Consolidated Results

The Company reported $1.7 million of net interest expense in fiscal 2018 compared to net interest expense of $529,000 in fiscal 2017. The increase in interest expense is the result of borrowing against the Company's line of credit to acquire Atlas in February 2017. Fiscal 2018 represents twelve months of interest expense whereas fiscal 2017 represents slightly more than four months of interest expense.

The $3,791,000 tax benefit in fiscal 2018 represents a consolidated effective rate of 16.3%. This is the net result of an overall income tax rate of 27.6% adjusted by the $3.3 million tax expense to revalue the Company's deferred tax assets due to the Tax Cuts and Jobs Act, and by certain permanent book-tax differences and adjustments related to uncertain income tax positions. The $80,000 income tax expense in fiscal 2017 represents a consolidated effective tax rate of 2.6% influenced by certain permanent book-tax differences, by a benefit related to uncertain income tax positions, a tax benefit related to disqualifying dispositions, and the reduction of the valuation reserve related to the sale of the Kansas City facility.

The Company reported a net loss of $(19,541,000) in fiscal 2018 as compared to net income of $3,000,000 in the same period of the prior year. The change between net income in fiscal 2017 to a net loss in fiscal 2018 is mostly driven by the $3.3 million expense in fiscal 2018 related to the re-valuation of the Company's deferred tax assets, by the goodwill impairment, and by the transition and re-alignment costs. Also contributing to the year-over-year net change in net income are increased net sales, increased gross profit and an improvement of gross profit as a percentage of sales, increased selling and administrative expenses, and acquisition deal costs and restructuring and plant closure costs in fiscal 2017 with no comparable costs in fiscal 2018. Diluted loss per share of $(0.76) was reported in fiscal 2018 as compared to $0.12 diluted earnings per share in the same period of fiscal 2017. The weighted average common shares outstanding for purposes of computing diluted earnings per share for fiscal 2018 were 25,866,000 shares as compared to 25,988,000 shares in the same period last year.

Results of Operations

2017 Compared to 2016

Lighting Segment

(In thousands)	2017	2016
Net Sales	$ 258,997	$ 244,228
Gross Profit	$ 64,265	$ 63,782
Operating Income	$ 14,116	$ 19,301

The Company acquired Atlas Lighting Products, Inc. (Atlas) on February 21, 2017. Atlas is a manufacturer of high-quality LED lighting products sold in the electrical distribution market. The operating results of Atlas beginning February 21, 2017 have been included in the Company's consolidated operating results and in the Lighting Segment results. Atlas contributed $17.8 million to net sales during fiscal 2017 since the date of acquisition.

Lighting Segment net sales of $258,997,000 in fiscal 2017 increased $14.8 million or 6.0% from fiscal 2016 net sales of $244,228,000. Comparable fiscal 2017 net sales excluding net sales from Atlas decreased by $3.1 million or 1.3% from fiscal 2016. The Lighting Segment's net sales of light fixtures having solid-state LED technology totaled $175.2 million in fiscal 2017, representing a $29.8 million or 20.5% increase from fiscal 2016 net sales of solid-state LED light fixtures of $145.4 million. Light fixtures having solid-state LED technology represented 81.1% of total lighting product net sales in fiscal 2017 compared to 67.3% of total lighting product net sales in fiscal 2016. Total lighting product net sales includes all lighting fixtures sold and excludes sales related to installation and shipping and handling. There was a reduction in the Company's traditional lighting sales (metal halide and fluorescent light sources) from fiscal 2016 to fiscal 2017 as customers continued to convert from traditional lighting to light fixtures having solid-state LED technology**.**

Gross profit of $64,265,000 in fiscal 2017 increased $0.5 million or 0.8% from fiscal 2016, and decreased from 25.8% to 24.6% as a percentage of Lighting Segment net sales (customer plus inter-segment net sales). The Company incurred restructuring and plant closure costs, including the write-down of inventory, that were recorded in cost of sales related to the closure of the Kansas City, Kansas manufacturing facility and the Beaverton, Oregon facility of $1,544,000 in fiscal 2017 with no comparable costs in fiscal 2016. The Lighting Segment's gross profit was also influenced by the net effect of increased net sales due to the acquisition of Atlas, improved manufacturing efficiencies as a result of the Company's lean initiatives,

competitive pricing pressures, product mix, and rapid and significant inflationary pressures including the rising cost of steel, aluminum, copper, and other commodities. In fiscal 2017, the Company announced price increases for all lighting and pole products in order to attempt to offset the rapid and significant material price inflation across several commodities. While the Company experienced material price inflation of 5% to 6%, price increases with customers did not fully offset the commodity price increases.

Selling and administrative expenses of $50,149,000 in fiscal 2017 increased $5.7 million or 12.7% from fiscal 2016. Comparable expenses excluding Atlas increased $1.4 million 3.2% in fiscal 2017 from the same period of fiscal 2016. The more notable year-over-year changes impacting the $5.7 million increase in selling and administrative expenses are increased employee compensation and benefits expense ($1.6 million), increased intangible asset amortization expense due to the increase in intangible assets resulting from the acquisition of Atlas ($0.7 million), and increased commission expense ($3.2 million). Also contributing to the increase in selling and administrative expenses are restructuring and plant closure costs of $137,000 related to the closure of the Kansas City, Kansas manufacturing facility and the Beaverton, Oregon facility that were recorded in fiscal 2017 with no comparable costs in fiscal 2016, and a gain on the sale of the Kansas City facility of $1,361,000 with no comparable event in fiscal 2016.

The Lighting Segment fiscal 2017 operating income of $14,116,000 decreased $5.2 million or 26.9% from operating income of $19,301,000 in fiscal 2016. The decrease of $5.2 million was the net result of increased net sales, an increase in gross profit, increased selling and administrative expenses, restructuring and plant closure costs, and related inventory write-downs of $1.7 million with no comparable costs in fiscal 2016, and a gain on the sale of the Kansas City facility of $1.4 million with no comparable event in fiscal 2016.

Graphics Segment

(In thousands)		2017		2016
Net Sales	$	72,395	$	77,968
Gross Profit	$	17,113	$	19,526
Operating Income	$	2,439	$	5,246

Graphics Segment net sales of $72,395,000 in fiscal 2017 decreased $5.6 million or 7.1% from fiscal 2016 net sales of $77,968,000. The decrease in sales was due to a decrease in sales to the petroleum/convenience store market along with a decrease in sales to other markets partially offset by increased sales of SOAR, the Company's digital signage business.

Gross profit of $17,113,000 in fiscal 2017 decreased $2.4 million or 12.4% from fiscal 2016, and decreased from 24.5% to 23.3% as a percentage of Graphics Segment net sales (customer plus inter-segment net sales). The Company incurred restructuring and plant closure costs that were recorded in cost of sales related to the closure of the Woonsocket, Rhode Island manufacturing facility of $444,000. The remaining $1.9 million decrease in the amount of gross profit is due to the net effect of decreased net sales, significant inflationary pressures in several key commodities, a drop in customer installation sales related to the Company's traditional graphics of partially offset by higher margins on installation sales, decreased freight expense as a percentage of shipping and handling revenue, and decreased compensation and benefits expense ($0.6 million).

