

LSI INDUSTRIES INC
Form 10-Q
January 31, 2014

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 DECEMBER 31, 2013.

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

Edgar Filing: LSI INDUSTRIES INC - Form 10-Q

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer []
Non-accelerated filer [] Smaller reporting company []

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 January 24, 2014 there were 24,074,487 shares of the Registrant's common stock, no par value per share, outstanding.

LSI INDUSTRIES INC.

FORM 10-Q

FOR THE QUARTER ENDED DECEMBER 31, 2013

INDEX

		Begins on Page
PART I. Financial Information		
ITEM 1.	Financial Statements	
	Condensed Consolidated Statements of Operations	3
	Condensed Consolidated Balance Sheets	4
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	34
ITEM 4.	Controls and Procedures	34
PART II. Other Information		
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
ITEM 6.	Exhibits	35
Signatures		35

“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		Six Months Ended	
	December 31		December 31	
	2013	2012	2013	2012
<i>(In thousands, except per share data)</i>				
Net sales	\$76,123	\$71,082	\$156,609	\$145,801
Cost of products and services sold	59,366	57,200	120,730	114,048
Gross profit	16,757	13,882	35,879	31,753
Selling and administrative expenses	15,246	14,450	31,529	29,294
Goodwill impairment	--	2,141	--	2,141
Operating income (loss)	1,511	(2,709)	4,350	318
Interest (income)	(7)	(11)	(14)	(31)
Interest expense	19	(7)	38	33
Income (loss) before income taxes	1,499	(2,691)	4,326	316
Income tax expense (benefit)	629	(241)	1,591	936
Net income (loss)	\$870	\$(2,450)	\$2,735	\$(620)

Edgar Filing: LSI INDUSTRIES INC - Form 10-Q

Earnings (loss) per common share (see Note 4)

Basic	\$0.04	\$(0.10)	\$0.11	\$(0.03)
Diluted	\$0.04	\$(0.10)	\$0.11	\$(0.03)

Weighted average common shares outstanding

Basic	24,373	24,307	24,363	24,306
Diluted	24,627	24,391	24,530	24,382

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

Page 3

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except shares)

	December 31, 2013	June 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,940	\$ 7,949
Accounts receivable, less allowance for doubtful accounts of \$385 and \$346, respectively	41,136	45,991
Inventories	47,214	42,093
Refundable income taxes	374	1,435
Other current assets	6,030	5,445
Total current assets	105,694	102,913
Property, Plant and Equipment, at cost		
Land	7,022	7,015
Buildings	37,909	37,889
Machinery and equipment	76,570	71,535
Construction in progress	868	3,464
	122,369	119,903
Less accumulated depreciation	(76,863)	(74,553)
Net property, plant and equipment	45,506	45,350
Goodwill	10,508	10,508
Other Intangible Assets, net	8,441	8,579
Other Long-Term Assets, net	1,825	1,829

Total assets

\$ 171,974 \$ 169,179

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

Page 4

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(In thousands, except shares)</i>	December 31, 2013	June 30, 2013
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 12,797	\$ 12,429
Accrued expenses	15,544	13,781
Total current liabilities	28,341	26,210
Other Long-Term Liabilities	1,121	1,279
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 24,070,584 and 24,057,266 shares, respectively	103,466	102,492
Retained earnings	39,046	39,198
Total shareholders' equity	142,512	141,690
Total liabilities & shareholders' equity	\$ 171,974	\$ 169,179

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)

<i>(In thousands)</i>	Six Months Ended	
	December 31 2013	2012
Cash Flows from Operating Activities		
Net income (loss)	\$2,735	\$(620)
Non-cash items included in net income (loss):		
Depreciation and amortization	2,969	3,676
Goodwill impairment	--	2,141
Deferred income taxes	(49)	46
Deferred compensation plan	87	102
Stock option expense	779	638
Issuance of common shares as compensation	96	36
(Gain) on disposition of fixed assets	(38)	(9)
Allowance for doubtful accounts	68	295
Inventory obsolescence reserve	743	2,124
Changes in certain assets and liabilities:		
Accounts receivable	4,787	7,313
Inventories	(5,864)	(3,961)
Refundable income taxes	1,061	(1,269)
Accounts payable	368	324
Accrued expenses and other	(1,563)	(784)
Customer prepayments	2,368	(366)
Net cash flows provided by operating activities	8,547	9,686
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(2,721)	(3,133)
Proceeds from sale of fixed assets	40	31
Net cash flows (used in) investing activities	(2,681)	(3,102)
Cash Flows from Financing Activities		
Cash dividends paid	(2,887)	(7,207)
Exercise of stock options	152	8
Purchase of treasury shares	(150)	(141)
Issuance of treasury shares	10	--

Edgar Filing: LSI INDUSTRIES INC - Form 10-Q

Net cash flows (used in) financing activities	(2,875)	(7,340)
Increase (decrease) in cash and cash equivalents	2,991	(756)
Cash and cash equivalents at beginning of period	7,949	15,255
Cash and cash equivalents at end of period	\$10,940	\$14,499

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 December 31, 2013, the results of its operations for the three and six month periods ended December 31, 2013 and 2012, and its cash flows for the six month periods ended December 31, 2013 and 2012. These statements should be read in conjunction with the financial statements and footnotes included in the fiscal 2013 Annual Report on Form 10-K. Financial information as of June 30, 2013 has been derived from the Company's audited consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

The condensed 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. Revenue from product sales is typically recognized 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. 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 four 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 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. However, product revenue related to orders where the customer requires the Company to install the product is recognized when the product is installed. Other than normal product warranties or the possibility of installation or post-shipment service, support and maintenance of certain solid state LED video screens, billboards, or active digital signage, the Company has no post-shipment responsibilities.

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 each customer site have been installed.

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

The Company evaluates the appropriateness of revenue recognition in accordance with Accounting Standards Codification (“ASC”) Subtopic 605-25, Revenue Recognition: Multiple–Element Arrangements. 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 ASC Subtopic 985-605, “Software: Revenue Recognition.” Our solid-state LED video screens, billboards and active digital signage contain software elements which the Company has determined are incidental and excluded from the scope of ASC Subtopic 985-605.

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. 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.

<i>(In thousands)</i>	December 31, 2013	June 30, 2013
Accounts receivable	\$ 41,521	\$46,337
less Allowance for doubtful accounts	(385)	(346)
Accounts receivable, net	\$ 41,136	\$45,991

Cash and Cash Equivalents:

The cash balance includes cash and cash equivalents which have original maturities of less than three months. The Company maintains balances at financial institutions in the United States and Canada. The balances at financial institutions in Canada are not covered by insurance. In the United States, the FDIC limit for insurance coverage on non-interest bearing accounts is \$250,000. As of December 31, 2013 and June 30, 2013, the Company had bank balances of \$10,680,000 and \$7,688,000, respectively, without insurance coverage.

Inventories:

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 material content. Cost is determined on the first-in, first-out basis.

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 (years)	28	- 40
Machinery and equipment (years)	3	- 10
Computer software (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 in accordance with ASC Subtopic 350-40, “Intangibles – Goodwill and Other: Internal-Use Software.” Leasehold improvements are amortized over the shorter of fifteen years or the remaining term of the lease.

The Company recorded \$1,353,000 and \$1,174,000 of depreciation expense in the second quarter of fiscal 2014 and 2013, respectively, and \$2,563,000 and \$2,335,000 of depreciation expense in the first half of fiscal 2014 and 2013, respectively

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 two and twenty years. The Company evaluates definite-lived intangible assets for permanent 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, 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, in the purchase price of acquired companies (if any), and in the valuation of the contingent earn-out. The fair value measurement of these nonfinancial assets and nonfinancial liabilities is based on significant inputs not observable in the market and thus represent Level 3 measurements as defined in ASC 820, "Fair Value Measurement."

Product Warranties:

The Company offers a limited warranty that its products are free of 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 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 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:

<i>(In thousands)</i>	Six Months Ended	Six Months Ended	Fiscal Year Ended
	December 31,	December 31,	June 30,
	2013	2012	2013
Balance at beginning of the period	\$ 1,424	\$ 1,121	\$ 1,121
Additions charged to expense	1,208	640	2,134
Deductions for repairs and replacements	(1,190)	(558)	(1,831)
Balance at end of the period	\$ 1,442	\$ 1,203	\$ 1,424

Research and Development Costs:

Research and development expenses are costs 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, supplies, depreciation and other administrative costs. The Company follows the requirements of ASC Subtopic 985-20, "Software: Costs of Software to be Sold, Leased, or Marketed," and 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 \$2,127,000 and \$1,522,000 for the three months ended December 31, 2013 and 2012, respectively, and \$4,081,000 and \$3,174,000 for the six months ended December 31, 2013 and 2012, respectively.

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 non-qualified 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, contingently issuable shares and common shares to be issued under a deferred compensation plan, all of which totaled 561,000 shares and 370,000 shares for the three months ended December 31, 2013 and 2012, respectively, and 468,000 shares and 357,000 shares for the six months ended December 31, 2013 and 2012, respectively. See further discussion in Note 4.

New Accounting Pronouncements:

In July 2012, the Financial Accounting Standards Board issued ASU 2012-02, "Intangibles – Goodwill and Other (Topic 350): Testing Long-Lived Intangible Assets for Impairment." This amended guidance is intended to simplify the test of indefinite-lived intangible assets for impairment by allowing companies to first assess qualitative factors to determine whether or not it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value as the basis for determining whether it is necessary to perform the two-step impairment test. Previous guidance required companies to perform an annual indefinite-lived intangible asset impairment test. The amended guidance is effective for annual and interim tests performed for fiscal years beginning after September 15, 2012, or the Company's fiscal year 2014, with early adoption permissible. The adoption of this standard in fiscal 2014 did not have an impact on the financial statements.

