3,000	17,000	17,000	$ 2.65	11/9/2016	-
	------	------	------	------	---------	--
ROBERT M. O'CONNOR CHIEF FINANCIAL OFFICER	60,000	-	-	$ 5.05	6/29/2016	-

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

Securities authorized for issuance under equity compensation plans

STOCK OWNERSHIP

The following table shows the amount and percentage of our outstanding common stock beneficially owned by each director, each nominee for director, each executive officer named in the Summary Compensation Table, persons or groups who beneficially own more than 5% of our outstanding common stock and all of our executive officers and directors as a group as of September 30, 2007.

BENEFICIAL OWNERSHIP TABLE

NAME AND ADDRESS OF 5% BENEFICIAL OWNERS AND OFFICERS, DIRECTORS AND GROUP	AMOUNT OF BENEFICIAL OWNERSHIP OF OUTSTANDING SHARES(1)	PERCENT OF CLASS	AMOUNT OF BENEFICIAL OWNERSHIP OF SHARES UNDERLYING OPTIONS	AMOUNT OF AGGREGATE BENEFICIAL OWNERSHIP	AGGRE PERCEN CLAS
Richard J. DePiano	144,278	2.27%	236,897	381,175	5.87

Fidelity Management & Research Co.	585,100	9.16%	-	585,100	9.16
Barclays Global Investors, N.A.	383,072	6.0%			
Richard J. DePiano, Jr.	206	-	60,367	60,573	.95
Robert O'Connor	-		60,000	60,000	.94
Jay L. Federman, MD	12,072	0.19%	45,000	57,072	0.89
William L. Kwan	-	0.00%	50,000	50,000	0.78
Fred G. Choate	-	0.00%	10,000	10,000	0.16
Anthony J. Coppola	-	0.00%	25,000	25,000	0.39
Lisa A. Napolitano	-	0.00%	22,000	22,000	0.34
All Directors and executive officers As a group (7 persons)	144,484	2.26%	557,264	701,748	10.99

* Less than 1%

(1) Information furnished by each individual named. This table includes shares that are owned jointly, in whole or in part with the person's spouse, or individually by his or her spouse.

No shares held by the board of directors or named executive officers are pledged.

The following table shows Securities authorized for issuance under equity compensation plans.

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EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (b)	NUMBER OF SECURITIES REMAINING AVAILA FOR FUTURE ISSUA UNDER EQUITY COMPENSATION PLANS (EXCLUDIN SECURITIES REFLEC N COLUMN (a)) (c)
Equity compensation plans approved by security holders	920,685	$5.728	360,667
Equity compensation plans not approved by security holders	120,000	$15.60	-0-
TOTAL	1,040,685		360,667

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

RELATED PERSON TRANSACTIONS

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

Escalon and a member of the Company's Board of Directors are founding and equal members of Ocular Telehealth Management, LLC ("OTM"). OTM is a diagnostic telemedicine company providing remote examination, diagnosis and management of disorders affecting the human eye. OTM's initial solution focuses on the diagnosis of diabetic retinopathy by creating access and providing annual dilated retinal examinations for the diabetic population. OTM was founded to harness the latest advances in telecommunications, software and digital imaging in order to create greater access and a more successful disease management for populations that are susceptible to ocular disease. Through June 30, 2007, Escalon had invested $288,000 in OTM and owned 45% of OTM. The members of OTM have agreed to review the operations of OTM after 24 months of operations which began in April 2004, at which time the members each have the right to sell their membership back to OTM at fair market value. Such sale would be subject to OTM's ability to buy back the membership. The members met in May 2006 and decided to continue the operations of OTM, emphasizing that all additional funding will be provided pro-rata consistent with membership percentage ownership. The Company will provide administrative support functions to OTM. For the years ended 2007, 2006 and 2005 the Company recorded losses of $87,852, $173,844 and $63,613, respectively.

Two relatives of a senior executive officer have provided legal services as either an employee or a consultant to the Company. Richard DePiano, Jr. (son of the Chief Executive Officer ("CEO")) is Chief Operating Officer and General Counsel to the Company, Mr. DePiano's salary plus bonus for the years 2007, 2006 and 2005 were approximately $185,000, $180,000 and $165,000, respectively. Caryn Lindsey (daughter-in-law of the CEO) acted as a consultant and employee for the Company during 2006 and 2005. Ms. Lindsey in 2007, 2006 and 2005 received consulting fees and salary of $ 0, $110,939 and $118,000, respectively. Also, in 2005 3,000 options to purchase common stock of the Company at an exercise price of $4.97 per share were granted to Ms. Lindsey.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees. Mayer Hoffman McCann, our independent public accountants, billed us $147,500 and $106,300 in total for the fiscal years ended June 30, 2007 and 2006, respectively in connection with the audit of our annual consolidated financial statements.

Audit Related Fees. We did not pay any audit related fees to Mayer Hoffman McCann during fiscal years ended June 30, 2007 and 2006.

Tax Fees. We did not pay any fees to Mayer Hoffman McCann for tax services during the fiscal years ended June 30, 2007 and 2006.

All Other Fees. We did not pay any fees to Mayer Hoffman McCann for all other services during the fiscal years ended June 30, 2007 and 2006.

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SIGNATURES

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

Escalon Medical Corp.
(Registrant)

By: /s/ Richard J. DePiano
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Richard J. DePiano
Chairman and Chief Executive Officer

Dated: October 29, 2007