LSI INDUSTRIES INC
Form 10-Q
May 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ________________ TO ________________.

Commission File No. 0-13375

LSI Industries Inc.

State of Incorporation - Ohio IRS Employer I.D. No. 31-0888951

10000 Alliance Road

Cincinnati, Ohio 45242

(513) 793-3200

Indicate by checkmark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES __X__ NO ____

Indicate by checkmark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

YES __X__ NO ____

Indicate by checkmark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]	Emerging growth company [ ]
Non-accelerated filer [ ]	Smaller reporting company [ ]	

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ____ NO __X_

As of May 3, 2018 there were 25,875,184 shares of the Registrant's common stock, no par value per share, outstanding.

LSI INDUSTRIES INC.

FORM 10-Q

FOR THE QUARTER ENDED March 31, 2018

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"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This Form 10-Q contains certain forward-looking statements that are subject to numerous assumptions, risks or uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Forward-looking statements may be identified by words such as "estimates," "anticipates," "projects," "plans," "expects," "intends," "believes," "seeks," "may," "will," "should" or the negative versions of those words and similar expressions, and by the context in which they are used. Such statements, whether expressed or implied,

are based upon current expectations of the Company and speak only as of the date made. Actual results could differ materially from those contained in or implied by such forward-looking statements as a result of a variety of risks and uncertainties over which the Company may have no control. These risks and uncertainties include, but are not limited to, the impact of competitive products and services, product demand and market acceptance risks, potential costs associated with litigation and regulatory compliance, reliance on key customers, financial difficulties experienced by customers, the cyclical and seasonal nature of our business, the adequacy of reserves and allowances for doubtful accounts, fluctuations in operating results or costs whether as a result of uncertainties inherent in tax and accounting matters or otherwise, unexpected difficulties in integrating acquired businesses, the ability to retain key employees of acquired businesses, unfavorable economic and market conditions, the results of asset impairment assessments and the other risk factors that are identified herein. You are cautioned to not place undue reliance on these forward-looking statements. In addition to the factors described in this paragraph, the risk factors identified in our Form 10-K and other filings the Company may make with the SEC constitute risks and uncertainties that may affect the financial performance of the Company and are incorporated herein by reference. The Company does not undertake and hereby disclaims any duty to update any forward-looking statements to reflect subsequent events or circumstances.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31		March 31	
(In thousands, except per share data)	2018	2017	2018	2017
Net sales	$78,843	$78,156	$258,614	$247,973
Cost of products and services sold	58,925	59,445	189,686	185,877
Restructuring costs	--	312	--	1,455
Gross profit	19,918	18,399	68,928	60,641
Impairment of goodwill	--	479	28,000	479
Acquisition deal costs	--	1,480	--	1,480
Restructuring costs (gain)	--	(1,301)	--	(1,091)
Selling and administrative expenses	19,175	18,515	60,452	56,663
Operating income (loss)	743	(774)	(19,524)	3,110
Interest (income)	(8)	(25)	(24)	(80)
Interest expense	408	188	1,244	209
Income (loss) before income taxes	343	(937)	(20,744)	2,981

Income tax expense (benefit)	123	(406)	(3,867)	677
Net income (loss)	$220	$(531)	$(16,877)	$2,304
Earnings (Loss) per common share (see Note 4)				
Basic	$0.01	$(0.02)	$(0.65)	$0.09
Diluted	$0.01	$(0.02)	$(0.65)	$0.09
Weighted average common shares outstanding				
Basic	25,875	25,452	25,835	25,346
Diluted	26,437	25,452	25,835	25,909

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except shares)	March 31, 2018	June 30, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$2,055	$3,039
Accounts receivable, less allowance for doubtful accounts of $362 and $506, respectively	49,529	48,880
Inventories	51,687	50,008
Refundable income tax	340	775
Assets held for sale	--	1,463
Other current assets	3,339	2,964
Total current assets	106,950	107,129
Property, Plant and Equipment, at cost		
Land	6,470	6,429
Buildings	35,880	35,463
Machinery and equipment	82,784	78,804
Construction in progress	1,100	3,805
	126,234	124,501
Less accumulated depreciation	(82,234)	(77,147)
Net property, plant and equipment	44,000	47,354
Goodwill	30,538	58,538
Other Intangible Assets, net	36,098	38,169
Other Long-Term Assets, net	10,781	5,490

Total assets	$228,367	$256,680

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except shares)	March 31, 2018	June 30, 2017
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$16,353	$19,356
Accrued expenses	23,456	26,069
Total current liabilities	39,809	45,425
Long-Term Debt	45,289	49,698
Other Long-Term Liabilities	1,440	1,479
Commitments and Contingencies (Note 12)	--	--
Shareholders' Equity		
Preferred shares, without par value; Authorized 1,000,000 shares, none issued	--	--
Common shares, without par value; Authorized 40,000,000 shares; Outstanding 25,624,299 and 24,429,223 shares, respectively	122,732	120,259
Retained earnings	19,097	39,819
Total shareholders' equity	141,829	160,078
Total liabilities & shareholders' equity	$228,367	$256,680

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Nine Months Ended March 31	
	2018	2017
Cash Flows from Operating Activities		
Net (loss) income	$(16,877)	$2,304
Non-cash items included in net income		
Depreciation and amortization	7,640	5,689
Deferred income taxes	(5,650)	(947)
Impairment of goodwill and intangible asset	28,000	479
Fixed asset impairment and accelerated depreciation	--	354
Deferred compensation plan	(541)	196
Stock compensation expense	1,754	2,292
Issuance of common shares as compensation	234	331
(Gain) loss on disposition of fixed assets	(28)	52
(Gain) on the sale of the building	--	(1,361)
Allowance for doubtful accounts	144	248
Inventory obsolescence reserve	1,762	981
Changes in certain assets and liabilities:		
Accounts receivable	(793)	5,189
Inventories	(3,441)	3,190
Refundable income taxes	435	(143)
Accounts payable	(3,077)	(965)
Accrued expenses and other	(3,243)	(5,119)
Customer prepayments	575	174
Net cash flows provided by operating activities	6,894	12,944
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(2,178)	(3,534)
Acquisition of business, net of cash received and warrants issued	--	(95,077)
Proceeds from sale of fixed assets	1,526	3,081
Net cash flows used in investing activities	(652)	(95,530)
Cash Flows from Financing Activities		
Payments of long-term debt	(77,817)	(14,882)
Borrowings of long-term debt	73,408	69,649
Cash dividends paid	(3,845)	(3,772)