In July 2013, the Financial Accounting Standards Board issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This amended guidance is intended to eliminate the diversity that is in practice with regard to the financial statement presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amended guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2013, or the Company's fiscal year 2015, with early adoption permissible. The adoption of this guidance is not expected to have a material impact on the financial statements.

In September 2013, the Internal Revenue Service issued Treasury Decision 9636, which enacted final tax regulations regarding the capitalization and expensing of amounts paid to acquire, produce, or improve tangible property. The regulations also include guidance regarding the retirement of depreciable property. The regulations are required to be effective in taxable years beginning on or after January 1, 2014, although taxpayers may choose to apply them in taxable years beginning on or after January 1, 2012. The Company is currently assessing the impact of the final regulations on its financial statements.

Comprehensive Income:

The Company does not have any comprehensive income items other than net income (loss). The functional currency of the Company's Canadian operation is the U.S. dollar.

Subsequent Events:

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

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications have no impact on net income or earnings per share.

Use of Estimates:

The preparation of the 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 financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 3 - BUSINESS SEGMENT INFORMATION

ASC Topic 280, "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) in making decisions on how to allocate resources and assess performance. While the Company has twelve operating segments, it has only three reportable operating business segments (Lighting, Graphics, and Electronic Components), an All Other Category, and Corporate and Eliminations.

The Lighting Segment includes outdoor, indoor, and landscape lighting that has been fabricated and assembled for the commercial, industrial and multi-site retail lighting markets, the Company's primary niche markets (petroleum / convenience store market, automotive dealership market, and quick service restaurant market), and LED solid state digital sports video screens. LED video screens are designed and manufactured by the Company's Lighting Segment and by LSI Saco in the All Other Category. The Lighting Segment includes the operations of LSI Ohio Operations, LSI Metal Fabrication, LSI MidWest Lighting and LSI Lightron. These operations have been integrated, have similar economic characteristics and meet the other requirements for aggregation in segment reporting.

The Graphics Segment designs, manufactures and installs exterior and interior visual image elements related to graphics. These products are used in visual image programs in several markets, including the petroleum / convenience store market and multi-site retail operations. The Graphics Segment includes the operations of Grady McCauley, LSI Retail Graphics and LSI Integrated Graphic Systems, which have been aggregated as such facilities manufacture two-dimensional graphics with the use of screen and digital printing, fabricate three-dimensional structural graphics sold in the multi-site retail and petroleum / convenience store markets, and each exhibit similar economic characteristics and meet the other requirements for aggregation in segment reporting.

The Electronic Components Segment designs, engineers and manufactures custom designed electronic circuit boards, assemblies and sub-assemblies, and various products used in various applications including the control of solid-state LED lighting and metal halide lighting. The Electronic Components Segment includes the operations of LSI ADL Technology as well as LSI Virticus. LSI ADL Technology sells electronic circuit boards, assemblies and sub-assemblies directly to customers and also has significant inter-segment sales to the Lighting Segment. LSI Virticus sells lighting control systems directly to customers and to the Lighting Segment. Products produced by this segment may have applications in the Company's other LED product lines such as digital scoreboards, advertising ribbon boards and billboards.

The All Other Category includes the Company's operating segments that neither meet the aggregation criteria, nor the criteria to be a separate reportable segment. The Operations of LSI Images (menu board systems), LSI Adapt (implementation, installation and program management services related to products of the Graphics and Lighting

Segments) and LSI Saco Technologies (designs and produces high-performance light engines, large format video screens using solid-state LED technology, and certain specialty LED lighting) are combined in the All Other Category.

The Company's corporate administration activities are reported in a line item titled Corporate and Eliminations. This primarily includes 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, and deferred income tax assets.

There was no concentration of consolidated net sales in the three or six months ended December 31, 2013 or 2012. There was no concentration of accounts receivable at December 31, 2013 or June 30, 2013.

Summarized financial information for the Company's reportable business segments is provided for the indicated periods and as of December 31, 2013 and June 30, 2013:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2013	2012	2013	2012
Net Sales:				
Lighting Segment	\$57,380	\$53,743	\$116,851	\$109,534
Graphics Segment	12,954	10,532	26,962	21,277
Electronic Components Segment	4,073	4,959	9,153	10,713
All Other Category	1,716	1,848	3,643	4,277
	\$76,123	\$71,082	\$156,609	\$145,801
Operating Income (Loss):				
Lighting Segment	\$2,157	\$2,477	\$5,968	\$6,990
Graphics Segment	(275)	(1,140)	(112)	(1,495)
Electronic Components Segment	1,041	(1,559)	2,013	(773)
All Other Category	124	(1,429)	128	(1,431)
Corporate and Eliminations	(1,536)	(1,058)	(3,647)	(2,973)
	\$1,511	\$(2,709)	\$4,350	\$318
Capital Expenditures:				
Lighting Segment	\$696	\$578	\$1,187	\$894
Graphics Segment	177	145	234	363
Electronic Components Segment	413	196	483	329
All Other Category	10	27	39	57
Corporate and Eliminations	195	851	778	1,490
	\$1,491	\$1,797	\$2,721	\$3,133
Depreciation and Amortization:				
Lighting Segment	\$703	\$1,139	\$1,409	\$2,304
Graphics Segment	232	224	453	446
Electronic Components Segment	367	333	733	653
All Other Category	42	46	82	93
Corporate and Eliminations	217	84	292	180
	\$1,561	\$1,826	\$2,969	\$3,676

December 31,
2013

June 30,
2013

Identifiable Assets:

Lighting Segment	\$95,172	\$90,536
Graphics Segment	23,250	28,792
Electronic Components Segment	32,414	30,926
All Other Category	6,388	6,361
Corporate and Eliminations	14,750	12,564
	\$171,974	\$169,179

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 including impairment of goodwill, but excluding interest expense and interest income. Identifiable assets are those assets used by each segment in its operations. Corporate identifiable assets primarily consist of cash, invested cash (if any), refundable income taxes, and deferred income tax assets. Inter-segment revenues were eliminated in consolidation as follows:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2013	2012	2013	2012
Lighting Segment inter-segment net sales	\$925	\$855	\$1,823	\$1,512
Graphics Segment inter-segment net sales	\$195	\$449	\$400	\$1,286
Electronic Components inter-segment net sales	\$9,450	\$7,283	\$17,954	\$13,619
All Other Category inter-segment net sales	\$2,037	\$1,388	\$4,192	\$2,254

The Company considers its geographic areas to be: 1) the United States, and 2) Canada. The majority of the Company's operations are in the United States, with one operation in Canada. The geographic distribution of the Company's net sales and long-lived assets are as follows:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2013	2012	2013	2012
Net Sales (a):				
United States	\$76,060	\$70,964	\$155,733	\$145,653
Canada	63	118	876	148
	\$76,123	\$71,082	\$156,609	\$145,801

Long-lived Assets (b):	December 31,	June 30,
	2013	2013
	United States	\$47,007
Canada	324	336
	\$47,331	\$47,179

a. Net sales are attributed to geographic areas based upon the location of the operation making the sale.

b. Long-lived assets include property, plant and equipment, and other long term assets. Goodwill and intangible assets are not included in long-lived assets.

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		Six Months Ended	
	December 31		December 31	
	2013	2012	2013	2012
<u>BASIC EARNINGS PER SHARE</u>				
Net income (loss)	\$870	\$(2,450)	\$2,735	\$(620)
Weighted average shares outstanding during the period, net of treasury shares (a)	24,066	24,021	24,062	24,025
Weighted average shares outstanding in the Deferred Compensation Plan during the period	307	286	301	281
Weighted average shares outstanding	24,373	24,307	24,363	24,306
Basic earnings (loss) per share	\$0.04	\$(0.10)	\$0.11	\$(0.03)
<u>DILUTED EARNINGS PER SHARE</u>				
Net income (loss)	\$870	\$(2,450)	\$2,735	\$(620)
Weighted average shares outstanding				
Basic	24,373	24,307	24,363	24,306
Effect of dilutive securities (b): Impact of common shares to be issued under stock option plans, and contingently issuable shares, if any	254	84	167	76
Weighted average shares outstanding (c)	24,627	24,391	24,530	24,382
Diluted earnings (loss) per share	\$0.04	\$(0.10)	\$0.11	\$(0.03)

(a) Includes shares accounted for like treasury stock in accordance with Accounting Standards Codification Topic 710, Compensation - General.

- (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.

Options to purchase 1,197,150 common shares and 1,896,776 common shares at December 31, 2013 and 2012, respectively, and options to purchase 1,676,650 common shares and 1,852,451 common shares at December 31, (c)2013 and 2012, respectively, were not included in the computation of the three month and six month, respectively, diluted earnings per share because the exercise price was greater than the average fair market value of the common shares.

NOTE 5 - INVENTORIES

The following information is provided as of the dates indicated:

<i>(In thousands)</i>	December 31, 2013	June 30, 2013
-----------------------	-------------------------	------------------

Inventories:

Raw materials	\$ 30,567	\$28,113
Work-in-process	5,691	4,959
Finished goods	10,956	9,021
Total Inventories	\$ 47,214	\$42,093

NOTE 6 - ACCRUED EXPENSES

The following information is provided as of the dates indicated:

<i>(In thousands)</i>	December 31, 2013	June 30, 2013
-----------------------	-------------------------	------------------

Accrued Expenses:

Compensation and benefits	\$ 6,841	\$8,023
Customer prepayments	3,315	947
Accrued sales commissions	1,879	1,595
Other accrued expenses	3,509	3,216
Total Accrued Expenses	\$ 15,544	\$13,781

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

Carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with ASC Topic 350, "Intangibles – Goodwill and Other." 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, that 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. Based on this assessment, no such potential impairment conditions were noted during the six month period ended December 31, 2013.