Selling and administrative expenses of $14,674,000 in fiscal 2017 increased $0.4 million or 2.8% from fiscal 2016. The primary reason for the increase in selling and administrative expenses in fiscal 2017 was intangible asset impairment expense of $479,000 related to a customer relationship intangible asset that was determined to be fully impaired with no comparable expenses in fiscal 2016. When the impact of the asset impairment is removed, selling and administrative expenses remained relatively flat.

Graphics Segment fiscal 2017 operating income of $2,439,000 decreased $2.8 million or 53.5% from fiscal 2016 and is the net result of decreased net sales, decreased gross profit and decreased gross profit as a percentage of net sales, restructuring and plant closure costs of $444,000 and intangible asset impairment expense of $479,000 both in fiscal 2017 with no comparable costs in fiscal 2016.

Corporate and Eliminations

(In thousands)	2017	2016
Gross Profit	$ 499	$ 363
Operating (Loss)	$ (12,946)	$ (10,591)

The gross profit relates to the intercompany profit in inventory elimination.

Administrative expenses of $13,452,000 in fiscal 2017 increased $2.5 million or 22.8% from the same period of the prior year. The $2.5 million change in administrative expenses is largely due to acquisition costs of $1,608,000 recorded in fiscal 2017 and restructuring costs of $0.1 million recorded in fiscal 2017 related to the consolidation of its Beaverton, Oregon facility into other LSI facilities, with no comparable costs in fiscal 2016. These restructuring expenses were primarily for severance costs for employees located in the Beaverton, Oregon facility that were previously included in corporate research and development expenses. The other more notable period-over-period changes are wage and benefit expenses (decrease of $0.6 million), outside service expense (increase of $0.5 million), and research and development expense ($0.3 million increase).

Consolidated Results

The Company reported net interest expense of $529,000 in fiscal 2017 compared to net interest income of $48,000 in fiscal 2016. The change from interest income in fiscal 2016 to interest expense in fiscal 2017 is the result of borrowing against the Company's line of credit to acquire Atlas. Commitment fees related to the unused portion of the Company's line of credit and interest income on invested cash are included in both fiscal years. The Company was in a positive cash position and was debt free for approximately the first eight and a half months of fiscal 2017 and generated interest income on invested cash. The Company was in a borrowing position beginning on February 21, 2017 as a result of the Atlas Lighting Products acquisition.

The $80,000 income tax expense in fiscal 2017 represents a consolidated effective tax rate of 2.6% influenced by certain permanent book-tax differences, by a benefit related to uncertain income tax positions, a tax benefit related to disqualifying dispositions, and the reduction of the valuation reserve related to the sale of the Kansas City facility. The $4,522,000 income tax expense in fiscal 2016 represents a consolidated effective tax rate of 32.3%, influenced by certain permanent book-tax differences, an $111,000 tax benefit related to the R&D tax credit, and by a tax benefit related to uncertain income tax positions.

The Company reported net income of $3,000,000 in fiscal 2017 compared to net income of $9,482,000 in the prior year. The $6.5 million decrease in net income is primarily the net result of increased net sales, decreased gross profit, increased operating expenses, restructuring and plant closure costs, intangible asset impairment expense, and acquisition and deal costs, all of which occurred in fiscal 2017 with no comparable cost in fiscal 2016, and lower income tax expense in fiscal 2017 compared to fiscal 2016. Diluted earnings per share of $0.12 was reported in fiscal 2017 as compared to diluted earnings per share of $0.37 in fiscal 2016. The weighted average common shares outstanding for purposes of computing diluted earnings per share in fiscal 2017 was 25,988,000 shares as compared to 25,592,000 shares in the prior 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 June 30, 2018, the Company had working capital of $67.9 million, compared to $61.7 million at June 30, 2017. The ratio of current assets to current liabilities was 2.61 to 1 as compared to a ratio of 2.36 to 1 at June 30, 2017. The $6.2 million increase in working capital from June 30, 2017 to June 30, 2018 was primarily related to the net effect of increased net accounts receivable ($1.7 million), increased net inventory ($1.0 million), a decrease in accounts payable ($1.4 million), an increase in other current assets ($0.5 million), an increase in refundable income taxes ($1.0 million), a decrease in accrued expenses ($1.8 million), and a decrease in assets held for sale of $1.5 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 generated $11.5 million of cash from operating activities in fiscal 2018 as compared to $21.3 million in fiscal 2017. This $9.8 million decrease in net cash flows from operating activities is primarily the net result of an increase rather than a decrease in net accounts receivable (unfavorable change of $6.9 million), a decrease rather than an increase in accounts payable (unfavorable change of $4.2 million), an increase rather than a decrease in net inventory (unfavorable change of $4.1 million), a smaller decrease in accrued expenses and other (favorable change of $1.7 million), and a change from net income in fiscal 2017 to a net loss in fiscal 2018 more than offset by an increase in non-cash items (favorable change of $4.0 million).

Net accounts receivable were $50.6 million and $48.9 million at June 30, 2018 and 2017, respectively. The increase of $1.7 million in net receivables is primarily due higher days sales outstanding (DSO). The DSO increased to 53 days at June 30, 2018 from 51 days at June 30, 2017. 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 $51.0 million at June 30, 2018 increased $1.0 million from June 30, 2017 levels. The increase of $1.0 million is the result of an increase in gross inventory of $1.8 million partially offset by an increase in inventory obsolescence reserves of $0.8 million. Based on a strategy of balancing inventory reductions with customer service and the timing of shipments, net inventory increases occurred in fiscal 2018 in the Graphics Segment of approximately $1.8 million partially offset by a drop in inventory in the Lighting Segment of approximately $0.8 million.

Cash generated from operations and borrowing capacity under the Company's line of credit is the Company's primary source of liquidity. The Company has a secured $100 million revolving line of credit with its bank, with $54.6 million of the credit line available as of August 19, 2018. This line of credit is a $100 million five year credit line expiring in the third quarter of fiscal 2022. The Company believes that its $100 million line of credit plus cash flows from operating activities are adequate for the Company's fiscal 2019 operational and capital expenditure needs. The Company is in compliance with all of its loan covenants.

The Company used cash of $1.9 million related to investing activities in fiscal 2018 as compared to a use of cash of $98.6 million in the same period from the prior year, resulting in a favorable change of $96.7 million. Capital expenditures for fiscal 2018 decreased $3.2 million to $3.4 million from the same period in fiscal 2017. The Company sold its Woonsocket manufacturing facility for $1.5 million in fiscal 2018 and sold its Kansas City manufacturing facility for $3.1 million in fiscal 2017. The Company acquired Atlas Lighting Products in the third quarter of fiscal 2017, which used cash of $95.1 million which was largely funded by the Company's revolving line of credit (refer to the explanation below regarding the Company's financing activities).

The Company used $9.5 million of cash related to financing activities in fiscal 2018 compared to a source of cash of $46.6 million in fiscal 2017. The $56.1 million unfavorable change in cash flow was primarily the result of the funding of the acquisition of Atlas through the Company's line of credit in fiscal 2017 and the partial pay-down of the line of credit in fiscal 2018.

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 except for the operating leases identified in the table below.