Exercise of stock options	262	2,401
Purchase of treasury shares	(107)	(446)
Issuance of treasury shares	873	176
Net cash flows provided by (used in) financing activities	(7,226)	53,126
Decrease in cash and cash equivalents	(984)	(29,460)
Cash and cash equivalents at beginning of period	3,039	33,835
Cash and cash equivalents at end of period	$2,055	$4,375

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements are unaudited and are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, and rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the interim financial statements include all normal adjustments and disclosures necessary to present fairly the Company's financial position as of March 31, 2018, the results of its operations for the three and nine month periods ended March 31, 2018 and 2017, and its cash flows for the nine month periods ended March 31, 2018 and 2017. These statements should be read in conjunction with the financial statements and footnotes included in the fiscal 2017 Annual Report on Form 10-K. Financial information as of June 30, 2017 has been derived from the Company's audited consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

The consolidated financial statements include the accounts of LSI Industries Inc. (an Ohio corporation) and its subsidiaries (collectively, the "Company"), all of which are wholly owned. All intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition:

Revenue is recognized when title to goods and risk of loss have passed to the customer, there is persuasive evidence of a purchase arrangement, delivery has occurred or services have been rendered, and collectability is reasonably assured. Sales are recorded net of estimated returns, rebates and discounts. Amounts received from customers prior to the recognition of revenue are accounted for as customer pre-payments and are included in accrued expenses.

The Company has multiple sources of revenue: revenue from product sales; revenue from installation of products; service revenue generated from providing integrated design, project and construction management, site engineering and site permitting, and commissioning of lighting controls; revenue from the management of media content and digital hardware related to active digital signage; and revenue from shipping and handling.

Product revenue is recognized on product-only orders upon passing of title and risk of loss, generally at time of shipment. In certain arrangements with customers, as is the case with the sale of some of our solid-state LED (light emitting diode) video screens, revenue is recognized upon customer acceptance of the video screen at the job site. Product revenue related to orders where the customer requires the Company to install the product is recognized when the product is installed. The Company provides product warranties and certain post-shipment service, support and maintenance of certain solid state LED video screens.

Installation revenue is recognized when the products have been fully installed. The Company is not always responsible for installation of products it sells and has no post-installation responsibilities, other than normal warranties.

Service revenue from integrated design, project and construction management, and site permitting is recognized when all products at a customer site have been installed.

Revenue from the management of media content and digital hardware related to active digital signage is recognized evenly over the service period with the customer. Media content service periods with most customers range from one month to one year.

Shipping and handling revenue coincides with the recognition of revenue from sale of the product.

In situations where the Company is responsible for re-imaging programs with multiple sites, each site is viewed as a separate unit of accounting and has stand-alone value to the customer. Revenue is recognized upon the Company’s complete performance at the location, which may include a site survey, graphics products, lighting products, and installation of products. The selling price assigned to each site is based upon an agreed upon price between the Company and its customer and reflects the estimated selling price for that site relative to the selling price for sites with similar image requirements.

The Company also evaluates the appropriateness of revenue recognition in accordance with the accounting standards on software revenue recognition. Our solid-state LED video screens and active digital signage contain software elements which the Company has determined are incidental.

Credit and Collections:

The Company maintains allowances for doubtful accounts receivable for probable estimated losses resulting from either customer disputes or the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against income. The Company determines its allowance for doubtful accounts by first considering all known collectability problems of customers' accounts, and then applying certain percentages against the various aging categories based on the due date of the remaining receivables. The resulting allowance for doubtful accounts receivable is an estimate based upon the Company's knowledge of its business and customer base, and historical trends. Receivables deemed uncollectable are written-off against the allowance for doubtful accounts receivable after all reasonable collection efforts have been exhausted. The Company also establishes allowances, at the time revenue is recognized, for returns, discounts, pricing and other possible customer deductions. These allowances are based upon historical trends.

The following table presents the Company's net accounts receivable at the dates indicated.

(In thousands)	March 31, 2018	June 30, 2017
Accounts receivable	$49,891	$49,386
Less: Allowance for doubtful accounts	(362)	(506)
Accounts receivable, net	$49,529	$48,880

Cash and Cash Equivalents:

The cash balance includes cash and cash equivalents which have original maturities of less than three months. Cash and cash equivalents consist primarily of bank deposits and a bank money market account that is stated at cost, which approximates fair value. The Company maintains balances at financial institutions in the United States. In the United States, the FDIC limit for insurance coverage on non-interest bearing accounts is $250,000. As of March 31, 2018 and June 30, 2017, the Company had bank balances of $4,391,000 and $4,488,000, respectively, without insurance coverage.

Inventories and Inventory Reserves:

Inventories are stated at the lower of cost or market. Cost of inventories includes the cost of purchased raw materials and components, direct labor, as well as manufacturing overhead which is generally applied to inventory based on direct labor and on material content. Cost is determined on the first-in, first-out basis.

The Company maintains an inventory reserve for obsolete and excess inventory. The Company first determines its obsolete inventory reserve by considering specific known obsolete items, and then by applying certain percentages to specific inventory categories based upon inventory turns. The Company uses various tools, in addition to inventory turns, to identify which inventory items have the potential to become obsolete. A combination of financial modeling and qualitative input factors are used to establish excess and obsolete inventory reserves and management adjusts these reserves as more information becomes available about the ultimate disposition of the inventory item.

Property, Plant and Equipment and Related Depreciation:

Property, plant and equipment are stated at cost. Major additions and betterments are capitalized while maintenance and repairs are expensed. For financial reporting purposes, depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings (in years)	28-40
Machinery and equipment (in years)	3 -10
Computer software (in years)	3 -8

Costs related to the purchase, internal development, and implementation of the Company’s fully integrated enterprise resource planning/business operating software system are either capitalized or expensed. Leasehold improvements are depreciated over the shorter of fifteen years or the remaining term of the lease.

The Company recorded $1,825,000 and $1,725,000 of depreciation expense in the third quarter of fiscal 2018 and 2017, respectively, and $5,569,000 and $5,122,000 of depreciation expense in the first nine months of fiscal 2018 and 2017, respectively.

Goodwill and Intangible Assets:

Intangible assets consisting of customer relationships, trade names and trademarks, patents, technology and software, and non-compete agreements are recorded on the Company's balance sheet. The definite-lived intangible assets are being amortized to expense over periods ranging between seven and twenty years. The Company evaluates definite-lived intangible assets for possible impairment when triggering events are identified. Neither indefinite-lived intangible assets nor the excess of cost over fair value of assets acquired ("goodwill") are amortized, however they are subject to review for impairment. See additional information about goodwill and intangibles in Note 7.