The Company identified its reporting units in conjunction with its annual goodwill impairment testing. The Company relies upon a number of factors, judgments and estimates when conducting its impairment testing. These include operating results, forecasts, anticipated future cash flows and marketplace data, to name a few. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill impairment.

The Company performed an interim goodwill impairment test as of December 31, 2012 on LSI Virticus, one of its reporting units that contain goodwill. Virticus was acquired March 19, 2012 and is part of the Electronic Components Segment. The reduction of the sales forecast that was originally used to value the Earn-Out liability related to the Virticus acquisition and which ultimately led to an adjustment to the Earn-Out liability in the second quarter of fiscal 2013 (see Note 13), led management to conclude that an interim goodwill impairment test was required on the LSI Virticus reporting unit. As a result of the test, it was determined that goodwill associated with this reporting unit was impaired. Of the original goodwill of \$2,413,000, it was determined that \$2,141,000 or 89% of the original goodwill value was impaired. (As part of the annual goodwill test performed as of March 1, 2013, the remaining \$272,000 of goodwill associated with LSI Virticus was found to be fully impaired.) A similar test was not performed on the three other reporting units that contain goodwill because the triggering events that indicate the potential impairment of goodwill did not exist.

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	Electronic	All	Total
			Components Segment	Other Category	
Balance as of June 30, 2013					
Goodwill	\$34,913	\$24,959	\$ 11,621	\$ 6,850	\$78,343
Accumulated impairment losses	(34,778)	(24,959)	(2,413)	(5,685)	(67,835)
Goodwill, net as of June 30, 2013	135	--	9,208	1,165	10,508
Balance as of December 31, 2013					
Goodwill	34,913	24,959	11,621	6,850	78,343
Accumulated impairment losses	(34,778)	(24,959)	(2,413)	(5,685)	(67,835)
Goodwill, net as of December 31, 2013	\$135	\$--	\$ 9,208	\$ 1,165	\$10,508

In the first quarter of fiscal 2014, the Company purchased intellectual property related to certain lighting control systems. The cost of this intellectual property was \$268,000 and it is being amortized over a nine year period.

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

Other Intangible Assets (In thousands)	December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	\$10,352	\$ 7,241	\$ 3,111
Patents	338	67	271
LED technology firmware, software	12,361	11,077	1,284
Trade name	460	408	52
Non-compete agreements	768	467	301
Total Amortized Intangible Assets	24,279	19,260	5,019
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	\$27,701	\$ 19,260	\$ 8,441

<i>(In thousands)</i>	June 30, 2013		
	Gross	Accumulated	Net
	Carrying	Amortization	Amount
	Amount		
Amortized Intangible Assets			
Customer relationships	\$ 10,352	\$ 7,068	\$ 3,284
Patents	70	55	15
LED technology firmware, software	12,361	10,958	1,403
Trade name	460	362	98
Non-compete agreements	948	591	357
Total Amortized Intangible Assets	24,191	19,034	5,157
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	\$ 27,613	\$ 19,034	\$ 8,579

<i>(In thousands)</i>	Amortization	
	Expense of	
	Other Intangible	
	Assets	
	December	December
	31,	31, 2012
	2013	
Three Months Ended	\$ 208	\$ 652
Six Months Ended	\$ 406	\$ 1,341

The Company expects to record annual amortization expense as follows:

<i>(In thousands)</i>	
2014	\$ 816
2015	\$ 735
2016	\$ 730
2017	\$ 634
2018	\$ 623
After 2018	\$ 1,887

NOTE 8 - REVOLVING LINES OF CREDIT

The Company has a \$30 million unsecured revolving line of credit with its bank group in the U.S., all of which was available as of December 31, 2013. The line of credit expires in the third quarter of fiscal 2016. Annually in the third quarter, the credit facility is renewable with respect to adding an additional year of commitment, if the bank group and the Company so choose, to replace the year just ended. 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 175 and 215 basis points depending upon the ratio of indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined in the credit facility. The fee on the unused balance of the \$30 million committed line of credit is 25 basis points. Under the terms of this credit facility, the Company has agreed to a negative pledge of assets and is required to comply with financial covenants that limit the amount of debt obligations, require a minimum amount of tangible net worth, and limit the ratio of indebtedness to EBITDA.

The Company also has a \$5 million line of credit for its Canadian subsidiary. The line of credit expires in the third quarter of fiscal 2015. Interest on the Canadian subsidiary's line of credit is charged based upon a 200 basis point increment over the LIBOR rate or based upon an increment over the United States base rate if funds borrowed are denominated in U.S. dollars or an increment over the Canadian prime rate if funds borrowed are denominated in Canadian dollars. There are no borrowings against this line of credit as of December 31, 2013.

The Company is in compliance with all of its loan covenants as of December 31, 2013.

NOTE 9 - CASH DIVIDENDS

The Company paid cash dividends of \$2,887,000 and \$7,207,000 in the six months ended December 31, 2013 and 2012, respectively. In January 2014, the Board of Directors declared a regular quarterly cash dividend of \$0.06 per share payable February 11, 2014 to shareholders of record February 4, 2014. The cash dividend indicated annual rate for fiscal 2014 is \$0.24 per share. In December 2012, the Board of Directors took action to accelerate payment into December 2012 of the fiscal 2013 second quarter regular quarterly cash dividend of \$0.06 per share. An additional cash dividend of \$0.12 per share was also paid in December 2012.

NOTE 10 - EQUITY COMPENSATION

Stock Options

The Company has an equity compensation plan that was approved by shareholders in November 2012 and that covers all of its full-time employees, outside directors and certain advisors. This 2012 Stock Incentive Plan replaces all previous equity compensation plans. The options granted or stock awards made pursuant to this plan are granted at fair market value at date of grant or award. Options granted to non-employee directors become exercisable 25% each ninety days (cumulative) from date of grant and options granted to employees generally become exercisable 25% per year (cumulative) beginning one year after the date of grant. 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 is 699,961 shares (includes 337,148 shares transferred in from the previous plan), all of which were available for future grant or award as of December 31, 2013. This plan allows for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted and unrestricted stock awards, performance stock awards, and other stock awards. As of December 31, 2013, a total of 2,714,700 options for common shares were outstanding from this plan as well as two previous stock option plans (each of which had also been approved by shareholders), and of these, a total of 1,908,337 options for common shares were vested and exercisable. As of December 31, 2013, the approximate unvested stock option expense that will be recorded as expense in future periods is \$778,782. The weighted average time over which this expense will be recorded is approximately 33 months.

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	Six Months Ended		
	December 31 2013	December 31 2012	2013	2012
Dividend yield	-- 3.58 %	3.33 %	3.60 %	
Expected volatility	-- 51 %	53 %	51 %	
Risk-free interest rate	-- 0.67 %	1.66 %	0.66 %	
Expected life (yrs.)	-- 4.7	5.5	4.7	

At December 31, 2013, the 421,000 options granted during the first six months of fiscal 2014 to employees had exercise prices of \$7.20 per share, fair values of \$2.64 per share, and remaining contractual lives of nine years eight months.

At December 31, 2012, the 414,750 options granted during the first six months of fiscal 2013 to both employees and non-employee directors had exercise prices ranging from \$6.28 to \$6.58 per share, fair values ranging from \$2.00 to \$2.11 per share, and remaining contractual lives of between nine years eight months and nine years eleven months.

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 Stock Incentive Plan, with an estimated 2.2% forfeiture rate effective July 1, 2013. Previous estimated forfeiture rates were 2.3% effective January 1, 2013, 3.4% effective October 1, 2012, 4.1% effective April 1, 2012, 3.6% effective April 1, 2011, 3.0% effective July 1, 2010 and 6.55% prior to July 1, 2010. 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 \$93,635 and \$119,654 of expense related to stock options in the three months ended December 31, 2013 and 2012, respectively, and \$779,294 and \$638,047 of expense related to stock options in the six months ended December 31, 2013 and 2012, respectively. As of December 31, 2013, the Company had 2,700,037 stock options that were vested and that were expected to vest, with a weighted average exercise price of \$9.56 per share, an aggregate intrinsic value of \$2,682,059 and weighted average remaining contractual terms of 5.8 years.

Edgar Filing: LSI INDUSTRIES INC - Form 10-Q

Information related to all stock options for the six months ended December 31, 2013 and 2012 is shown in the following table:

Six Months Ended December 31, 2013				
Weighted				
	Shares	Weighted Average Exercise Price	Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at 6/30/13	2,341,150	\$ 9.95	5.6	\$1,544,896
Granted	421,000	\$ 7.20		
Forfeitures	(25,550)	\$ 10.71		
Exercised	(21,900)	\$ 6.41		
Outstanding at 12/31/13	2,714,700	\$ 9.55	5.8	\$2,707,888
Exercisable at 12/31/13	1,908,337	\$ 10.70	4.5	\$1,208,150

Six Months Ended December 31, 2012				
Weighted				
	Shares	Weighted Average Exercise Price	Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at 6/30/12	2,006,250	\$ 10.64	5.8	\$ 654,747
Granted	414,750	\$ 6.58		
Forfeitures	(19,425)	\$ 16.57		
Exercised	(1,500)	\$ 5.21		

Edgar Filing: LSI INDUSTRIES INC - Form 10-Q

Outstanding at 12/31/12	2,400,075	\$ 9.90	6.1	\$ 793,543
Exercisable at 12/31/12	1,668,975	\$ 11.31	5.0	\$ 347,904

The aggregate intrinsic value of options exercised during the six months ended December 31, 2013 and 2012 were \$59,520 and \$2,084, respectively. The Company received \$140,404 and \$7,815 of cash from employees who exercised options in the six month periods ended December 31, 2013 and 2012, respectively. Additionally, the Company recorded \$19,667 as a reduction of federal income taxes payable, \$1,363 as an increase in common stock, \$10,259 as a reduction of income tax expense, and \$8,045 as a reduction of the deferred tax asset related to 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.