Contractual Obligations as of June 30, 2018 (a)(b)	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Lease Obligations	$ 12,390	$ 1,903	$ 3,757	$ 3,789	$ 2,941
Purchase Obligations	20,963	20,801	64	10	88
Total Contractual Obligations	$ 33,353	$ 22,704	$ 3,821	$ 3,799	$ 3,029

(a) The liability for uncertain tax positions of $0.7 million is not included due to the uncertainty of timing of payments.
(b) The $45.4 million borrowed against the revolving line of credit is not included due to the uncertainty of the timing of payments. The line of credit expires in the third quarter of fiscal 2022.

Cash Dividends

In August 2018, the Board of Directors declared a regular quarterly cash dividend of $0.05 per share payable September 4, 2017 to shareholders of record as of August 27, 2017. The indicated annual cash dividend rate for fiscal 2018 was $0.20 per share. The Board of Directors has adopted a policy regarding dividends which indicates that dividends will be determined by the Board of Directors in its discretion based upon its evaluation of earnings, cash flow requirements, financial condition, debt levels, stock repurchases, future business developments and opportunities, and other factors deemed relevant.

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 collectability is reasonably assured. Sales are recorded net of estimated returns, rebates and discounts. Amounts received from customers prior to the recognition of revenue are accounted for as customer pre-payments and are included in accrued expenses.

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

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

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

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

Revenue from the management of media content and digital hardware related to active digital signage is recognized evenly over the service period with the customer. Media content service periods with most customers range from 1 month to 1 year.

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

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

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

Income Taxes

The Company accounts for income taxes in accordance with the accounting guidance for income taxes. Accordingly, deferred income taxes are provided on items that are reported as either income or expense in different time periods for financial reporting purposes than they are for income tax purposes. Deferred income tax assets 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 has adopted ASU 2015-17, "Balance Sheet Classification of Deferred Taxes." As a result of adoption of this accounting guidance, prior periods have been re-classified, which only affected the financial statement presentation and not the measurement of deferred tax liabilities and 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 audits.

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

The Tax Cuts and Jobs Act was signed into law on December 22nd, 2017 and makes numerous changes to the Internal Revenue Code. Among other changes, the Act reduced the U.S. corporate income tax rate to 21% effective January 1, 2018. Because the Act became effective mid-way through the Company's tax year, the Company will have a U.S. statutory income tax rate of 27.6% for fiscal 2018, and will have a 21% U.S. statutory income tax rate for fiscal years thereafter. During fiscal 2018, the Company re-valued the deferred tax balances because of the change in U.S. tax rate resulting in a one-time deferred tax expense of $3.3 million.

Asset Impairment

Carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment in accordance with the accounting guidance on goodwill and intangible assets. The Company may first assess qualitative factors in order to determine if goodwill is impaired. 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 at the reporting unit level 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. The estimation of the fair value of goodwill and indefinite-lived intangible assets requires significant management judgment with respect to revenue and expense growth rates, changes in working capital and the selection and use of an appropriate discount rate. The

estimates of fair value of reporting units are based on the best information available as of the date of the assessment. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease an impairment charge. Company management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as adverse business conditions, a sustained drop in the Company's stock price, 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. 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 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 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 deductions. These allowances are based upon contractual terms and historical trends.

Warranty Reserves

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

Inventory Reserves

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

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 above 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.

New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued ASU 2014-09, "Revenue from Contracts with Customers." This amended guidance supersedes and replaces all existing U.S. GAAP revenue recognition guidance. The guidance established a new revenue recognition model, changes the basis for deciding when revenue is recognized, provides new and more detailed guidance on specific revenue topics, and expands and improves disclosures about revenue. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing." In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers: Narrow Scope Improvements and Practical Expedients." In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." These three standards clarify or improve guidance from ASU 2014-09 and are effective for fiscal years and interim periods within those years, beginning after December 15, 2017, or the Company's fiscal year 2019.

The Company has adopted the standard as of July 1, 2018 and applied the modified retrospective approach. The recognition of revenue from most product sales is largely unaffected by the new standard. However, the Company has changed the timing of recognition of certain product sales requiring installation. Under the new standard, revenue for the product portion of a sales order containing installation is recognized when shipment occurs. Additionally, revenue will be recognized on certain custom product orders when the product is produced and committed to inventory. The Company expects to recognize an approximate $0.6 million to $1.0 million cumulative effect of applying the new revenue standard as a credit adjustment to the 2018 opening balance of retained earnings. Effective July 1, 2018, the Company has implemented appropriate changes to policies, processes, systems, and controls to support revenue recognition and disclosures in accordance with the ASU 2014-09 guidance.

In July 2015, the Financial Accounting Standards Board issued ASU 2015-11, "Simplifying the Measurement of Inventory." The amended guidance requires an entity to measure in scope inventory at lower of cost and net realizable value. The amended guidance is effective for fiscal years beginning after December 15, 2016, or the Company's fiscal 2018. We adopted the new accounting standard in the first quarter of fiscal 2018 and there was no material impact on the Company's consolidated financial statements.

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

In March 2016, the Financial Accounting Standards Board issued ASU 2016-08, "Principal versus Agent Considerations." The amendment is intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The amended guidance is effective for financial statements issued for fiscal and interim periods within those years, beginning after December 15, 2017, or the Company's fiscal 2019, with early adoption permitted in fiscal years beginning after December 15, 2016. The Company has determined the amended guidance will have an immaterial impact on its financial statements.

In January 2017, the Financial Accounting Standards Board issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment", which simplifies the testing for goodwill impairment by eliminating a previously required step. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2019, or the Company's fiscal 2021. Early adoption of the accounting standard is permitted, and the Company elected to adopt this standard early. (See Footnote 6)

In March 2016, the Financial Accounting Standards Board issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." This amended guidance simplifies several aspects of the accounting for share-based payment award transactions. The amended guidance is effective for financial statements issued for fiscal and interim periods within those years, beginning after December 15, 2016, or the Company's fiscal 2018. We adopted this standard on July 1, 2017 and recognized a tax detriment of $292,000 in income tax expense during the twelve months ended June 30, 2018. The amount may not necessarily be indicative of future amounts that may be recognized as any excess tax benefits recognized would be dependent on future stock price, employee exercise behavior and applicable tax rates. Prior to July 1, 2017, excess tax benefits

were recognized in additional paid-in capital. Additionally, excess tax benefits are now included in net cash flows provided by operating activities rather than net cash flows provided by financing activities in the Company's Consolidated Statement of Cash Flows. The treatment of forfeitures has not changed, as the Company is electing to continue the current process of estimating forfeiture at the time of grant. The Company had no unrecognized excess tax benefits from prior periods to record upon the adoption of this ASU.

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This amendment provides additional guidance on the measurement of expected credit losses for financial assets based on historical experience, current conditions, and supportable forecasts. The amended guidance is effective for financial statements issued for fiscal and interim periods within those years, beginning after December 15, 2019, or the Company's fiscal 2021. The Company is evaluating the impact of the amended guidance and the anticipated impact to the financial statements is not material.

In August 2016, the Financial Accounting Standards Board issued ASU 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments," which provides cash flow classification guidance for certain cash receipts and cash payments. This standard is effective for financial statements issued for fiscal years beginning after December 15, 2017, or the Company's fiscal 2019. The Company is evaluating the impact the amended guidance will have on its financial statements.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management of LSI Industries Inc. and subsidiaries (the "Company" or "LSI") is responsible for the preparation and accuracy of the financial statements and other information included in this report. LSI's Management is also responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f). Under the supervision and with the participation of Management, including LSI's principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting as of June 30, 2018, based on the criteria set forth in "the 2013 Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the reality that judgments in decision making can be faulty, the possibility of human error, and the circumvention or overriding of the controls and procedures.