Fair Value:

The Company has financial instruments consisting primarily of cash and cash equivalents, revolving lines of credit, accounts receivable, accounts payable, and on occasion, long-term debt. The fair value of these financial instruments approximates carrying value because of their short-term maturity and/or variable, market-driven interest rates. The Company has no financial instruments with off-balance sheet risk.

Fair value measurements of nonfinancial assets and nonfinancial liabilities are primarily used in goodwill and other intangible asset impairment analyses, long-lived asset impairment analyses, and in the purchase price of acquired companies (if any). The accounting guidance on fair value measurement was used to measure the fair value of these nonfinancial assets and nonfinancial liabilities.

Product Warranties:

The Company offers a limited warranty that its products are free from defects in workmanship and materials. The specific terms and conditions vary somewhat by product line, but generally cover defective products returned within one to five years, with some exceptions where the terms extend to ten years, from the date of shipment. The Company records warranty liabilities to cover the estimated future costs for repair or replacement of defective returned products as well as products that need to be repaired or replaced in the field after installation. The Company calculates its liability for warranty claims by applying estimates based upon historical claims as a percentage of sales to cover unknown claims, as well as estimating the total amount to be incurred for known warranty issues. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Changes in the Company’s warranty liabilities, which are included in accrued expenses in the accompanying consolidated balance sheets, during the periods indicated below were as follows:

(In thousands)	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017	Fiscal Year Ended June 30, 2017
Balance at beginning of the period	$7,560	$5,069	$5,069
Additions charged to expense	3,813	3,841	4,956
Addition from acquired company	--	907	907
Deductions for repairs and replacements	(4,652)	(2,283)	(3,372)
Balance at end of the period	$6,721	$7,534	$7,560

Research and Development Costs:

Research and development costs are directly attributable to new product development, including the development of new technology for both existing and new products, and consist of salaries, payroll taxes, employee benefits, materials, outside legal costs and filing fees related to obtaining patents, supplies, depreciation and other administrative costs. The Company expenses as research and development all costs associated with development of software used in solid-state LED products. All costs are expensed as incurred and are included in selling and administrative expenses. Research and development costs related to both product and software development totaled $1,463,000 and $1,447,00 for the three months ended March 31, 2018 and 2017, respectively, and $4,404,000 and $4,117,000 for the nine months ended March 31, 2018 and 2017, respectively.

Cost of Products and Services Sold:

Cost of products sold is primarily comprised of direct materials and supplies consumed in the manufacture of products, as well as manufacturing labor, depreciation expense and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished product. Cost of products sold also includes the cost to distribute products to customers, inbound freight costs, internal transfer costs, warehousing costs and other shipping and handling activity. Cost of services sold is primarily comprised of the internal and external labor costs required to support the Company’s service revenue along with the management of media content.

Earnings Per Common Share:

The computation of basic earnings per common share is based on the weighted average common shares outstanding for the period net of treasury shares held in the Company's nonqualified deferred compensation plan. The computation of diluted earnings per share is based on the weighted average common shares outstanding for the period and includes common share equivalents. Common share equivalents include the dilutive effect of stock options, restricted stock units, contingently issuable shares and common shares to be issued under a deferred compensation plan, all of which totaled 856,000 and 297,000 shares for the three months ended March 31, 2018 and 2017, respectively, and 289,000 shares and 853,000 shares for the nine months ended March 31, 2018 and 2017, respectively. See further discussion of earnings per share in Note 4.

Income Taxes:

The Company accounts for income taxes in accordance with the accounting guidance for income taxes. Accordingly, deferred income taxes are provided on items that are reported as either income or expense in different time periods for financial reporting purposes than they are for income tax purposes. Deferred income tax assets are reported on the Company's balance sheet. Significant management judgment is required in developing the Company's income tax provision, including the estimation of taxable income and the effective income tax rates in the multiple taxing jurisdictions in which the Company operates, the estimation of the liability for uncertain income tax positions, the determination of deferred tax assets and liabilities, and any valuation allowances that might be required against deferred tax assets.

The Tax Cuts and Jobs Act (the "Act") was signed into law on December 22nd, 2017 and makes numerous changes to the Internal Revenue Code. Among other changes, the Act reduces the U.S. corporate income tax rate to 21% effective January 1, 2018. Because the Act became effective mid-way through the Company's tax year, the Company will have a U.S statutory income tax rate of 27.6% for fiscal 2018, and will have a 21% U.S. statutory income tax rate for fiscal years thereafter. During the quarter ended December 31, 2017, the Company re-valued the deferred tax balances because of the change in U.S. tax rate resulting in a one-time deferred tax expense of $4,676,578.

New Accounting Pronouncements:

In June 2014, the Financial Accounting Standards Board issued ASU 2014-09, "Revenue from Contracts with Customers." This amended guidance supersedes and replaces all existing U.S. GAAP revenue recognition guidance. The guidance established a new revenue recognition model, changes the basis for deciding when revenue is recognized, provides new and more detailed guidance on specific revenue topics, and expands and improves disclosures about revenue. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing." In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers: Narrow Scope Improvements and Practical Expedients." In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." These three standards clarify or improve guidance from ASU 2014-09 and are effective for fiscal and interim periods within those years, beginning after December 15, 2017, or the Company's fiscal 2019. The Company currently plans to adopt the new revenue guidance for the fiscal year beginning July 1, 2018 using the modified retrospective approach. The Company is reviewing accounting policies and evaluating disclosures in the financial statements related to the new standard. The Company is continuing to assess potential changes to the business processes, internal controls, and information systems related to the adoption of the new standard. While the Company is currently assessing the impact of the new standard, the Company's revenue is primarily generated from the sale of finished products to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer. The recognition of revenue from most product sales is largely unaffected by the new standard.

The Company's assessment efforts to date have included reviewing current accounting policies, processes, and system requirements, as well as assigning internal resources and engaging third-party consultants to assist in the process. At this time, we do not anticipate significant changes to our systems or processes will be necessary for implementation of the standard. The Company anticipates that adoption will change the timing of revenue recognition from "point-in-time" to "over time" for a minority of our customer arrangements within our Graphics Segment. We are still examining whether any of our Lighting Segment customer arrangements will change to a "over time" revenue recognition, but currently we expect that over 90% of revenue in the Lighting Segment will be recognized at a "point-in-time" which will not change the way the Company recognizes revenue as compared to prior to the adoption of the new standard. For a minority of sales in our Graphics Segment, this change will accelerate revenue recognition from time of shipment to time of production. We anticipate the amount of accelerated revenue will consist of a portion of the balance of finished goods inventory on-hand at period end. However, the Company will not be able to make a complete determination about the impact of the standard on its consolidated financial statements until the time of adoption based upon outstanding contracts at that time. The new standard will also require additional disclosures regarding our revenue recognition policy. We are still assessing the impact of additional revenue recognition financial disclosures required by the new standard.