Stock Compensation Awards

The Company awarded a total of 11,575 and 5,204 common shares in the six months ended December 31, 2013 and 2012, respectively, as stock compensation awards. These common shares were valued at their approximate \$95,000 and \$36,000 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. 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 December 31, 2013 there were 31 participants, all with fully vested account balances. A total of 308,662 common shares with a cost of \$2,931,149, and 288,505 common shares with a cost of \$2,791,000 were held in the plan as of December 31, 2013 and June 30, 2013, 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 and for distributions to terminated employees. The Company does not issue new common shares for purposes of the non-qualified deferred compensation plan. The Company accounts for assets held in the non-qualified deferred compensation plan in accordance with Accounting Standards Codification Topic 710, Compensation — General. The Company used approximately \$149,800 and \$140,900 to purchase 20,157 and 20,922 common shares of the Company in the open stock market during the six months ended December 31, 2013 and 2012, respectively, for either employee salary deferrals or Company contributions into the non-qualified deferred compensation plan. For fiscal year 2014, the Company estimates the Rabbi Trust for the Nonqualified Deferred Compensation Plan will make net repurchases in the range of 22,000 to 25,000 common shares of the Company. The Company does not currently repurchase its own common shares for any other purpose.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

<i>(In thousands)</i>	Six Months Ended	
	December 31 2013	2012
Cash payments:		
Interest	\$38	\$57
Income taxes	\$690	\$3,157
Issuance of common shares as compensation	\$96	\$36

NOTE 12 - COMMITMENTS AND CONTINGENCIES

As part of the acquisition of Virticus Corporation on March 19, 2012, a contingent Earn-Out liability of \$877,000 was recorded based on the fair value of estimated Earn-Out payments. This discounted liability is to be paid over a five year period, contingent upon reaching certain sales in each year over the five year period (fiscal year 2013 through fiscal year 2017). In December 2012, as a result of modified sales forecasts for LSI Virticus, the fair value of the Earn-Out liability was adjusted to \$218,000. In June 2013, another revised forecast was provided which in turn reduced the remaining Earn-Out liability to zero. In addition to the \$877,000 reversal of the Earn-Out liability, which

was recorded in selling and administrative expenses in Corporate and Eliminations, \$20,000 of accrued interest expense was also reversed. As of December 31, 2013, the maximum potential undiscounted liability related to the Earn-Out is \$4 million. This would be based upon the achievement of a defined level of sales of lighting control systems in fiscal years 2014 through 2017. The likelihood of this occurring is not considered probable.

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 December 31, 2013, there were no standby letter of credit agreements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's condensed consolidated financial statements, accompanying notes and the "Safe Harbor" Statement, each as appearing earlier in this report, should be referred to in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Net Sales by Business Segment

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2013	2012	2013	2012
Lighting Segment	\$57,380	\$53,743	\$116,851	\$109,534
Graphics Segment	12,954	10,532	26,962	21,277
Electronic Components Segment	4,073	4,959	9,153	10,713
All Other Category	1,716	1,848	3,643	4,277
	\$76,123	\$71,082	\$156,609	\$145,801

Operating Income (Loss) by Business Segment

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2013	2012	2013	2012
Lighting Segment	\$2,157	\$2,477	\$5,968	\$6,990
Graphics Segment	(275)	(1,140)	(112)	(1,495)
Electronic Components Segment	1,041	(1,559)	2,013	(773)
All Other Category	124	(1,429)	128	(1,431)
Corporate and Eliminations	(1,536)	(1,058)	(3,647)	(2,973)
	\$1,511	\$(2,709)	\$4,350	\$318

Summary Comments

Fiscal 2014 second quarter net sales of \$76,123,000 increased \$5.0 million or 7.1% as compared to second quarter fiscal 2013. Net sales were favorably influenced by increased net sales of the Lighting Segment (up \$3.6 million or 6.8%), and increased net sales of the Graphics Segment (up \$2.4 million or 23.0%). Net sales were unfavorably influenced by decreased net sales of the Electronic Components Segment (down \$0.9 million or 17.9%) and decreased

net sales of the All Other Category (down \$0.1 million or 7.1%).

Fiscal 2014 first half net sales of \$156,609,000 increased \$10.8 million or 7.4% as compared to the same period of fiscal 2013. Net sales were favorably influenced by increased net sales of the Lighting Segment (up \$7.3 million or 6.7%) and increased net sales of the Graphics Segment (up \$5.7 million or 26.7%). Net sales were unfavorably influenced by decreased net sales of the Electronic Components Segment (down \$1.6 million or 14.6%) and decreased net sales of the All Other Category (down \$0.6 million or 14.8%).

Fiscal 2014 second quarter operating income of \$1,511,000 increased \$4.2 million from an operating loss of \$(2,709,000) in the same period the prior year. The \$4.2 million increase from an operating loss in fiscal 2013 to an operating profit in fiscal 2014 was the net result of increased net sales, an increase in gross profit as a percentage of net sales from 19.5% in the second quarter of fiscal 2013 to 22.0% in the second quarter of fiscal 2014, an inventory reserve of \$1.2 million against inventory deemed technologically obsolete and no longer useable at our Canadian operation in fiscal 2013 with no comparable expense in fiscal 2014, a small increase in selling and administrative expenses, a reduction of the contingent earn-out liability related to the Virticus acquisition (\$0.7 million as further discussed in Note 12) in fiscal 2013 with no comparable reduction of expense in fiscal 2014, and a goodwill impairment expense of \$2.1 million in fiscal 2013 with no comparable expense in fiscal 2014.

Fiscal 2014 first half operating income of \$4,350,000 increased \$4.0 million from operating income of \$318,000 in the same period the prior year. The \$4.0 million increase in operating income was the net result of increased net sales, an increase in gross profit as a percentage of net sales from 21.8% in the first half of fiscal 2013 to 22.9% in the first half of fiscal 2014, an inventory reserve of \$1.2 million against inventory deemed technologically obsolete and no longer useable at our Canadian operation in fiscal 2013 with no comparable expense in fiscal 2014, an increase in selling and administrative expenses primarily due to an increase in sales commissions, a reduction of the contingent earn-out liability related to the Virticus acquisition (\$0.7 million as further discussed in Note 12) in fiscal 2013 with no comparable reduction of expense in fiscal 2014, and a goodwill impairment expense of \$2.1 million in fiscal 2013 with no comparable expense in fiscal 2014.

The Company's total net sales of products and services related to solid-state LED technology in light fixtures and video screens for sports, advertising and entertainment markets have been recorded as indicated in the table below. In addition, the Company sells certain elements of graphic identification programs that contain solid-state LED light sources.

<i>(In thousands)</i>	LED Net Sales				
	FY 2014	FY 2013	% Change		
First Quarter	\$25,293	\$23,809	6.2	%	
Second Quarter	27,466	18,724	46.7	%	
First Half	52,759	42,533	24.0	%	
Third Quarter		18,794			
Nine Months		61,327			
Fourth Quarter		18,305			
Full Year		\$79,632			

LED net sales include sales of LED lighting products, certain graphics products containing LEDs, and LED video and sports screens. Second quarter fiscal 2014 LED net sales of \$27,466,000 were up \$8.7 million or 46.7% from the same period of the prior year. The \$27,466,000 total LED net sales and the \$8.7 million increase are primarily the net result of Lighting Segment LED net sales of \$26.7 million (up \$8.4 million or 45.8%), which is comprised of \$25.5 million of light fixtures having solid-state LED technology and \$1.1 million related to video screens and Graphics Segment LED net sales of \$0.8 million (up \$0.4 million or 131%). LED net sales to the All Other Category LED were negligible in the second quarter of fiscal 2014 and were down from sales of \$0.1 million during the same period of the prior year. First half fiscal 2014 total LED net sales of \$52,759,000 were \$10.2 million or 24.0% higher than the same period of the prior year. The \$52,759,000 total LED net sales and the \$10.2 million increase are primarily the result of Lighting Segment LED net sales of \$50.5 million (up \$8.6 million or 20.6%), which is comprised of \$48.7 million of light fixtures having solid-state LED technology and \$1.8 million related to video screens, Graphics Segment LED net sales of \$1.5 million (up \$0.9 million or 172%), and All Other Category LED net sales of \$0.8 million (up \$0.7 million or 536%).

Non-GAAP Financial Measures

The Company believes it is appropriate to evaluate its performance after making adjustments to the as-reported U.S. GAAP net income (loss). Adjusted net income (loss) and earnings (loss) per share, which exclude the impact of the reduction of a contingent earn-out liability and goodwill impairments, are non-GAAP financial measures. We believe that these adjusted supplemental measures are useful in assessing the operating performance of our business. These supplemental measures are used by our management, including our chief operating decision maker, to evaluate business results. We exclude these items because they are not representative of the ongoing results of operations of our business. Below is a reconciliation of this non-GAAP measure to net income (loss) for the periods indicated.