In meeting its responsibility for the reliability of the financial statements, the Company depends upon its system of internal accounting controls. The system is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly authorized and recorded. The system is supported by policies and guidelines, and by careful selection and training of financial management personnel. The Company also has a Disclosure Controls Committee, whose responsibility is to help ensure appropriate disclosures and presentation of the financial statements and notes thereto. Additionally, the Company has an Internal Audit Department to assist in monitoring compliance with financial policies and procedures.

The Board of Directors meets its responsibility for overview of the Company's financial statements through its Audit Committee which is composed entirely of independent Directors who are not employees of the Company. The Audit Committee meets periodically with Management and Internal Audit to review and assess the activities of each in meeting their respective responsibilities. Grant Thornton LLP has full access to the Audit Committee to discuss the results of their audit work, the adequacy of internal accounting controls, and the quality of financial reporting.

Based upon LSI's evaluation, the Company's principal executive officer and principal financial officer concluded that internal control over financial reporting was effective as of June 30, 2018. We reviewed the results of Management's assessment with the Audit Committee of our Board of Directors. Additionally, our independent registered public accounting firm audited and independently assessed the effectiveness of the Company's internal control over financial reporting. Grant Thornton LLP, an independent registered public accounting firm, has issued an opinion on the effectiveness of the Company's internal control over financial reporting, which is presented in the financial statements.

Ronald D. Brown
Interim Chief Executive Officer
(Principal Executive Officer)

James E. Galeese
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
LSI Industries Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of LSI Industries (an Ohio corporation) and subsidiaries (the "Company") as of June 30, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended June 30, 2018, and our report dated September 11, 2018 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Cincinnati, Ohio
September 11, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
LSI Industries Inc.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of LSI Industries Inc. (an Ohio corporation) and subsidiaries (the "Company") as of June 30, 2018 and 2017, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2018, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated September 11, 2018 expressed an unqualified opinion.

Basis for opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since fiscal 2010.

Cincinnati, Ohio
September 11, 2018

LSI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended June 30, 2018, 2017, and 2016
(In thousands, except per share data)

	2018	2017	2016
Net sales	**$ 342,023**	$ 331,392	$ 322,196
Cost of products and services sold	**252,789**	248,012	238,525
Restructuring costs	**—**	1,503	—
Gross profit	**89,234**	81,877	83,671
Selling and administrative expenses	**79,750**	77,272	69,715
Impairment of goodwill and intangible asset	**28,000**	479	—
Transition and realignment costs	**3,136**	—	—
Acquisition deal costs	**—**	1,608	—
Restructuring (gain) (see Note 15)	**—**	(1,091)	—
Operating (loss) income	**(21,652)**	3,609	13,956
Interest (income)	**(39)**	(91)	(84)
Interest expense	**1,719**	620	36
(Loss) income before income taxes	**(23,332)**	3,080	14,004
Income tax (benefit) expense	**(3,791)**	80	4,522
Net (loss) income	**$ (19,541)**	$ 3,000	$ 9,482
(Loss) earnings per common share (see Note 3)			
Basic	**$ (0.76)**	$ 0.12	$ 0.38
Diluted	**$ (0.76)**	$ 0.12	$ 0.37
Weighted average common shares outstanding			
Basic	**25,866**	25,436	24,988
Diluted	**25,866**	25,988	25,592

The accompanying notes are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2018 and 2017
(In thousands, except shares)

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 3,178**	$ 3,039
Accounts receivable, less allowance for doubtful accounts of $409 and $506, respectively	**50,609**	48,880
Inventories	**50,994**	50,008
Refundable income taxes	**1,784**	775
Assets held for sale	—	1,463
Other current assets	**3,516**	2,964
Total current assets	**110,081**	107,129
Property, Plant and Equipment, at cost		
Land	**6,470**	6,429
Buildings	**35,961**	35,463
Machinery and equipment	**77,108**	78,804
Construction in progress	**1,340**	3,805
	120,879	124,501
Less accumulated depreciation	**(77,176)**	(77,147)
Net property, plant and equipment	**43,703**	47,354
Goodwill	**30,538**	58,538
Other Intangible Assets, net	**35,409**	38,169
Other Long-Term Assets, net	**9,786**	5,490
Total assets	**$ 229,517**	$ 256,680

The accompanying notes are an integral part of these financial statements.

	2018	2017
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ **17,927**	$ 19,356
Accrued expenses	**24,272**	26,069
Total current liabilities	**42,199**	45,425
Long-Term Debt	**45,360**	49,698
Other Long-Term Liabilities	**2,707**	1,479
Commitments and Contingencies (Note 13)		
Shareholders' Equity		
Preferred shares, without par value;		
Authorized 1,000,000 shares, none issued	—	—
Common shares, without par value;		
Authorized 40,000,000 shares;		
Outstanding 25,641,913 and 25,429,223 shares, respectively	**124,104**	120,059
Treasury shares, without par value;	**(2,110)**	(2,457)
Deferred compensation plan	**2,133**	2,657
Retained earnings	**15,124**	39,819
Total shareholders' equity	**139,251**	160,078
Total liabilities & shareholders' equity	**$ 229,517**	$ 256,680

The accompanying notes are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended June 30, 2018, 2017, and 2016
(In thousands, except per share data)

	Common Shares		Treasury Shares		Key Executive Compensation	Retained	Total Shareholders'
	Number of Shares	Amount	Number of Shares	Amount	Amount	Earnings	Equity
Balance at June 30, 2015	24,620	$ 106,242	(227)	$ (2,145)	$ 2,256	$ 36,599	$ 142,952
Net income	—	—	—	—	—	9,482	9,482
Stock compensation awards	23	248	—	—	—	—	248
Restricted stock units issued	5	—	—	—	—	—	—
Activity of treasury shares, net	—	—	(1)	(22)	—	—	(22)
Deferred stock compensation	—	—	—	—	150	—	150
Stock-based compensation expense	—	2,903	—	—	—	—	2,903
Stock options exercised, net	562	4,021	—	—	—	—	4,021
Dividends — $0.17 per share	—	—	—	—	—	(4,214)	(4,214)
Balance at June 30, 2016	25,210	113,414	(228)	(2,167)	2,406	41,867	155,520
Net income	—	—	—	—	—	3,000	3,000
Stock compensation awards	40	409	—	—	—	—	409
Restricted stock units issued	25	—	—	—	—	—	—
Stock Warrants Issued	—	575	—	—	—	—	575
Activity of treasury shares, net	—	—	(30)	(290)	—	—	(290)
Deferred stock compensation	—	—	—	—	251	—	251
Stock-based compensation expense	—	3,049	—	—	—	—	3,049
Stock options exercised, net	412	2,612	—	—	—	—	2,612
Dividends — $0.20 per share	—	—	—	—	—	(5,048)	(5,048)
Balance at June 30, 2017	25,687	120,059	(258)	(2,457)	2,657	39,819	160,078
Net (loss)	**—**	**—**	—	—	**—**	**(19,541)**	**(19,541)**
Stock compensation awards	**43**	**319**	—	—	**—**	**—**	**319**
Restricted stock units issued	**44**	**—**	—	—	**—**	**—**	**—**
Shares issued for deferred compensation	**67**	**429**	—	—	**—**	**—**	**429**
Activity of treasury shares, net	**—**	**—**	**16**	**347**	**—**	**—**	**347**
Deferred stock compensation	**—**	**—**	—	—	**(524)**	**—**	**(524)**
Stock-based compensation expense	**—**	**3,012**	—	—	**—**	**—**	**3,012**
Stock options exercised, net	**43**	**285**	—	—	**—**	**—**	**285**
Dividends — $0.20 per share	**—**	**—**	—	—	**—**	**(5,154)**	**(5,154)**
Balance at June 30, 2018	**25,884**	**$ 124,104**	**(242)**	**(2,110)**	**$ 2,133**	**$ 15,124**	**$ 139,251**