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, "Leases." The amended guidance requires an entity to recognize assets and liabilities that arise from leases. The amended guidance is effective for financial statements issued for fiscal and interim periods within those years, beginning after December 15, 2018, or the Company's fiscal 2020, with early adoption permitted. The Company has not yet determined the impact the amended guidance will have on its financial statements.

In March 2016, the Financial Accounting Standards Board issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." This amended guidance simplifies several aspects of the accounting for share-based payment award transactions. The amended guidance is effective for financial statements issued for fiscal and interim periods within those years, beginning after December 15, 2016, or the Company's fiscal 2018. We adopted this standard on July 1, 2017 and recognized excess tax benefits of $92,996 in income tax expense during the nine months ended March 31, 2018. The amount may not necessarily be indicative of future amounts that may be recognized as any excess tax benefits recognized would be dependent on future stock price, employee exercise behavior and applicable tax rates. Prior to July 1, 2017, excess tax benefits were recognized in additional paid-in capital. Excess tax benefits are now included in net cash flows provided by operating activities rather than net cash flows provided by financing activities in the Company's Consolidated Statement of Cash Flows. The treatment of forfeitures has not changed, as the Company is electing to continue the current process of estimating forfeiture at the time of grant. The Company had no unrecognized excess tax benefits from prior periods to record upon the adoption of this ASU.

In January 2017, the Financial Accounting Standards Board issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment", which simplifies the testing for goodwill impairment by eliminating a previously required step. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2019, or the Company's fiscal 2021. Early adoption of the accounting standard is permitted, and the Company elected to adopt this standard early. (See Footnote 7)

Comprehensive Income:

The Company does not have any comprehensive income items other than net income.

Subsequent Events:

The Company has evaluated subsequent events for potential recognition and disclosure through the date the consolidated financial statements were filed. No items were identified during this evaluation that required adjustment to or disclosure in the accompanying consolidated financial statements, other than noted below.

On April 23, 2018, the Company's Board of Directors announced the appointment of Ronald D. Brown as interim Chief Executive Officer and Crawford C. Lipsey as interim President and Chief Operating Officer in connection with the departure of Dennis W. Wells as President and Chief Executive Officer. Under the employment agreement between the Company and Mr. Wells, after he signs a release of claims Mr. Wells will be entitled to receive severance-related payments and certain benefits under the Company's benefit programs. The Company will record a severance charge in the fourth quarter of fiscal 2018 related to Mr. Wells' departure. Additionally, the Company has commenced the search for a new Chief Executive Officer.

Following the departure of Mr. Wells, the Company's stock price has declined 20% to 25%. A sustained drop in the Company's stock price may indicate that a triggering event has occurred and that an interim impairment test may be required. While not enough time has elapsed to indicate a triggering event has occurred, management will continue to monitor the performance of its stock price and if an impairment test is warranted.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 3 - SEGMENT REPORTING INFORMATION

The accounting guidance on Segment Reporting establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in financial statements. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker (the Company's Chief Executive Officer or "CODM") in making decisions on how to allocate resources and assess performance. In the first quarter of fiscal 2018, the Company merged its Technology Segment with the Lighting Segment to be in alignment with the financial information received by the Chief Executive Officer and how the business is managed. The Company's two operating segments are Lighting and Graphics, each of which has a president who is responsible for that business and reports to the CODM. Corporate and Eliminations, which captures the Company's corporate administrative activities, is also reported in the segment information.

The Lighting Segment includes outdoor and indoor lighting utilizing both traditional and LED light sources that have been fabricated and assembled for the commercial/industrial market, the petroleum / convenience store market, the automotive dealership market, the quick service restaurant market, along with other markets the Company serves. The Lighting Segment also includes the design, engineering, and manufacturing of electronic circuit boards, assemblies and sub-assemblies used to manufacture certain LED light fixtures and sold directly to customers.

The Graphics Segment designs, manufactures and installs exterior and interior visual image elements such as traditional graphics, interior branding, electrical and architectural signage, active digital signage along with the management of media content related to digital signage, LED video screens, and menu board systems that are either digital or traditional by design. These products are used in visual image programs in several markets including, but not limited to the petroleum / convenience store market, multi-site retail operations, banking, and restaurants. The Graphics Segment implements, installs and provides program management services related to products sold by the Graphics Segment and by the Lighting Segment.

The Company's corporate administration activities are reported in the Corporate and Eliminations line item. These activities primarily include intercompany profit in inventory eliminations, expense related to certain corporate officers and support staff, the Company's internal audit staff, expense related to the Company's Board of Directors, stock option expense for options granted to corporate administration employees, certain consulting expenses, investor relations activities, and a portion of the Company's legal, auditing and professional fee expenses. Corporate identifiable assets primarily consist of cash, invested cash (if any), refundable income taxes (if any), and deferred income taxes.

There was no concentration of consolidated net sales in the three and nine months ended March 31, 2018 or 2017. There was no concentration of accounts receivable at March 31, 2018 or June 30, 2017.

Summarized financial information for the Company's operating segments is provided for the indicated periods and as of March 31, 2018 and March 31, 2017:

(*In thousands*)	Three Months Ended March 31		Nine Months Ended March 31	
	2018	2017	2018	2017
Net Sales:				
Lighting Segment	$61,554	$61,693	$199,156	$192,034
Graphics Segment	17,289	16,463	59,458	55,939
	$78,843	$78,156	$258,614	$247,973
Operating Income (Loss):				
Lighting Segment	$2,982	$4,120	$(14,673)	$10,972
Graphics Segment	415	(480)	4,146	1,711
Corporate and Eliminations	(2,654)	(4,414)	(8,997)	(9,573)
	$743	$(774)	$(19,524)	$3,110
Capital Expenditures:				
Lighting Segment	$671	$299	$1,431	$1,600
Graphics Segment	300	499	639	1,324
Corporate and Eliminations	17	(8)	108	610
	$988	$790	$2,178	$3,534
Depreciation and Amortization:				
Lighting Segment	$1,865	$1,446	$5,651	$3,753
Graphics Segment	378	357	1,141	1,093
Corporate and Eliminations	273	281	848	843
	$2,516	$2,084	$7,640	$5,689

June 30,

	March 31, 2018	2017
Identifiable Assets:		
Lighting Segment	$176,564	$214,070
Graphics Segment	36,366	33,144
Corporate and Eliminations	15,437	9,466
	$228,367	$256,680

The segment net sales reported above represent sales to external customers. Segment operating income, which is used in management's evaluation of segment performance, represents net sales less all operating expenses. Identifiable assets are those assets used by each segment in its operations.