(In thousands, except per share data; unaudited)

	Second Quarter FY 2014		Second Quarter FY 2013	
	Amount	Diluted EPS	Amount	Diluted EPS
Reconciliation of net income (loss) to adjusted net income (loss):				
Net income (loss) and earnings (loss) per share as reported	\$870	\$ 0.04	\$(2,450)	\$(0.10)
Adjustment for the reduction of a contingent Earn-Out liability, inclusive of the income tax effect	--	--	(511) ⁽¹⁾	(0.02)
Adjustment for goodwill impairment, inclusive of the income tax effect	--	--	1,552 ⁽²⁾	0.06
Adjusted net income (loss) and earnings (loss) per share	\$870	\$ 0.04	\$(1,409)	\$(0.06)

(In thousands, except per share data; unaudited)

	First Half FY 2014		First Half FY 2013	
	Amount	Diluted EPS	Amount	Diluted EPS
Reconciliation of net income (loss) to adjusted net income (loss):				
Net income (loss) and earnings (loss) per share as reported	\$2,735	\$ 0.11	\$(620)	\$(0.03)
Adjustment for the reduction of a contingent Earn-Out liability, inclusive of the income tax effect	--	--	(511)	(0.02)
Adjustment for goodwill impairment, inclusive of the income tax effect	--	--	1,552	0.06
Adjusted net income and earnings per share	\$2,735	\$ 0.11	\$421	\$0.02

The income tax effects of the adjustments in the tables above were calculated using the estimated U.S. effective income tax rate for the period indicated. The income tax effects were as follows (in thousands):

⁽¹⁾ \$194

⁽²⁾ \$(589)

Results of Operations**THREE MONTHS ENDED DECEMBER 31, 2013 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2012****Lighting Segment**

<i>(In thousands)</i>	Three Months Ended December 31	
	2013	2012
Net Sales	\$57,380	\$53,743
Gross Profit	\$12,374	\$12,105
Operating Income	\$2,157	\$2,477

Lighting Segment net sales of \$57,380,000 in the second quarter of fiscal 2014 increased 6.8% from fiscal 2013 same period net sales of \$53,743,000. The Lighting Segment's net sales of light fixtures having solid-state LED technology totaled \$25.5 million in the second quarter of fiscal 2014, representing an \$8.0 or 45.5% increase from fiscal 2013 second quarter net sales of solid-state LED light fixtures of \$17.5 million. There was a reduction in the Company's traditional lighting sales (metal halide and fluorescent light sources) from fiscal 2013 to fiscal 2014 as customers converted from traditional lighting to light fixtures having solid-state LED technology. The Lighting Segment's net sales related to LED video screens totaled \$1.1 million in the second quarter of fiscal 2014, representing a \$0.4 million or 51.3% increase from fiscal 2013 second quarter net sales of \$0.7 million.

Gross profit of \$12,374,000 in the second quarter of fiscal 2014 increased \$0.3 million or 2.2% from the same period of fiscal 2013, and decreased from 22.2% to 21.2% as a percentage of Lighting Segment net sales (customer plus inter-segment net sales). The increase in the amount of gross profit at a lower gross margin percentage is due to the net effect of increased net sales, competitive pricing pressures, manufacturing inefficiencies due to the introduction of several new LED lighting fixtures coupled with a strong demand for these fixtures, increased freight expense partially due to expediting past due customer shipments, increased employee compensation and wage expense (\$0.6 million), increased supplies (\$0.1 million), increased repairs and maintenance expense (\$0.1 million), increased outside service expense (\$0.1 million), decreased customer relations expense (\$0.1 million), and increased warranty expense (\$0.3 million). The surge in demand for LED fixtures along with the challenges to meet our customers' delivery schedules has created a large growth in our past due backlog. Improvements have been made in the operations to remove bottlenecks and reduce the past due backlog. The results of these efforts are likely to occur in the second half of fiscal 2014.

Selling and administrative expenses of \$10,217,000 in the second quarter of fiscal year 2014 increased \$0.6 million from the same period of fiscal 2013 primarily as the net result of decreased employee compensation and benefits expense (\$0.1 million), increased outside service expense (\$0.2 million), increased research and development expense (\$0.6 million), increased sales commission (\$0.2 million), decreased amortization expense (\$0.4 million), and decreased bad debt expense (\$0.1 million).

The Lighting Segment second quarter fiscal 2014 operating income of \$2,157,000 decreased \$0.3 million or 12.9% from operating income of \$2,477,000 in the same period of fiscal 2013. This decrease of \$0.3 million was primarily the net result of increased net sales, a decrease in the gross margin as a percentage of sales, and increased selling and administrative expenses.

Graphics Segment

<i>(In thousands)</i>	Three Months	
	Ended	
	December 31	
	2013	2012
Net Sales	\$ 12,954	\$ 10,532
Gross Profit	\$ 2,049	\$ 1,203
Operating (Loss)	\$(275)	\$(1,140)

Graphics Segment net sales of \$12,954,000 in the second quarter of fiscal 2014 increased 23.0% from fiscal 2013 same period net sales of \$10,532,000. The \$2.4 million increase in Graphics Segment net sales is the net result of image conversion programs and sales to seven petroleum / convenience store customers (\$3.2 million net increase), two grocery retailers (\$1.4 million decrease), two national drug store retailers (\$0.6 million net increase), two quick service restaurant chains (\$0.3 million net increase), and changes in volume or completion of several other graphics programs (\$0.3 million net decrease). The Graphics Segment net sales of graphic identification products that contain solid-state LED light sources and LED lighting for signage totaled \$0.8 million in the second quarter of fiscal 2014, representing a \$0.4 million or 131% increase from fiscal 2013 net sales of \$0.3 million.

Gross profit of \$2,049,000 in the second quarter of fiscal 2014 increased \$0.8 million or 70.3% from the same period of fiscal 2013. Gross profit as a percentage of Segment net sales (customer plus inter-segment net sales) increased from 11.0% in the second quarter of fiscal 2013 to 15.6% in the second quarter of fiscal 2014. The change in the amount of gross profit is due to the net effect of increased net sales, improved margins on installation net sales, increased freight costs (\$0.3 million), and decreased employee compensation and benefit expense (\$0.2 million).

Selling and administrative expenses of \$2,324,000 in the second quarter of fiscal 2014 were slightly lower than selling and administrative expenses of \$2,343,000 in the second quarter of fiscal 2013. The \$0.1 million increase in employee compensation and benefits was equally offset by several small increases in other expenses.

The Graphics Segment second quarter fiscal 2014 operating loss of \$(275,000) decreased \$0.9 million from an operating loss of \$(1,140,000) in the same period of fiscal 2013. The \$0.9 million reduction in operating loss was primarily the result of an increase in gross profit from higher net sales.

Electronic Components Segment

<i>(In thousands)</i>	Three Months Ended December 31	
	2013	2012
Net Sales	\$4,073	\$4,959
Gross Profit	\$1,957	\$1,493
Operating Income (Loss)	\$1,041	\$(1,559)

Electronic Components Segment net sales of \$4,073,000 in the second quarter of fiscal 2014 decreased \$0.9 million or 17.9% from fiscal 2013 same period net sales of \$4,959,000. The \$0.9 million decrease in Electronic Components Segment net sales is primarily the net result of a \$0.4 million decrease in sales to the transportation market, a \$0.1 million decrease in sales to the telecommunication market, a \$0.2 million decrease in sales to original equipment manufacturers, and a \$0.2 million decrease in sales to various other markets. While the net customer sales decreased, the Electronic Components' inter-segment sales increased \$2.2 million or 30% due to increased intercompany demand of LED circuit board assemblies used in light fixtures having solid-state LED technology.

Gross profit of \$1,957,000 in the second quarter of fiscal 2014 increased \$0.5 million or 31.1% from the same period in fiscal 2013, and increased from 12.2% to 14.5% as a percentage of net sales (customer plus inter-segment net sales). The \$0.5 million increase in amount of gross profit is due to the net effect of decreased customer net sales, increased inter-segment sales, increased employee compensation and benefit expense (\$0.3 million), increased

supplies (\$0.1 million), and decreased warranty expense (\$0.1 million).

Selling and administrative expenses of \$916,000 in the second quarter of fiscal 2014 was level with fiscal 2013 selling and administrative expenses of \$911,000. A decrease in outside service expense of \$0.1 million was more than offset by a \$0.2 million increase in research and development expense, with a net decrease in all other expenses. In the second quarter of fiscal 2013, the Electronic Components Segment recorded a goodwill impairment expense of \$2.1 million with no comparable expense in fiscal 2014.

The Electronic Components Segment second quarter fiscal 2014 operating income of \$1,041,000 increased \$2.6 million from an operating loss of \$(1,559,000) in the same period of fiscal 2013. The \$2.6 million increase from an operating loss in fiscal 2013 to operating income in fiscal 2014 was the net result of decreased net customer sales, increased inter-segment sales, and a goodwill impairment charge of \$2.1 million in fiscal 2013 with no comparable expense in fiscal 2014.

All Other Category

<i>(In thousands)</i>	Three Months Ended December 31	
	2013	2012
Net Sales	\$1,716	\$1,848
Gross Profit (Loss)	\$543	\$(819)
Operating Income (Loss)	\$124	\$(1,429)

All Other Category net sales of \$1,716,000 in the second quarter of fiscal 2014 decreased \$0.1 million or 7.1% from fiscal 2013 net sales of \$1,848,000. The \$0.1 million decrease in the All Other Category net sales is primarily the net result of decreased sales of menu board systems (\$0.4 million) and increased project management net sales (\$0.3 million). While the net customer sales decreased, All Other Category inter-segment sales increased \$0.6 million or 46.8% due to increased intercompany project management support.