The accompanying notes are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2018, 2017, and 2016
(In thousands)

	2018	2017	2016
Cash Flows From Operating Activities			
Net income	**$ (19,541)**	$ 3,000	$ 9,482
Non-cash items included in net income			
Depreciation and amortization	**10,222**	8,262	6,677
Impairment of goodwill and intangible asset	**28,000**	479	—
Deferred income taxes	**(4,748)**	(779)	(1,117)
Deferred compensation plan	**359**	455	491
Stock based compensation expense	**3,012**	3,049	2,903
Issuance of common shares as compensation	**319**	409	248
(Gain) on disposition of building	—	(1,361)	—
(Gain) loss on disposition of fixed assets	**(26)**	484	(1)
Allowance for doubtful accounts	**214**	349	55
Inventory obsolescence reserve	**2,605**	2,088	1,726
Change in certain assets and liabilities, net of acquisition			
Accounts receivable	**(1,943)**	4,948	(3,369)
Inventories	**(3,591)**	535	(2,784)
Refundable income taxes	**(1,009)**	(775)	99
Accounts payable	**(1,883)**	2,278	(1,130)
Accrued expenses and other	**(499)**	(2,180)	5,116
Customer prepayments	**9**	9	(271)
Net cash flows provided by operating activities	**11,500**	21,250	18,125
Cash Flows From Investing Activities			
Purchases of property, plant, and equipment	**(3,406)**	(6,633)	(10,211)
Acquisition of business, net of cash received and warrants issued	—	(95,077)	—
Proceeds from sale of fixed assets	**1,538**	3,095	68
Net cash flows (used in) investing activities	**(1,868)**	(98,615)	(10,143)
Cash Flows From Financing Activities			
Payments of long-term debt	**(99,258)**	(41,282)	—
Borrowings of long-term debt	**94,920**	90,781	—
Cash dividends paid	**(5,154)**	(5,048)	(4,214)
Purchase of treasury shares	**(107)**	(494)	(363)
Shares withheld for employee taxes	**(179)**	—	—
Exercise of stock options	**285**	2,612	4,021
Net cash flows provided by (used in) financing activities	**(9,493)**	46,569	(556)
Increase (decrease) in cash and cash equivalents	**139**	(30,796)	7,426
Cash and cash equivalents at beginning of year	**3,039**	33,835	26,409
Cash and cash equivalents at end of year	**$ 3,178**	$ 3,039	$ 33,835

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

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

Revenue Recognition:

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

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

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

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

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

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

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

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

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

Credit and Collections:

The Company maintains allowances for doubtful accounts receivable for probable estimated losses resulting from either customer disputes or the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to

record additional allowances or charges against income. The Company determines its allowance for doubtful accounts by first considering all known collectability problems of customers' accounts, and then applying certain percentages against the various aging categories based on the due date of the remaining receivables. The resulting allowance for doubtful accounts receivable is an estimate based upon the Company's knowledge of its business and customer base, and historical trends. Receivables deemed uncollectable are written-off against the allowance for doubtful accounts receivable after all reasonable collection efforts have been exhausted. The Company also establishes allowances, at the time revenue is recognized, for returns, discounts, pricing and other possible customer deductions. These allowances are based upon historical trends.

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

(In thousands)	June 30, 2018	June 30, 2017
Accounts receivable	$ 51,018	$ 49,386
Less: Allowance for doubtful accounts	(409)	(506)
Accounts receivable, net	$ 50,609	$ 48,880

Cash and Cash Equivalents:

The cash balance includes cash and cash equivalents which have original maturities of less than three months. Cash and cash equivalents consist primarily of bank deposits and a bank money market account that is stated at cost, which approximates fair value. The Company maintains balances at financial institutions in the United States. In the United States, the FDIC limit for insurance coverage on non-interest bearing accounts is $250,000. As of June 30, 2018 and June 30, 2017, the Company had bank balances of $4,507,000 and $4,488,000, respectively, without insurance coverage.

Inventories and Inventory Reserves:

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

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

Property, Plant and Equipment and Related Depreciation:

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

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

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

The Company recorded $7,462,000, $7,005,000 and $6,171,000 of depreciation expense in the years ended June 30, 2018, 2017 and 2016, respectively.

Goodwill and Intangible Assets:

Intangible assets consisting of customer relationships, trade names and trademarks, patents, technology and software, and non-compete agreements are recorded on the Company's balance sheet. The definite-lived intangible assets are being amortized to expense over periods ranging between seven and twenty years. The Company evaluates definite-lived intangible assets for possible impairment when triggering events are identified. Neither indefinite-lived intangible assets nor the excess of cost over fair value of assets acquired ("goodwill") are amortized, however they are subject to review for impairment. See additional information about goodwill and intangibles in Note 6.

Fair Value:

The Company has financial instruments consisting primarily of cash and cash equivalents, revolving lines of credit, accounts receivable, accounts payable, 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. The Company has no financial instruments with off-balance sheet risk.

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

Product Warranties:

The Company offers a limited warranty that its products are free from defects in workmanship and materials. The specific terms and conditions vary somewhat by product line, but generally cover defective products returned within one to five years, with some exceptions where the terms extend to 10 years, from the date of shipment. The Company records warranty liabilities to cover the estimated future costs for repair or replacement of defective returned products as well as products that need to be repaired or replaced in the field after installation. The Company calculates its liability for warranty claims by applying estimates based upon historical claims as a percentage of sales to cover unknown claims, as well as estimating the total amount to be incurred for known warranty issues. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

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

(In thousands)	June 30, 2018	June 30, 2017
Balance at beginning of the period	$ 7,560	$ 5,069
Additions charged to expense	5,181	4,956
Addition from acquired company	—	907
Deductions for repairs and replacements	(5,865)	(3,372)
Balance at end of the period	$ 6,876	$ 7,560

Employee Benefit Plans:

In fiscal 2017, the Company provided a defined contribution retirement plan and a discretionary profit sharing plan covering substantially all of its non-union employees. In fiscal 2018, the Company changed its retirement plan to a 401k match whereby employee’s contributions to the 401k are matched by the Company. As with the previous defined contribution retirement plan and a discretionary profit sharing plan, the 401k match program covers substantially all of its non-union employees. The Company also has a nonqualified deferred compensation plan covering certain employees. The costs of employee benefit plans are charged to expense and funded annually. Total costs were $1,195,214 in 2018, $2,373,000 in 2017, and $2,327,000 in 2016.