The Company records a 10% mark-up on intersegment revenues. Any intersegment profit in inventory is eliminated in consolidation. Intersegment revenues were eliminated in consolidation as follows:

	Three Months Ended March 31		Nine Months Ended March 31	
(In thousands)	2018	2017	2018	2017
Lighting Segment inter-segment net sales	$443	$433	$2,150	$1,886
Graphics Segment inter-segment net sales	$133	$216	$1,204	$1,028

The Company's operations are located solely within the United States. As a result, the geographic distribution of the Company's net sales and long-lived assets originate within the United States.

NOTE 4 - EARNINGS PER COMMON SHARE

The following table presents the amounts used to compute basic and diluted earnings per common share, as well as the effect of dilutive potential common shares on weighted average shares outstanding (in thousands, except per share data):

	Three Months Ended March 31		Nine Months Ended March 31	
	2018	2017	2018	2017
BASIC EARNINGS PER SHARE				
Net (loss) income	$220	$(531)	$(16,877)	$2,304
Weighted average shares outstanding during the period, net of treasury shares (a)	25,581	25,155	25,546	25,056
Weighted average vested restricted stock units outstanding	49	37	44	37
Weighted average shares outstanding in the Deferred Compensation Plan during the period	245	260	245	253
Weighted average shares outstanding	25,875	25,452	25,835	25,346

Basic (loss) earnings per share	$0.01	$(0.02)	$(0.65)	$0.09
DILUTED EARNINGS PER SHARE				
Net (loss) income	$220	$(531)	$(16,877)	$2,304
Weighted average shares outstanding				
Basic	25,875	25,452	25,835	25,346
Effect of dilutive securities (b): Impact of common shares to be issued under stock option plans, and contingently issuable shares, if any	562	--	--	563
Weighted average shares outstanding (c)	26,437	25,452	25,835	25,909
Diluted (loss) earnings per share	$0.01	$(0.02)	$(0.65)	$0.09

(a) Includes shares accounted for like treasury stock.

(b) Calculated using the “Treasury Stock” method as if dilutive securities were exercised and the funds were used to purchase common shares at the average market price during the period.

(c) Options to purchase 1,945,348 common shares and 2,035,332 common shares for the three months ended March 31, 2018 and 2017, respectively, and options to purchase 3,086,121 common shares and 1,391,300 common shares for the nine months ended March 31, 2018 and 2017, respectively were not included in the computation of the three month and nine month period for diluted earnings per share, respectively, because the exercise price was greater than the average fair market value of the common shares. For the three months ended in March 31, 2017 and nine months ended March 31, 2018, the effect of dilutive securities was not included in the calculation of diluted earnings (loss) per share because there was a net operating loss for the period.

NOTE 5 - INVENTORIES

The following information is provided as of the dates indicated:

(In thousands)	March 31, 2018	June 30, 2017
Inventories:		
Raw materials	$30,987	$32,421
Work-in-process	3,417	3,527
Finished goods	17,283	14,060
Total Inventories	$51,687	$50,008

NOTE 6 - ACCRUED EXPENSES

The following information is provided as of the dates indicated:

(In thousands)	March 31, 2018	June 30, 2017
Accrued Expenses:		
Compensation and benefits	$8,388	$9,759

Customer prepayments	1,636	1,061
Accrued sales commissions	1,886	2,314
Accrued warranty	6,721	7,560
Other accrued expenses	4,825	5,375
Total Accrued Expenses	$23,456	$26,069

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment. The Company may first assess qualitative factors in order to determine if goodwill and indefinite-lived intangible assets are impaired. If through the qualitative assessment it is determined that it is more likely than not that goodwill and indefinite-lived assets are not impaired, no further testing is required. If it is determined more likely than not that goodwill and indefinite-lived assets are impaired, or if the Company elects not to first assess qualitative factors, the Company's impairment testing continues with the estimation of the fair value of goodwill and indefinite-lived intangible assets using a combination of a market approach and an income (discounted cash flow) approach, at the reporting unit level. The estimation of the fair value of goodwill and intangible assets requires significant management judgment with respect to revenue and expense growth rates, changes in working capital and the selection and use of an appropriate discount rate. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease an impairment charge. Company management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as adverse business conditions, economic factors and technological change or competitive activities may signal that an asset has become impaired.

The Company identified its reporting units in conjunction with its annual goodwill impairment testing. The Company has a total of three reporting units that contain goodwill. There are two reporting units within the Lighting Segment and one reporting unit within the Graphics Segment. One reporting unit previously reported in the Technology Segment has been transferred to the Lighting Segment as a result of the merge of the Technology Segment with the Lighting Segment (See Note 3). The Company relies upon a number of factors, judgments and estimates when conducting its impairment testing including, but not limited to, the Company's stock price, operating results, forecasts, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill impairment.

A sustained and significant decline in the Company's stock price in the first quarter of fiscal 2018 led management to believe that a triggering event occurred and that an interim goodwill impairment test was required for one of the reporting units in the Lighting Segment that contains goodwill, as of September 30, 2017. Because the Company elected to early adopt ASU 2017-04, "Simplifying the Test for Goodwill Impairment", the requirement to perform step 2 in the impairment test was not required. The result of the impairment test on the reporting unit in the Lighting Segment indicated that goodwill was impaired by $28,000,000. The Company will continue to monitor market conditions and other events that may result in a sustained and significant drop in its stock price whereby an interim goodwill impairment test will be required.

As of March 1, 2018, the Company performed its annual goodwill impairment test on the three reporting units that contain goodwill. The preliminary goodwill impairment test on one reporting unit in the Lighting Segment passed with a business enterprise value that was $21.4 million or 15% above the carrying value of this reporting unit including goodwill. The preliminary goodwill impairment test of a second reporting unit in the Lighting Segment that contains goodwill passed with an estimated business enterprise value that was $16.1 million or 69% above the carrying value of this reporting unit including goodwill. The preliminary goodwill impairment test of the reporting unit with goodwill in the Graphics Segment passed with an estimated business enterprise value that was $3.3 million or 319% above the carrying value of the reporting unit including goodwill. The impairment test is expected to be completed in the fourth quarter of fiscal 2018. It is anticipated that the results of the test will not change when the test is complete.