Gross profit of \$543,000 in the second quarter of fiscal 2014 is a \$1.4 million increase in gross profit compared to the gross loss of \$(819,000) in the same period of fiscal 2013. The \$1.4 million increase in gross profit is the net result of increased gross profit from increased intersegment sales partially offset by lower net customer sales, and an inventory reserve of \$1.2 million against inventory deemed technologically obsolete and no longer useable at our Canadian operation in fiscal 2013 with no comparable expense in fiscal 2014.

Selling and administrative expenses of \$419,000 in the second quarter of fiscal 2014 decreased \$0.2 million from the same period in fiscal year 2013. The decrease of \$0.2 million is primarily the result of decreased research and development expense (\$0.1 million).

The All Other Category second quarter fiscal 2014 operating income of \$124,000 increased \$1,553,000 compared to an operating loss of \$(1,429,000) in the same period of fiscal 2013. This \$1.6 million increase in operating income from an operating loss was the net result of decreased customer net sales, increased inter-segment sales, an obsolete inventory reserve in fiscal 2013 with no comparable expense in fiscal 2014, and decreased selling and administrative expenses.

Corporate and Eliminations

<i>(In thousands)</i>	Three Months Ended	
-----------------------	-----------------------	--

December 31
2013 2012

Gross (Loss)	\$(166)	\$(100)
Operating (Loss)	\$(1,536)	\$(1,058)

The gross (loss) relates to the intercompany profit in inventory elimination.

Administrative expenses of \$1,370,000 in the second quarter of fiscal 2014 increased \$0.4 million or 43.0% from the same period of the prior year. The increase in expense is primarily the net result of decreased employee compensation and benefit expense (\$0.1 million), an increase in depreciation expense (\$0.1 million), and a reduction of the contingent earn-out liability related to the Virticus acquisition (\$0.7 million as further discussed in Note 12) in fiscal 2013, with no comparable reduction of expense in fiscal 2014.

Consolidated Results

The Company reported net interest expense of \$12,000 in the second quarter of fiscal 2014 as compared to net interest income of \$18,000 in the same period of fiscal 2013. Commitment fees related to the unused portions of the Company's lines of credit and interest income on invested cash are included in both fiscal years. The major factor that contributed to this change from net interest income in fiscal 2013 to net interest expense in fiscal 2014 was the reduction of the accrued interest expense related to the fiscal 2013 reduction of the contingent earn-out liability associated with the Virticus acquisition with no comparable reduction of accrued interest expense in fiscal 2014.

The \$629,000 income tax expense in the second quarter of fiscal 2014 represents a consolidated effective tax rate of 42.0%. This is the net result of an income tax rate of 34.6% for the Company's U.S. operations influenced by certain permanent book-tax differences that were significant relative to the amount of taxable income, a valuation reserve against New York State tax credits, Canadian income tax credits, by a benefit related to uncertain income tax positions, and by a full valuation reserve on the Company's Canadian tax position. The \$241,000 income tax benefit in the second quarter of fiscal 2013 represents a consolidated effective tax rate of 9.0%. This is the net result of an income tax rate of 41.4% for the Company's U.S. operations influenced by certain permanent book-tax differences that were significant relative to the amount of taxable income, Canadian income tax credits, by a benefit related to uncertain income tax positions, and by a full valuation reserve on the Company's Canadian tax position.

The Company reported a net income of \$870,000 in the second quarter of fiscal 2014 as compared to a net loss of \$(2,450,000) in the same period of the prior year. The change in net income in the second quarter of fiscal 2014 from a net loss in the second quarter of fiscal 2013 is primarily the net result of increased net sales, increased gross profit largely due to increased net sales, a large fiscal 2013 inventory reserve against inventory deemed technologically obsolete with no comparable expense in fiscal 2014, increased selling and administrative expense, a fiscal 2013 goodwill impairment with no comparable expense in fiscal 2014, and income tax expense in fiscal 2014 compared to an income tax benefit in fiscal 2013. Diluted earnings per share of \$0.04 was reported in the second quarter of fiscal 2014 as compared to diluted loss per share of \$(0.10) in the same period of fiscal 2013. The weighted average common shares outstanding for purposes of computing diluted earnings per share in the second quarter of fiscal 2014 were 24,627,000 shares as compared to 24,391,000 shares in the same period last year.

SIX MONTHS ENDED DECEMBER 31, 2013 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2012

Lighting Segment

<i>(In thousands)</i>	Six Months Ended	
	December 31	
	2013	2012
Net Sales	\$116,851	\$109,534
Gross Profit	\$26,657	\$25,999
Operating Income	\$5,968	\$6,990

Lighting Segment net sales of \$116,851,000 in the first half of fiscal 2014 increased 6.7% from fiscal 2013 same period net sales of \$109,534,000. The Lighting Segment's net sales of light fixtures having solid-state LED technology totaled \$48.7 million in the first half of fiscal 2014, representing a 32.2% increase from first half fiscal 2013 net sales of solid-state LED light fixtures of \$36.9 million. There was a reduction in the Company's traditional lighting sales (metal halide and fluorescent light sources) from fiscal 2013 to fiscal 2014 as customers converted from traditional lighting to light fixtures having solid-state LED technology. The Lighting Segment's net sales related to LED video screens totaled \$1.8 million in the first half of fiscal 2014, representing a 63.9% decrease from first half fiscal 2013 net sales of \$5.0 million.

Gross profit of \$26,657,000 in the first half of fiscal 2014 increased \$0.7 million or 2.5% from the same period of fiscal 2013, and decreased from 23.4% to 22.5% as a percentage of Lighting Segment net sales (customer plus inter-segment net sales). The increase in amount of gross profit is due to the net effect of increased net sales, competitive pricing pressures, manufacturing inefficiencies due to the introduction of several new LED lighting fixtures coupled with a strong demand for these fixtures, increased freight expense partially due to expediting past due customer shipments, increased employee compensation and benefits expense (\$1.2 million), increased warranty costs (\$0.7 million), increased supplies (\$0.2 million), increased repairs and maintenance expense (\$0.1 million), increased

outside service expense (\$0.1 million), increased utility expense (\$0.1 million), and decreased customer relations expense (\$0.4 million). The surge in demand for LED fixtures along with the challenges to meet our customers' delivery schedules has created a large growth in our past due backlog. Improvements have been made in the operations to remove bottlenecks and reduce the past due backlog. The results of these efforts are likely to occur in the second half of fiscal 2014.

Selling and administrative expenses of \$20,689,000 in the first half of fiscal 2014 increased \$1.7 million or 8.8% from the same period of fiscal 2013 primarily as the net result of increased employee compensation and benefit expense (\$0.1 million), increased sales commission expense (\$1.2 million), increased research and development expense (\$0.9 million), increased outside service expense (\$0.3 million), decreased bad debt expense (\$0.2 million), increased inter-segment royalty income (\$0.1 million), and decreased amortization expense (\$0.9 million).

The Lighting Segment first half fiscal 2014 operating income of \$5,968,000 decreased \$1.0 million or 14.6% from operating income of \$6,990,000 in the same period of fiscal 2013. This decrease of \$1.0 million was the net result of increased net sales, a decrease in the gross margin as a percentage of sales, and increased selling and administrative expenses.

Graphics Segment

<i>(In thousands)</i>	Six Months Ended	
	December 31	
	2013	2012
Net Sales	\$26,962	\$21,277
Gross Profit	\$4,571	\$3,061
Operating (Loss)	\$(112)	\$(1,495)

Graphics Segment net sales of \$26,962,000 in the first half of fiscal 2014 increased 26.7% from fiscal 2013 same period net sales of \$21,277,000. The \$5.7 million increase in Graphics Segment net sales is primarily the net result of image conversion programs and sales to nine petroleum / convenience store customers (\$7.6 million net increase), two grocery retailers (\$3.3 million decrease), two national drug retailers (\$1.1 million net increase), the net result of three quick-service restaurant chains (\$0.9 million net increase), and changes in volume or completion of several other graphics programs (\$0.7 million net decrease). The Graphics Segment net sales of graphic identification products that contain solid-state LED light sources and LED lighting for signage totaled \$1.5 million in the first half of fiscal 2014 as compared to \$0.5 million in the same period of the prior year.

Gross profit of \$4,571,000 in the first half of fiscal 2014 increased \$1.5 million or 49.3% from the same period in fiscal 2013, and increased from 13.6% to 16.7% as a percentage of Graphics Segment net sales (customer plus inter-segment net sales). The increase in the amount of gross profit is due to the net effect of increased net sales, improved margins on installation sales, increased freight expense, and increased compensation and benefit expense (\$0.1 million).

Selling and administrative expenses of \$4,683,000 in the first half of fiscal 2014 increased \$0.1 million or 2.8% from the same period of fiscal 2013 primarily as a result of increased compensation and benefit expense (\$0.2 million).

The Graphics Segment first half fiscal 2014 operating loss of \$(112,000) decreased from an operating loss of \$(1,495,000) in the same period of fiscal 2013 and is the net result of increased gross profit from higher net sales.

Electronic Components Segment

<i>(In thousands)</i>	Six Months	
	Ended	
	December 31	
	2013	2012
Net Sales	\$9,153	\$10,713
Gross Profit	\$3,898	\$3,237
Operating Income (Loss)	\$2,013	\$(773)

Electronic Components Segment net sales of \$9,153,000 in the first half of fiscal 2014 decreased 14.6% from fiscal 2013 same period net sales of \$10,713,000. The \$1.6 million decrease in Electronic Components Segment net sales is primarily the net result of a \$0.1 million decrease in sales to the telecommunications market, a \$0.8 million decrease in sales to the transportation market, a \$0.2 million increase in sales to the medical market, a \$0.3 million decrease in sales to original equipment manufacturers, and a \$0.6 million decrease in sales to various other markets. While the net customer sales decreased, the Electronic Components' inter-segment sales increased \$4.3 million or 31.8% due to increased intercompany demand of LED circuit board assemblies used in light fixtures having solid-state LED technology and due to increased intercompany demand for lighting controls.