Research and Development Costs:

Research and development costs are directly attributable to new product development, including the development of new technology for both existing and new products, and consist of salaries, payroll taxes, employee benefits, materials, outside legal costs and filing fees related to obtaining patents, supplies, depreciation and other administrative costs. The Company

expenses as research and development all costs associated with development of software used in solid-state LED products. All costs are expensed as incurred and are included in selling and administrative expenses. Research and development costs related to both product and software development totaled $5,952,000, $5,700,000 and $5,549,000 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.

Cost of Products and Services Sold:

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

Earnings Per Common Share:

The computation of basic earnings per common share is based on the weighted average common shares outstanding for the period net of treasury shares held in the Company's nonqualified deferred compensation plan. The computation of diluted earnings per share is based on the weighted average common shares outstanding for the period and includes common share equivalents. Common share equivalents include the dilutive effect of stock options, restricted stock units, stock warrants, contingently issuable shares and common shares to be issued under a deferred compensation plan, all of which totaled 720,000 shares in fiscal 2018; 844,000 shares in fiscal 2017; and 872,000 shares in fiscal 2016. See further discussion in Note 3.

Income Taxes:

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

The Tax Cuts and Jobs Act (the "Act") was signed into law on December 22nd, 2017 and makes numerous changes to the Internal Revenue Code. Among other changes, the Act reduces the U.S. corporate income tax rate to 21% effective January 1, 2018. Because the Act became effective mid-way through the Company's tax year, the Company will have a U.S statutory income tax rate of 27.6% for fiscal 2018, and will have a 21% U.S. statutory income tax rate for fiscal years thereafter. As of June 30, 2018, the Company re-valued the deferred tax balances because of the change in U.S. tax rate resulting in a one-time deferred tax expense of $3,323,000.

New Accounting Pronouncements:

In June 2014, the Financial Accounting Standards Board issued ASU 2014-09, "Revenue from Contracts with Customers." This amended guidance supersedes and replaces all existing U.S. GAAP revenue recognition guidance. The guidance established a new revenue recognition model, changes the basis for deciding when revenue is recognized, provides new and more detailed guidance on specific revenue topics, and expands and improves disclosures about revenue. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing." In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers: Narrow Scope Improvements and Practical Expedients." In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." These three standards clarify or improve guidance from ASU 2014-09 and are effective for fiscal years and interim periods within those years, beginning after December 15, 2017, or the Company's fiscal year 2019.

The Company has adopted the standard as of July 1, 2018 and applied the modified retrospective approach. The recognition of revenue from most product sales is largely unaffected by the new standard. However, the Company has changed the timing of recognition of certain product sales requiring installation. Under the new standard, revenue for the product portion of a sales order containing installation is recognized when shipment occurs. Additionally, revenue will be recognized on certain custom product orders when the product is produced and committed to inventory. The Company

expects to recognize an approximate $0.6 million to $1.0 million cumulative effect of applying the new revenue standard as a credit adjustment to the 2018 opening balance of retained earnings. Effective July 1, 2018, the Company has implemented appropriate changes to policies, processes, systems, and controls to support revenue recognition and disclosures in accordance with the ASU 2014-09 guidance.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes," which eliminates the current requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts in the statement of financial position. This update requires that deferred tax liabilities and assets be classified as noncurrent. This update is effective for financial statements issued for fiscal years beginning April 1, 2017. This update may be applied either prospectively or retrospectively. However, early adoption is permitted and the Company has chosen to adopt the standard retrospectively as of June 30, 2016. As a result, prior periods have been adjusted to reflect this change. This update affected the presentation, but not the measurement of deferred tax liabilities and assets.

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

Comprehensive Income:

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

Subsequent Events:

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

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation within the cash flows from operating activities section and cash flows from financing activities section of the statement of cash flows. Additionally, certain prior year amounts have been reclassified to conform to the current year presentation within the statement of shareholders' equity. These reclassifications have no impact on net income or earnings per share.

Use of Estimates:

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

NOTE 2 — BUSINESS SEGMENT INFORMATION

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

The Lighting Segment includes outdoor and indoor lighting utilizing both traditional and LED light sources that have been fabricated and assembled for the commercial/industrial market, the petroleum / convenience store market, the automotive dealership market, the quick service restaurant market, along with other markets the Company serves. The Lighting

Segment also includes the design, engineering, and manufacturing of electronic circuit boards, assemblies and sub-assemblies used to manufacture certain LED light fixtures and sold directly to customers.

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

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

There were no customers or customer programs representing a concentration of 10% or more of the Company's net sales in the fiscal years ended June 30, 2018, 2017, and 2016. There was no concentration of accounts receivable at June 30, 2017 or 2016.

Summarized financial information for the Company's reportable business segments is provided for the indicated periods and as of June 30, 2018, June 30, 2017, and June 30, 2016:

(In thousands)	**2018**	2017	2016
Net Sales:			
Lighting Segment	**$ 260,613**	$ 258,997	$ 244,228
Graphics Segment	**81,410**	72,395	77,968
Total Net Sales	**342,023**	$ 331,392	$ 322,196
Operating Income (Loss):			
Lighting Segment	**$ (12,795)**	$ 14,116	$ 19,301
Graphics Segment	**5,618**	2,439	5,246
Corporate and Eliminations	**(14,475)**	(12,946)	(10,591)
Total Operating (Loss) Income	**$ (21,652)**	$ 3,609	$ 13,956
Capital Expenditures:			
Lighting Segment	**$ 2,203**	$ 4,249	$ 6,107
Graphics Segment	**1,038**	1,748	3,688
Corporate and Eliminations	**165**	636	416
Total Capital Expenditures	**$ 3,406**	$ 6,633	$ 10,211
Depreciation and Amortization:			
Lighting Segment	**$ 7,573**	$ 5,649	$ 4,359
Graphics Segment	**1,542**	1,474	1,104
Corporate and Eliminations	**1,107**	1,139	1,214
Total Depreciation and Amortization	**$ 10,222**	$ 8,262	$ 6,677

	June 30, 2018	June 30, 2017
Identifiable Assets:		
Lighting Segment	**$ 172,799**	$ 214,070
Graphics Segment	**39,881**	33,144
Corporate and Eliminations	**16,837**	9,466
Total Identifiable Assets	$ **229,517**	$ 256,680

The segment net sales reported above represent sales to external customers. Segment operating income, which is used in management's evaluation of segment performance, represents net sales less all operating expenses. Identifiable assets are those assets used by each segment in its operations. Corporate identifiable assets primarily consist of cash, invested cash (if any), refundable income taxes, and deferred income tax assets.

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

(In thousands)	**2018**	2017	2016
Lighting Segment intersegment net sales	**$ 2,672**	$ 2499	$ 2771
Graphics Segment intersegment net sales	**$ 1,276**	$ 1,135	$ 1,760

NOTE 3 — 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):

.