The following table presents information about the Company's goodwill on the dates or for the periods indicated:

Goodwill *(In thousands)*	Lighting Segment	Graphics Segment	Total
Balance as of June 30, 2017			
Goodwill	$94,564	$28,690	$123,254
Accumulated impairment losses	(37,191)	(27,525)	(64,716)
Goodwill, net as of June 30, 2017	$57,373	$1,165	$58,538
Goodwill Impairment	(28,000)	--	(28,000)

Balance as of March 31, 2018			
Goodwill	$94,564	28,690	123,254
Accumulated impairment losses	(65,191)	(27,525)	(92,716)
Goodwill, net as of March 31, 2018	$29,373	$1,165	$30,538

The Company performed its annual review of indefinite-lived intangible assets as of March 1, 2018 and determined there was no impairment. The preliminary indefinite-lived intangible impairment test passed with a fair market value that was $20.6 million or 604% above its carrying value. The impairment test is expected to be completed in the fourth quarter of fiscal 2018. It is anticipated that the results of the test will not change when the test is complete.

The gross carrying amount and accumulated amortization by major other intangible asset class is as follows:

Other Intangible Assets *(In thousands)*	March 31, 2018 Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	$35,563	$ 9,496	$26,067
Patents	338	210	129
LED technology firmware, software	16,066	11,661	4,404
Trade name	2,658	582	2,076
Non-compete agreements	710	710	--
Total Amortized Intangible Assets	55,335	22,659	32,676
Indefinite-lived Intangible Assets			
Trademarks and trade names	3,422	--	3,422
Total Indefinite-lived Intangible Assets	3,422	--	3,422
Total Other Intangible Assets	$58,757	$ 22,659	$36,098

Other Intangible Assets *(In thousands)*	June 30, 2017 Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	$35,563	$ 7,956	$27,607
Patents	338	186	152
LED technology firmware, software	16,066	11,237	4,829
Trade name	2,658	499	2,159
Non-compete agreements	710	710	-
Total Amortized Intangible Assets	55,335	20,588	34,747
Indefinite-lived Intangible Assets			
Trademarks and trade names	3,422	--	3,422
Total Indefinite-lived Intangible Assets	3,422	--	3,422
Total Other Intangible Assets	$58,757	$ 20,588	$38,169

(In thousands)	Amortization Expense of Other Intangible Assets	
	March 31, 2018	March 31, 2017
Three Months Ended	$691	$ 359
Nine Months Ended	$2,071	$ 567

The Company expects to record annual amortization expense as follows:

(In thousands)	
2018	$2,760
2019	$2,760
2020	$2,687
2021	$2,682
2022	$2,461
After 2022	$21,397

NOTE 8 - REVOLVING LINE OF CREDIT

In February 2017 the Company amended its secured line of credit to a $100 million facility. The line of credit expires in the third quarter of fiscal 2022. Interest on the revolving line of credit is charged based upon an increment over the LIBOR rate as periodically determined, or at the bank's base lending rate, at the Company's option. The increment over the LIBOR borrowing rate, as periodically determined, fluctuates between 125 and 250 basis points depending upon the ratio of indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined in the line of credit agreement. The fee on the unused balance of the $100 million committed line of credit is 15 basis points. Under the terms of this line of credit, the Company has agreed to a negative pledge of real estate assets and is required to comply with financial covenants that limit the ratio of indebtedness to EBITDA and require a minimum fixed charge coverage ratio. As of March 31, 2018, a total of $45.3 million was borrowed against the line of credit, and $54.7 million was available as of that date. Based on the terms of the line of credit and the maturity date, the debt has been classified as long term.

The Company is in compliance with all of its loan covenants as of March 31, 2018.

NOTE 9 - CASH DIVIDENDS

The Company paid cash dividends of $3,845,000 and $3,772,000 in the nine months ended March 31, 2018 and 2017, respectively. Dividends on restricted stock units in the amount of $44,946 and $24,120 were accrued as of March 31, 2018 and 2017, respectively. These dividends will be paid upon the vesting of the restricted stock units when shares are issued to the award recipients. In April 2018, the Board of Directors declared a regular quarterly cash dividend of $0.05 per share payable May 15, 2018 to shareholders of record as of May 7, 2018. The indicated annual cash dividend rate is $0.20 per share.

NOTE 10 - EQUITY COMPENSATION

Stock Based Compensation

The Company's equity compensation plan, the 2012 Stock Incentive Plan ("the 2012 Plan"), was approved by shareholders in November 2012. The 2012 Plan covers all of its full-time employees, outside directors and certain advisors and replaced all previous equity compensation plans. In November 2016, the Company's shareholders approved an amendment to the 2012 Plan that added 1,600,000 shares to the plan and implemented the use of a fungible share ratio that consumes 2.5 available shares for every full value share awarded by the Company as stock compensation. The 2012 Plan allows for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted and unrestricted stock awards, and other stock-based awards. Stock option grants or stock awards made pursuant to the 2012 Plan are granted at fair market value at the date of option grant or stock award.

Stock option grants may be service-based or performance-based. Service-based options granted during fiscal 2017 and prior fiscal years generally have a four year ratable vesting period beginning one year after the date of grant. Service-based options granted during fiscal 2018 have a three year ratable vesting period beginning one year after the date of grant. Performance-based options have a three year ratable vesting period beginning one year after the date of grant. The maximum exercise period of stock options granted under the 2012 Plan is ten years. If a stock option holder's employment with the Company terminates by reason of death, disability or retirement, as defined in the Plan, the Plan generally provides for acceleration of vesting.

The number of shares reserved for issuance under the 2012 Plan is 1,449,521 shares, all of which were available for future grant or award as of March 31, 2018. Service-based and performance-based stock options were granted and restricted stock units ("RSUs") were awarded during the nine months ended March 31, 2018. As of March 31, 2018, a total of 3,377,677 stock options were outstanding under the 2012 Plan (as well as one previous stock option plan which was also approved by shareholders), of which, a total of 1,586,881 stock options were vested and exercisable. As of March 31, 2018, the approximate unvested stock option expense that will be recorded as expense in future periods is $1,850,418. The weighted average time over which this expense will be recorded is approximately 21 months. Additionally, as of March 31, 2018, a total of 180,150 RSUs were outstanding. The approximate unvested stock compensation expense that will be recorded as expense in future periods for the RSUs is $698,571. The weighted average time over which this expense will be recorded is approximately 27 months.

Stock Options

The fair value of each option on the date of grant was estimated using the Black-Scholes option pricing model. The below listed weighted average assumptions were used for grants in the periods indicated.