Gross profit of \$3,898,000 in the first half of fiscal 2014 increased \$0.7 million or 20.4% from the same period of fiscal 2013, and increased from 13.3% to 14.4% as a percentage of Electronic Components Segment net sales (customer plus inter-segment net sales). The \$0.7 million increase in amount of gross profit is due to the net effect of decreased customer net sales, increased inter-segment sales, increased employee compensation and benefits expense (\$0.6 million), increased supplies (\$0.1 million), decreased outside service expense (\$0.2 million), and decreased warranty expense (\$0.2 million).

Selling and administrative expenses of \$1,885,000 in the first half of fiscal 2014 was level with the same period of fiscal 2013. An increase in research and development expense (\$0.3 million) was offset by a cost decrease in outside service expense (\$0.1 million) along with small cost decreases in other expenses. In the first half of fiscal 2013, the Electronic Components Segment recorded a goodwill impairment expense of \$2.1 million with no comparable expense in fiscal 2014.

The Electronic Components Segment first half fiscal 2014 operating income of \$2,013,000 increased \$2.8 million from an operating loss of \$(773,000) in the same period of fiscal 2013. The \$2.8 million change from an operating loss in fiscal 2013 to operating income in fiscal 2014 was the net result of decreased net customer sales, increased inter-segment sales, increased gross profit, and a goodwill impairment expense of \$2.1 million fiscal 2013 with no comparable expense in 2014.

All Other Category

<i>(In thousands)</i>	Six Months Ended December 31	
	2013	2012
Net Sales	\$3,643	\$4,277
Gross Profit (Loss)	\$1,079	\$(294)
Operating Income (Loss)	\$128	\$(1,431)

All Other Category net sales of \$3,643,000 in the first half of fiscal 2014 decreased \$0.6 million or 14.8% from fiscal 2013 net sales of \$4,277,000. The \$0.6 million decrease in the All Other Category net sales is primarily the net result of decreased sales of menu board systems (\$1.4 million) partially offset by increased net sales of LED video screen and specialty LED lighting sales to the Entertainment and other markets (\$0.7 million). While the net customer sales decreased, All Other Category inter-segment sales increased \$1.9 million or 86.0% due mostly to increased intercompany project management support.

The gross profit of \$1,079,000 in the first half of fiscal 2014 is a \$1.4 million increase compared to the gross loss of \$(294,000) in the same period of fiscal 2013. The change in gross profit between the first half gross loss of fiscal 2013 and the first half gross profit of fiscal 2014 is the net result of decreased customer net sales, increased inter-segment sales, and an inventory reserve \$1.2 million against inventory deemed technologically obsolete and no longer useable at our Canadian operation in fiscal 2013 with no comparable expense in fiscal 2014.

Selling and administrative expenses of \$951,000 in the first half of fiscal 2014 decreased \$0.2 million or 16.4% as compared to the same period of the prior year. The decrease in selling and administrative expenses is primarily the net result of decreased research and development expense (\$0.3 million) partially offset by increased employee compensation and benefits expense (\$0.1 million).

The All Other Category first half fiscal 2014 operating income of \$128,000 compares to an operating loss of \$(1,431,000) in the same period of fiscal 2013. This \$1.6 million change from an operating loss in fiscal 2013 to operating income in fiscal 2014 was the net result of decreased customer net sales, increased inter-segment sales, a

decrease in obsolete inventory expense, and decreased selling and administrative expenses.

Corporate and Eliminations

<i>(In thousands)</i>	Six Months	
	Ended	
	December 31	
	2013	2012
Gross (Loss)	\$(326)	\$(250)
Operating (Loss)	\$(3,647)	\$(2,973)

The negative gross profit (loss) relates to the intercompany profit in inventory elimination.

Selling and administrative expenses of \$3,321,000 in the first half of fiscal 2014 increased \$0.6 million or 22.0% as compared to the same period of the prior year. The \$0.6 million increase is the net result of increased repairs and maintenance expense (\$0.1 million), increased depreciation expense (\$0.1 million), and a reduction of the contingent earn-out liability related to the Virticus acquisition (\$0.7 million as further discussed in Note 12) in fiscal 2013, with no comparable reduction in expense in fiscal 2014.

Consolidated Results

The Company reported net interest expense of \$24,000 in the first half of fiscal 2014 as compared to net interest expense of \$2,000 in the same period of fiscal 2013. Commitment fees related to the unused portions of the Company's lines of credit and interest income on invested cash are included in both fiscal years. The major factor that contributed to the increase in net interest expense from fiscal 2013 to fiscal 2014 was related to the fiscal 2013 reduction of the accrued interest expense related to the reduction of the contingent earn-out liability associated with the Virticus acquisition, with no comparable reduction of accrued interest expense in fiscal 2014.

The \$1,591,000 income tax expense in the first half of fiscal 2014 represents a consolidated effective tax rate of 36.8%. This is the net result of an income tax rate of 34.6% for the Company's U.S. operations, influenced by certain permanent book-tax differences that were significant relative to the amount of taxable income, by certain U.S. federal and Canadian income tax credits, by a benefit related to uncertain income tax positions, and by a full valuation reserve on the Company's Canadian tax position. The \$936,000 income tax expense in the first half of fiscal 2013 represents a consolidated effective tax rate greater than 100%. This is the net result of an income tax rate of 41.4% for the Company's U.S. operations, influenced by certain permanent book-tax differences that were significant relative to the amount of taxable income, by certain U.S. federal and Canadian income tax credits, by a benefit related to uncertain income tax positions, and most notably by a full valuation reserve on the Company's Canadian tax position. Losses on the Company's Canadian operation were greater than the profits recognized on the Company's U.S operations thereby contributing to the effective tax rate in excess of 100%.

The Company reported net income of \$2,735,000 in the first half of fiscal 2014 as compared to a net loss of \$(620,000) in the same period of the prior year. The change in net income from a net loss in fiscal 2013 to net income in fiscal 2014 is primarily the net result of increased net sales, increased gross profit, a large fiscal 2013 inventory reserve against inventory deemed technologically obsolete with no comparable expense in fiscal 2014, increased operating expenses, decreased goodwill impairment expense, and increased income tax expense. Diluted earnings per share of \$0.11 was reported in the first half of fiscal 2014 as compared to diluted loss per share of \$(0.03) in the same period of fiscal 2013. The weighted average common shares outstanding for purposes of computing diluted earnings per share in the first half of fiscal 2014 was 24,530,000 shares as compared to 24,382,000 shares in the same period last year.

Liquidity and Capital Resources

The Company considers its level of cash on hand, borrowing capacity, current ratio and working capital levels to be its most important measures of short-term liquidity. For long-term liquidity indicators, the Company believes its ratio of long-term debt to equity and its historical levels of net cash flows from operating activities to be the most important measures.

At December 31, 2013, the Company had working capital of \$77.4 million, compared to \$76.7 million at June 30, 2013. The ratio of current assets to current liabilities was 3.73 to 1 as compared to a ratio of 3.93 to 1 at June 30, 2013. The \$0.7 million increase in working capital from June 30, 2013 to December 31, 2013 was primarily related to the net effect of increased cash and cash equivalents (\$3.0 million), increased other current assets (\$0.6 million), and increased net inventory (\$5.1 million), partially offset by an increase in accrued expenses (\$1.8 million), a decrease in accounts receivable (\$4.9 million), a decrease in refundable income taxes (\$1.1 million), and an increase in accounts payable (\$0.4 million). The Company has a strategy of aggressively managing working capital, including reduction of the accounts receivable days sales outstanding (DSO) and reduction of inventory levels, without reducing service to its customers.

The Company provided \$8.5 million of cash from operating activities in the first half of fiscal 2014 as compared to a generation of cash of \$9.7 million in the same period of the prior year. This \$1.1 million decrease in net cash flows from operating activities is primarily the net result of a greater increase in inventory (unfavorable change of \$1.9 million), a decrease rather than an increase in refundable income tax (favorable change of \$2.3 million), an increase rather than a decrease in customer prepayments (favorable change of \$2.7 million), a greater decrease in accrued expenses and other (unfavorable change of \$0.8 million), a smaller decrease in accounts receivable (unfavorable change of \$2.5 million), a decrease in the inventory obsolescence reserve (unfavorable change of \$1.4 million), a decrease in goodwill impairment expense (unfavorable change of \$2.1 million), a decrease in depreciation and amortization expense (unfavorable change of \$0.7 million), and a change from a net loss to net income (favorable change of \$3.4 million).

Net accounts receivable were \$41.1 million and \$46.0 million at December 31, 2013 and June 30, 2013, respectively. The decrease of \$4.9 million in net receivables is primarily due to lower DSO which decreased to 53 days at December 31, 2013 from 60 days at June 30, 2013. The Company believes that its receivables are ultimately collectible or recoverable, net of certain reserves, and that aggregate allowances for doubtful accounts are adequate.

Net inventories of \$47.2 million at December 31, 2013 increased \$5.1 million from June 30, 2013 levels. Based on a strategy of balancing inventory reductions with customer service and the timing of shipments, net inventory increases occurred in the first half of fiscal 2014 in the Lighting Segment of approximately \$3.4 million and the Electronic Components Segment of approximately \$2.1 million, and a net inventory decrease occurred in the Graphics Segment of approximately \$0.2 million.