(In thousands, except per share data)	**2018**	2017	2016
BASIC EARNINGS (LOSS) PER SHARE			
Net (loss) income	**$ (19,541)**	$ 3,000	$ 9,482
Weighted average shares outstanding during the period, net of treasury shares (a)	**25,569**	25,144	24,720
Weighted average vested restricted stock units outstanding	**55**	37	24
Weighted average shares outstanding in the Deferred Compensation Plan	**242**	255	244
Weighted average shares outstanding	**25,866**	25,436	24,988
Basic (loss) earnings per share	**$ (0.76)**	$ 0.12	$ 0.38
DILUTED EARNINGS (LOSS) PER SHARE			
Net (loss) income	**$ (19,541)**	$ 3,000	$ 9,482
Weighted average shares outstanding - Basic	**25,866**	25,436	24,988
Effect of dilutive securities (b):			
Impact of common shares to be issued under stock option plans, and contingently issuable shares, if any	**—**	552	604
Weighted average shares outstanding (c)	**25,866**	25,988	25,592
Diluted (loss) earnings per share	**$ (0.76)**	$ 0.12	$ 0.37

(a) Includes shares accounted for like treasury stock.

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

(c) Options to purchase 2,802,420 common shares, 1,698,883 common shares, and 1,331,300 common shares at June 30, 2018, 2017, and 2016, respectively, were not included in the computation of diluted earnings per share because the exercise price was greater than the average fair market value of the common shares. For the year ended June 30, 2018 the effect of dilutive securities was not included in the calculation of diluted earnings (loss) per share because there was a net operating loss for the period.

NOTE 4 — INVENTORIES

The following information is provided as of the dates indicated:

(In thousands)	**June 30, 2018**	June 30, 2017
Inventories:		
Raw materials	**$ 31,795**	$ 32,421
Work-in-process	**3,833**	3,527
Finished goods	**15,366**	14,060
Total Inventories	**$ 50,994**	$ 50,008

NOTE 5 — ACCRUED EXPENSES

The following information is provided as of the dates indicated:

(In thousands)	**June 30, 2018**	June 30, 2017
Accrued Expenses:		
Compensation and benefits	**$ 9,394**	$ 9,759
Customer prepayments	**1,070**	1,061
Accrued sales commissions	**2,274**	2,314
Accrued warranty	**6,876**	7,560
Other accrued expenses	**4,658**	5,375
Total Accrued Expenses	**$ 24,272**	$ 26,069

NOTE 6 — GOODWILL AND OTHER INTANGIBLE ASSETS

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

The Company identified its reporting units in conjunction with its annual goodwill impairment testing. The Company has a total of three reporting units that contain goodwill. There are two reporting units within the Lighting Segment and one reporting unit within the Graphics Segment. One reporting unit previously reported in the Technology Segment has been transferred to the Lighting Segment as a result of the merge of the Technology Segment with the Lighting Segment (See Note 2). The Company relies upon a number of factors, judgments and estimates when conducting its impairment testing including, but not limited to, the Company's stock price, operating results, forecasts, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill impairment.

A sustained and significant decline in the Company's stock price in the first quarter of fiscal 2018 led management to believe that a triggering event occurred and that an interim goodwill impairment test was required for one of the reporting units in the Lighting Segment that contains goodwill, as of September 30, 2017. This particular reporting unit was tested because its fair market value was marginally higher than its carrying value. The other reporting units had considerable clearance between its fair market value and carrying value. Because the Company elected to early adopt ASU 2017-04, "Simplifying the Test for Goodwill Impairment", the requirement to perform step 2 in the impairment test was not

required. The result of the impairment test on the reporting unit in the Lighting Segment indicated that goodwill was impaired by $28,000,000.

As of March 1, 2018, the Company performed its annual goodwill impairment test on the three reporting units that contain goodwill. The goodwill impairment test on one reporting unit in the Lighting Segment passed with a business enterprise value that was $21.4 million or 15% above the carrying value of this reporting unit. The goodwill impairment test of a second reporting unit in the Lighting Segment that contains goodwill passed with an estimated business enterprise value that was $16.1 million or 69% above the carrying value of this reporting unit. The goodwill impairment test of the reporting unit with goodwill in the Graphics Segment passed with an estimated business enterprise value that was $3.3 million or 319% above the carrying value of the reporting unit. The Company has performed an assessment of goodwill from the date of the annual test through the balance sheet date for possible triggering events and has concluded that other than the impairment analysis that was performed in the fourth quarter on the reporting unit in the Lighting Segment (see below), there were no triggering events that would indicate the assets are impaired.

Another sustained and significant decline in the Company's stock price in the fourth quarter of fiscal 2018 led management to believe that a triggering event occurred and that an interim goodwill impairment test was required for one of the reporting units in the Lighting Segment that contains goodwill, as of May 31, 2018. This particular reporting unit was tested because its fair market value was marginally higher than its carrying value. The other reporting units had considerable clearance between its fair market value and carrying value. Because the Company elected to early adopt ASU 2017-04, "Simplifying the Test for Goodwill Impairment", the requirement to perform step 2 in the impairment test was not required. The goodwill impairment test of the reporting unit in the Lighting Segment passed with a business enterprise value that was $13.7 million or 11% above the carrying value of this reporting unit including goodwill.

As of March 1, 2017, the Company performed its annual goodwill impairment test on the three reporting units that contain goodwill (excluding Atlas Lighting Products). The goodwill impairment test on two reporting units in the Lighting Segment passed with a business enterprise value that was $60.0 million or 80% above the carrying value for one of the reporting units and a business enterprise value that was $23.2 million or 95% above the carrying value for the second reporting unit. The goodwill impairment test of the one reporting unit with goodwill in the Graphics Segment passed with an estimated business enterprise value that was $4.2 million or 424% above the carrying value of the reporting unit.

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

Goodwill *(In thousands)*	Lighting Segment	Graphics Segment	Total
Balance as of June 30, 2017			
Goodwill	$ 94,564	$ 28,690	$ 123,254
Accumulated impairment losses	(37,191)	(27,525)	(64,716)
Goodwill, net as of June 30, 2017	$ 57,373	$ 1,165	$ 58,538
Goodwill impairment	$ (28,000)	$ --	$ (28,000)
Balance as of June 30, 2018			
Goodwill	$ 94,564	$ 28,690	$ 123,254
Accumulated impairment losses	(65,191)	(27,525)	(92,716)
Goodwill, net as of June 30, 2018	$ 29,373	$ 1,165	$ 30,538

The Company performed its annual review of indefinite-lived intangible assets as of March 1, 2018 and determined there was no impairment. The indefinite-lived intangible impairment test passed with a fair market value that was $20.6 million or 604% above its carrying value. The Company has performed an assessment of its intangible assets from the date of the annual test through the balance sheet date for possible triggering events and has concluded that there were no triggering events that would indicate the assets are impaired.

As of March 1, 2017, the Company performed its annual review of indefinite-lived intangible assets and determined there was no impairment. The indefinite-lived intangible asset impairment test passed with a fair market value that was $15.2 million or 445% above its carrying value.

In March 2017, a customer relationship intangible asset with a net book value of $479,000 related to the LED video screen product line in the Graphics Segment was determined to be fully impaired. The Company deemed that distribution channels and corresponding projected future cash flows that support the customer list intangible asset are not adequate to support the asset.