	Three Months Ended		Nine Months Ended	
	March 31		March 31	
	2018	2017	2018	2017
Dividend yield	--	1.93%	3.35%	1.85%
Expected volatility	--	41 %	41 %	42 %
Risk-free interest rate	--	1.92%	1.77%	1.31%
Expected life (yrs.)	--	6.2	6.0	6.1

At March 31, 2018, the 794,537 options granted during the first nine months of fiscal 2018 to employees had exercise prices ranging from $5.92 to $6.54 per share, fair values ranging from of $1.71 to $1.96 per share, and remaining contractual lives of between 9.3 and 9.8 years.

At March 31, 2017, the 1,256,623 options granted during the first nine months of fiscal 2017 to employees had exercise prices ranging from $9.48 to $11.06 per share, fair values ranging from $3.22 to $3.83 per share, and remaining contractual lives of between 9.3 and 10 years.

The Company calculates stock option expense using the Black-Scholes model. Stock option expense is recorded on a straight line basis, or sooner if the grantee is retirement eligible as defined in the 2012 Plan, with an estimated 8.79%

forfeiture rate effective January 1, 2018. Previous estimated forfeiture rates were between 2.0% and 8.54% between the periods January 1, 2013 through December 31, 2017. The expected volatility of the Company's stock was calculated based upon the historic monthly fluctuation in stock price for a period approximating the expected life of option grants. The risk-free interest rate is the rate of a five year Treasury security at constant, fixed maturity on the approximate date of the stock option grant. The expected life of outstanding options is determined to be less than the contractual term for a period equal to the aggregate group of option holders' estimated weighted average time within which options will be exercised. It is the Company's policy that when stock options are exercised, new common shares shall be issued.

The Company recorded $202,811 and $510,851 of expense in the three months ended March 31, 2018 and 2017, respectively, and recorded $1,328,539 and $1,806,860 of expense related to stock options in the nine months ended March 31, 2018 and 2017, respectively. As of March 31, 2018, the Company had 2,973,412 stock options that were vested and that were expected to vest, with a weighted average exercise price of $8.35 per share, an aggregate intrinsic value of $2,008,424 and weighted average remaining contractual terms of 7.0 years.

Information related to all stock options for the nine months ended March 31, 2018 and 2017 is shown in the following tables:

	Nine Months Ended March 31, 2018			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at 6/30/17	3,119,688	$ 9.12	7.4	$2,332,224
Granted	794,537	$ 5.98		
Forfeitures	(493,609)	$ 11.34		
Exercised	(42,939)	$ 6.66		
Outstanding at 3/31/18	3,377,677	$ 8.09	7.2	$2,837,701
Exercisable at 3/31/18	1,586,881	$ 8.20	5.7	$988,080

	Nine Months Ended March 31, 2017			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at 6/30/16	2,976,490	$ 8.97	6.6	$8,338,974
Granted	1,256,623	$ 10.67		
Forfeitures	(161,812)	$ 16.17		
Exercised	(440,146)	$ 7.39		
Outstanding at 3/31/17	3,631,155	$ 9.43	7.4	$4,546,991
Exercisable at 3/31/17	1,423,528	$ 8.99	5.3	$2,912,714

The following table presents information related to unvested stock options:

Shares	Weighted-Average

		Grant Date Fair Value
Unvested at June 30, 2017	1,842,127	$ 3.52
Granted	794,537	$ 1.73
Vested	(640,984)	$ 3.51
Forfeited	(204,884)	$ 3.46
Unvested at March 31, 2018	1,790,796	$ 2.73

The weighted average grant date fair value of options granted during the nine month periods ended March 31, 2018 and 2017 was $1.73 and $3.71, respectively. The aggregate intrinsic value of options exercised during the nine months ended March 31, 2018 and 2017 was $39,011 and $1,094,696, respectively. The aggregate grant date fair value of options that vested during the nine months ended Mach 31, 2018 and 2017 was $988,080 and $2,260,014, respectively. The Company received $285,875 and $2,612,578 of cash from employees who exercised options in the nine month periods ended March 31, 2018 and 2017, respectively. In the first nine months of fiscal 2018 the Company recorded a $103,616 reduction of the federal income tax payable, $794,756 as an increase in common stock, $92,996 as an increase of income tax expense, and $196,612 as a decrease of the deferred tax assets related to the issuance of RSUs and the exercises of stock options in which the employees sold the common shares prior to the passage of twelve months from the date of exercise.

In the first nine months of fiscal 2017 the Company recorded $465,521 as a reduction of federal income taxes payable, $138,793 as a decrease in common stock, $109,140 as a reduction of income tax expense, and $495,175 as a reduction of the deferred tax asset related to the issuance of RSUs and the exercises of stock options in which the employees sold the common shares prior to the passage of twelve months from the date of exercise.

Restricted Stock Units

A total of 91,490 RSUs with a fair value of $5.92 per share were awarded to employees during the nine months ended March 31, 2018. The service-based RSUs awarded during fiscal 2018 have a three year ratable vesting period beginning one year after the date of award. A total of 96,210 RSUs with a fair value of $10.84 per share were awarded to employees during the nine months ended March 31, 2017. The service-based RSUs awarded during fiscal 2017 and in prior fiscal years have a four year ratable vesting period beginning one year after the date of award. The Company determined the fair value of the awards based on the closing price of the Company stock on the date the RSUs were awarded. The RSUs are non-voting, but accrue cash dividends at the same per share rate as those cash dividends declared and paid on LSI's common stock. Dividends on RSUs in the amount of $44,946 and $24,120 were accrued as of March 31, 2018 and 2017, respectively. Accrued dividends are paid to the holder upon vesting of the RSUs and issuance of shares.

The following table presents information related to RSUs:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at June 30, 2017	133,335	$ 10.38
Awarded	91,490	$ 5.92
Vested	(43,803)	$ 10.32
Forfeited	(7,000)	$ 10.46
Unvested at March 31, 2018	174,022	$ 8.05

As of March 31, 2018, the 180,150 RSUs outstanding have a weighted average remaining contractual life of 4.81 years. Of the 180,150 RSUs outstanding as of March 31, 2018, 170,769 RSUs are vested or expected to vest in the future. An estimated forfeiture rate of 8.3% was used in the calculation of expense related to the RSUs. The Company recorded $88,811 and $426,121 of expense related to RSUs in the three and nine month periods ended March 31, 2018, respectively.