Cash provided from operations and borrowing capacity under two line of credit facilities are the Company's primary source of liquidity. The Company has an unsecured \$30 million revolving line of credit with its U.S. bank group, with all of the \$30 million of the credit line available as of January 24, 2014. This line of credit is a \$30 million three year committed credit facility expiring in the third quarter of fiscal 2016. Additionally, the Company has a separate \$5 million line of credit, renewable annually in the third fiscal quarter, for the working capital needs of its Canadian subsidiary, LSI Saco Technologies. As of January 24, 2014, all \$5 million of this line of credit was available. The Company believes that \$35 million total lines of credit plus cash flows from operating activities are adequate for the Company's fiscal 2014 operational and capital expenditure needs. The Company is in compliance with all of its loan covenants.

The Company used \$2.7 million of cash related to investing activities in the first half of fiscal 2014 as compared to a use of \$3.1 million in the same period of the prior year, resulting in a favorable change of \$0.4 million. Capital expenditures for the first half of fiscal 2014 decreased \$0.4 million to \$2.7 million from the same period in fiscal 2013. The largest components of the fiscal 2014 capital expenditures were the upgrade to the Company's ERP software and tooling and equipment related to the Company's Lighting Segment.

The Company used \$2.9 million of cash related to financing activities in the first half of fiscal 2014 and \$7.3 million in the first half of fiscal 2013. The primary change between the two years is attributable to a decrease in dividend payments. In December 2012, the Board of Directors took action to accelerate the payment of the fiscal 2013 second quarter regular quarterly cash dividend, and approved an additional cash dividend above and beyond the regular quarterly dividend. There was no similar dividend payment in the first half of fiscal 2014.

The Company has, or could have, on its balance sheet financial instruments consisting primarily of cash and cash equivalents, short-term investments, revolving lines of credit, and 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.

Off-Balance Sheet Arrangements

The Company has no financial instruments with off-balance sheet risk and has no off-balance sheet arrangements.

Cash Dividends

In January 2014, the Board of Directors declared a regular quarterly cash dividend of \$0.06 per share payable February 11, 2014 to shareholders of record as of February 4, 2014. The indicated annual cash dividend rate for fiscal 2014 is \$0.24 per share. The Company's cash dividend policy is that the indicated annual dividend rate will be set between 50% and 70% of the expected net income for the current fiscal year. Consideration will also be given by the Board to special year-end cash or stock dividends. The declaration and amount of any cash and stock dividends will be determined by the Company's Board of Directors, in its discretion, based upon its evaluation of earnings, cash flow, capital requirements and future business developments and opportunities, including acquisitions.

Critical Accounting Policies and Estimates

The Company is required to make estimates and judgments in the preparation of its financial statements that affect the reported amounts of assets, liabilities, revenues and expenses, and related footnote disclosures. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The Company continually reviews these estimates and their underlying assumptions to ensure they remain appropriate. The Company believes the items discussed below are among its most significant accounting policies because they utilize estimates about the effect of matters that are inherently uncertain and therefore are based on management's judgment. Significant changes in the estimates or assumptions related to any of the following critical accounting policies could possibly have a material impact on the financial statements.

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 collectibility is reasonably assured. Revenue is typically recognized at time of shipment. In certain arrangements with customers, as is the case with the sale of some of our solid-state LED video screens, revenue is recognized upon customer acceptance of the video screen at the job site. 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 four 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 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. However, product revenue related to orders where the customer requires the Company to install the product is recognized when the product is installed. Other than normal product warranties or the possibility of installation or post-shipment service, support and maintenance of certain solid state LED video screens, billboards, or active digital signage, the Company has no post-shipment responsibilities.

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 have been installed at each retail site of the customer.

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

The Company evaluates the appropriateness of revenue recognition in accordance with Accounting Standards Codification (“ASC”) Subtopic 605-25, Revenue Recognition: Multiple-Element Arrangements. 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 ASC Subtopic 985-605, “Software: Revenue Recognition.” Our solid-state LED video screens, billboards and active digital signage contain software elements which the Company has determined are incidental and excluded from the scope of ASC Subtopic 985-605.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, "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 and liabilities 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 Company operates in multiple taxing jurisdictions and is subject to audit in these jurisdictions. The Internal Revenue Service and other tax authorities routinely review the Company's tax returns. These audits can involve complex issues which may require an extended period of time to resolve. In management's opinion, adequate provision has been made for potential adjustments arising from these examinations.

In September 2013, the Internal Revenue Service issued Treasury Decision 9636, which enacted final tax regulations regarding the capitalization and expensing of amounts paid to acquire, produce, or improve tangible property. The regulations also include guidance regarding the retirement of depreciable property. The regulations are required to be effective in taxable years beginning on or after January 1, 2014, although taxpayers may choose to apply them in taxable years beginning on or after January 1, 2012. The Company is currently assessing the impact of the final regulations on its financial statements.

The Company is recording estimated interest and penalties related to potential underpayment of income taxes as a component of tax expense in the Consolidated Statements of Operations. The reserve for uncertain tax positions is not expected to change significantly in the next twelve months.

Asset Impairment

Carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with ASC Topic 350, “Intangibles – Goodwill and Other.” The Company may first assess qualitative factors in order to determine if goodwill is impaired in accordance with ASU 2011 – 08, “Intangible – Goodwill and Other (Topic 350).” If through the qualitative assessment it is determined that it is more likely than not that goodwill is not impaired, no further testing is required. If it is determined that it is more likely than not that goodwill is 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, that 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.

Carrying values for long-lived tangible assets and definite-lived intangible assets, excluding goodwill and indefinite-lived intangible assets, are reviewed for possible impairment as circumstances warrant as required by ASC Topic 360, “Property, Plant, and Equipment.” Impairment reviews are conducted at the judgment of Company management when it believes that a change in circumstances in the business or external factors warrants a review. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the forecast for a product, changes in technology or in the way an asset is being used, a history of negative operating cash flow, or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. The Company’s initial impairment review to determine if a potential impairment charge is required is based on an undiscounted cash flow analysis at the lowest level for which identifiable cash flows exist. The analysis requires judgment with respect to changes in technology, the continued success of product lines and future volume, revenue and expense growth rates, and discount rates.

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 collectibility 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. The amount ultimately not collected may differ from the reserve

established, particularly in the case where percentages are applied against aging categories. In all cases, it is management's goal to carry a reserve against the Company's accounts receivable which is adequate based upon the information available at that time so that net accounts receivable is properly stated. The Company also establishes allowances, at the time revenue is recognized, for returns and allowances, discounts, pricing and other possible customer deductions. These allowances are based upon historical trends.

Warranty Reserves

The Company maintains a warranty reserve which is reflective of its limited warranty policy. The warranty reserve covers the estimated future costs to repair or replace defective product or installation services, whether the product is returned, scrapped or repaired in the field. The warranty reserve is first determined based upon known claims or issues, and then by the application of a specific percentage of sales to cover general claims. The percentage applied to sales to calculate general claims is based upon historical claims as a percentage of sales. Management addresses the adequacy of its warranty reserves on a quarterly basis to ensure the reserve is accurate based upon the most current information.

Inventory Reserves

The Company maintains an inventory reserve for probable obsolescence of its 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. Significant judgment is used to establish obsolescence reserves and management adjusts these reserves as more information becomes available about the ultimate disposition of the inventory item. Management values inventory at lower of cost or market.

New Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This amended guidance is intended to eliminate the diversity that is in practice with regard to the financial statement presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amended guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2013, or the Company's fiscal year 2015, with early adoption permissible. The adoption of this guidance is not expected to have a material impact on the financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Registrant's exposure to market risk since June 30, 2013. Additional information can be found in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, which appears on page 14 of the Annual Report on Form 10-K for the fiscal year ended June 30, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed as of December 31, 2013 under the supervision and with the participation of the Registrant's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures pursuant to Rule 13a-15(b) and 15d-15(b) promulgated under the Securities Exchange Act of 1934. Based upon this evaluation, the Registrant's Chief Executive Officer and Chief Financial Officer concluded that the Registrant's disclosure controls and procedures were effective as of December 31, 2013, in all material respects, to ensure that information required to be disclosed in the reports the Registrant files and submits under the Exchange Act are recorded, processed, summarized and reported as and when required.

Changes in Internal Control

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company does not purchase into treasury its own common shares for general purposes. However, the Company does purchase its own common shares, through a Rabbi Trust, in connection with investments of employee/participants of the LSI Industries Inc. Non-Qualified Deferred Compensation Plan. Purchases of Company common shares for this Plan in the first quarter of fiscal 2014 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/13 to 10/31/13	620	\$9.19	620	(1)
11/1/13 to 11/30/13	974	\$8.73	974	(1)
12/1/13 to 12/31/13	636	\$8.97	636	(1)
Total	2,230	\$8.93	2,230	(1)

All acquisitions of shares reflected above have been made in connection with the Company's Non-Qualified Deferred Compensation Plan, which has been authorized for 475,000 shares of the Company to be held in and distributed by the Plan. At December 31, 2013, the Plan held 308,662 common shares of the Company and had distributed 132,389 common shares.

ITEM 6. EXHIBITS

Exhibits

31.1 Certification of Principal Executive Officer required by Rule 13a-14(a)

31.2 Certification of Principal Financial Officer required by Rule 13a-14(a)

32.1 Section 1350 Certification of Principal Executive Officer

32.2 Section 1350 Certification of Principal Financial Officer

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LSI Industries Inc.

By: /s/ Robert J. Ready
Robert J. Ready
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Ronald S. Stowell
Ronald S. Stowell
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

January 31, 2014