As of March 31, 2017, the 135,585 RSUs outstanding have a weighted average remaining contractual life of 6.2 years. Of the 135,585 RSUs outstanding as of March 31, 2017, 130,316 RSUs are vested or expected to vest in the future. An estimated forfeiture rate of 3.4% was used in the calculation of expense related to the RSUs. The Company recorded $93,905 and $486,102 of expense related to RSUs in the three and nine month periods ended March 31, 2017, respectively.

Director and Employee Stock Compensation Awards

The Company awarded a total of 31,374 and 31,782 common shares in the nine months ended March 31, 2018 and 2017, respectively, as stock compensation awards. These common shares were valued at their approximate $234,000 and $331,000 fair market values based on their stock price at dates of issuance multiplied by the number of common shares awarded, respectively, pursuant to the compensation programs for non-employee directors who receive a portion of their compensation as an award of Company stock and for employees who received a nominal recognition award in the form of Company stock. Stock compensation awards are made in the form of newly issued common shares of the Company.

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan providing for both Company contributions and participant deferrals of compensation. This plan is fully funded in a Rabbi Trust. All plan investments are in common shares of the Company. As of March 31, 2018 there were 38 participants in the deferred compensation plan. A total of 229,970 common shares with a cost of $2,045,189, and 257,898 common shares with a cost of $2,456,875 were held in the plan as of March 31, 2018 and June 30, 2017, respectively, and, accordingly, have been recorded as treasury shares. The change in the number of shares held by this plan is the net result of share purchases and sales on the open stock market for compensation deferred into the plan; shares newly issued for compensation deferred into the plan, and for distributions to terminated employees. The Company issued 54,360 new common shares for purposes of the non-qualified deferred compensation plan during the nine months ended March 31, 2018 and the company did not issue new common shares for the plan in fiscal 2017. The Company used approximately $106,537 and $446,251 to purchase 15,225 and 45,335 common shares of the Company in the open stock market during the nine months ended March 31, 2018 and 2017, respectively, for either employee salary deferrals or Company contributions into the non-qualified deferred compensation plan.

The Company's non-qualified deferred compensation is no longer funded by purchases in the open market of LSI stock as of September 30, 2017. This plan is now solely funded by newly issued shares that are authorized from the Company's 2012 Stock Incentive Plan.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

(In thousands)	Nine Months Ended March 31	
	2018	2017
Cash payments:		
Interest	$1,213	$66
Income taxes	$1,556	$2,484
Non-cash investing and finance activities:		
Issuance of common shares as compensation	$234	$331
Issuance of stock warrants	--	575
Issuance of common shares to fund deferred compensation plan	$354	$--

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company is party to various negotiations, customer bankruptcies, and legal proceedings arising in the normal course of business. The Company provides reserves for these matters when a loss is probable and reasonably estimable. The Company does not disclose a range of potential loss because the likelihood of such a loss is remote. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

The Company may occasionally issue a standby letter of credit in favor of third parties. As of March 31, 2018, there were no standby letter of credit agreements.

NOTE 13 – SEVERANCE COSTS

The Company recorded severance expense of $91,000 and $222,000 in the nine months ended March 31, 2018 and 2017, respectively. This severance expense was related to reductions in staffing not related to plant restructuring. See further discussion of restructuring expenses in Note 14.

The activity in the Company's accrued severance liability is as follows for the periods indicated:

(In thousands)	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017	Fiscal Year Ended June 30, 2017
Balance at beginning of the period	$ 235	$ 39	$ 39
Accrual of expense	91	222	523
Payments	(312)	(235)	(313)
Adjustments	(14)	--	(14)
Balance at end of the period	$ 0	$ 26	$ 235

NOTE 14 – RESTRUCTURING COSTS

On September 22, 2016, the Company announced plans to close its lighting facility in Kansas City, Kansas. The decision was based upon the market shift away from fluorescent and other technologies and the rapid movement to LED lighting which is produced at other LSI facilities. The Company expects to continue to meet the demand for products containing fluorescent light sources as long as these products are commercially viable. All operations at the Kansas City facility ceased prior to December 31, 2016. Fiscal 2017 restructuring costs related to the closure of the Kansas City facility were $944,000. There have been no restructuring costs in fiscal 2018. These costs primarily included employee-related costs (primarily severance), the impairment of manufacturing equipment, plant shut down costs, costs related to the preparation of the facility for sale, legal costs, and other related costs. In addition, there was also an inventory write-down of $485,000 recorded in fiscal 2017. The write-down was related to inventory that was previously realizable until the decision in the first quarter of fiscal 2017 to close the Kanas City plant due to the planned curtailment of the manufacturing of fluorescent light fixtures. The Company owned the facility in Kansas City and realized a $1,361,000 gain when the facility was sold.

The Company also announced the consolidation of the Beaverton, Oregon facility into other LSI facilities. The light assembly of products in the Beaverton facility was moved to the Company's Columbus, Ohio facility, and administration and engineering functions were moved to the Company's Cincinnati, Ohio facility. This consolidation was completed September 30, 2016. As a result of this consolidation, restructuring charges of $377,000 were recorded in fiscal 2017, with the majority of this representing the costs related to the remaining period of the facility's lease and severance costs for employees who formerly worked in the Beaverton facility.

In November 2016, the Company announced the consolidation of the Woonsocket, Rhode Island manufacturing operation into its North Canton, Ohio operation. The manufacturing operations in Woonsocket ceased prior to December 31, 2016. The Company owned the facility in Woonsocket and realized a small gain when the facility was sold in September 2017. Total restructuring costs related to the consolidation of the Woonsocket facility were $452,000 in fiscal 2017. These costs primarily include employee-related costs (severance), plant shut down costs, costs related to the preparation of the facility for sale, legal costs, and other related costs.

Management does not expect any restructuring charges for fiscal 2018. All previously announced restructuring projects were completed in fiscal 2017 and all restructuring charges were recorded in fiscal 2017.

The following table presents information about restructuring costs for the periods indicated:

(In thousands)	Three Months Ended March 31, 2018	Nine Months Ended March 31, 2018	Three Months Ended March 31, 2017	Nine Months Ended March 31, 2017
Severance and other termination benefits	$ --	$ --	$ 120	$ 811
Lease obligation	--	--	--	213
Impairment of fixed assets and accelerated depreciation	--	--	1	354
Gain on sale of facility			(1,361)	(1,361)
Other	--	--	251	347
Total	$ --	$ --	$ (989)	$ 364

The following table presents restructuring costs incurred by line item in the consolidated statement of operations in which the costs are included:

(In thousands)	Three Months Ended March 31 2018	Nine Months Ended March 31 2018	Three Months Ended March 31 2017	Nine Months Ended March 31