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

Other Intangible Assets *(In thousands)*	June 30, 2018 Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	$ 35,563	$ 10,011	$ 25,552
Patents	338	217	121
LED technology firmware, software	16,066	11,801	4,265
Trade name	2,658	609	2,049
Non-compete agreements	710	710	-
Total Amortized Intangible Assets	55,335	23,348	31,987
Indefinite-lived Intangible Assets			
Trademarks and trade names	3,422	--	3,422
Total Indefinite-lived Intangible Assets	3,422	--	3,422
Total Other Intangible Assets	$ 58,757	$ 23,348	$ 35,409

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

(In thousands)	Amortization Expense of Other Intangible Assets 2018	2017	2016
Amortization Expense	$ 2,760	$ 1,257	$ 506

The Company expects to record annual amortization expense as follows:

(In thousands)	
2019	$ 2,760
2020	$ 2,687
2021	$ 2,682
2022	$ 2,460
2023	$ 2,411
After 2023	$18,987

NOTE 7 — REVOLVING LINE OF CREDIT AND LONG-TERM DEBT

In February 2017 the Company amended its secured line of credit to a $100 million facility. The line of credit expires in the third quarter of fiscal 2022. Interest on the revolving line of credit is charged based upon an increment over the LIBOR rate as periodically determined, or at the bank's base lending rate, at the Company's option. The increment over the LIBOR borrowing rate, as periodically determined, fluctuates between 125 and 250 basis points depending upon the ratio of indebtedness to earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined in the line of credit agreement. The fee on the unused balance of the $100 million committed line of credit is 15 basis points. Under the terms of this line of credit, the Company has agreed to a negative pledge of real estate assets and is required to comply with financial covenants that limit the ratio of indebtedness to EBITDA and require a minimum fixed charge coverage ratio. As of June 30, 2018, a total of $45.4 million was borrowed against the line of credit, and $54.6 million was available as of that date. Based on the terms of the line of credit and the maturity date, the debt has been classified as long term.

The Company is in compliance with all of its loan covenants as of June 30, 2018.

NOTE 8 — CASH DIVIDENDS

The Company paid cash dividends of $5,154,000, $5,048,000 and $4,214,000 in fiscal years 2018, 2017 and 2016, respectively. Dividends on restricted stock units in the amount of $50,621 and $30,067 were accrued as of June 30, 2018 and 2017, respectively. These dividends are paid upon the vesting of the restricted stock units when shares are issued to the award recipients. In August 2018, the Board of Directors declared a regular quarterly cash dividend of $0.05 per share payable September 4, 2018 to shareholders of record August 27, 2018.

NOTE 9 — EQUITY COMPENSATION

Stock Options

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

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

The number of shares reserved for issuance under the 2012 Plan is 1,474,366 shares, all of which were available for future grant or award as of June 30, 2018. Service-based and performance-based stock options were granted and restricted stock units ("RSUs") were awarded during fiscal 2018. As of June 30, 2018, a total of 3,298,677 stock options were

outstanding under the 2012 Plan (as well as one previous stock option plan which was also approved by shareholders), of which, a total of 1,824,552 stock options were vested and exercisable. As of June 30, 2018, the approximate unvested stock option expense that will be recorded as expense in future periods is $1,052,342. The weighted average time over which this expense will be recorded is approximately 20 months. Additionally, as of June 30, 2018, a total of 169,397 RSUs were outstanding. The approximate unvested stock compensation expense that will be recorded as expense in future periods for the RSUs is $246,301. The weighted average time over which this expense will be recorded is approximately 21 months.

Stock Warrants

The Company has 200,000 stock warrants fully vested and outstanding as of June 30, 2018. The fair value of the warrants on the date of grant was estimated using the Black-Scholes option pricing model. The below listed weighted average assumptions were used for the warrants. The stock warrants issued during fiscal year 2017 have an exercise price of $9.95, and a fair value of $2.87. As of June 30, 2018, the warrants had a remaining contractual life of 3.7 years.

	February 21, 2017
Dividend yield	2.01%
Expected volatility	39%
Risk-free interest rate	1.80%
Expected life	4.5 yrs.

Stock Options

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

	2018	2017	2016
Dividend yield	3.3%	1.9%	1.3%
Expected volatility	41%	42%	44%
Risk-free interest rate	1.8%	1.3%	1.7%
Expected life	6.0 yrs	6.0 yrs	6.0 yrs

At June 30, 2018, the 794,537 options granted during fiscal 2018 to employees had exercise prices ranging from $5.92 to $6.54 per share, fair values ranging from $1.71 to $1.96 per share, and remaining contractual lives of between 9 years and 10 years. The performance metric for the 345,560 performance based stock options granted in fiscal 2018 was not achieved; therefore these stock options were forfeited in fiscal 2018.

At June 30, 2017, the 1,332,623 options granted during fiscal 2017 to employees had exercise prices ranging from $9.15 to $11.06 per share, fair values ranging from $3.01 to $3.83 per share, and remaining contractual lives of between 9 years and 10 years. The performance metric for the 425,000 performance based stock options granted in fiscal 2017 was not achieved; therefore these stock options were forfeited in fiscal 2017.

At June 30, 2016, the 1,026,800 options granted during fiscal 2016 to employees had exercise prices ranging from $8.84 to $11.87 per share, fair values ranging from $3.28 to $4.52 per share, and remaining contractual lives of between 9 years and 9.7 years.

The Company calculates stock option expense using the Black-Scholes model. Stock option expense is recorded on a straight line basis, or sooner if the grantee is retirement eligible as defined in the 2012 Plan, with an estimated 8.70% forfeiture rate effective April 1, 2018. Previous estimated forfeiture rates were between 2.00% and 8.79% between the periods January 1, 2013 through March 31, 2018. 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 $2,147,423, $2,478,861 and $2,519,092 of expense related to stock options in fiscal years 2018, 2017 and 2016, respectively. Included in the $2,147,423 of expense related to stock options for fiscal 2018, the Company recorded stock-based compensation expense related to the acceleration of service-based stock options and RSUs in conjunction with the Company's transition agreement with the former CEO of $954,000. As of June 30, 2018, the Company had 2,918,382 stock options that were vested and that were expected to vest, with a weighted average exercise price of $8.33 per share, an aggregate intrinsic value of $8,037 and weighted average remaining contractual terms of 6.7 years.

Information related to all stock options for the years ended June 30, 2018, 2017 and 2016 is shown in the following tables:

	Twelve Months Ended June 30, 2018			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at 6/30/17	3,119,688	$ 9.12	7.4 years	$ 2,332,324
Granted	794,537	$ 5.98		
Exercised	(42,939)	$ 6.66		
Forfeited	(467,609)	$ 9.11		
Expired	(105,000)	$ 19.62		
Outstanding at 6/30/18	3,298,677	$ 8.06	7.0 years	$ 8,037
Exercisable at 6/30/18	1,824,552	$ 8.22	5.8 years	$ 39,011

	Twelve Months Ended June 30, 2017			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at 6/30/16	2,976,490	$ 8.97	6.6 years	$ 8,338,974
Granted	1,332,623	$ 10.59		
Exercised	(486,446)	$ 7.37		
Forfeited	(702,979)	$ 12.46		
Outstanding at 6/30/17	3,119,688	$ 9.12	7.4 years	$ 2,332,324
Exercisable at 6/30/17	1,277,561	$ 8.75	5.0 years	$ 1,592,653

	Twelve Months Ended June 30, 2016				
	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at 6/30/15	2,677,436	$	8.85	6.1 years	$ 4,914,601
Granted	1,026,800	$	9.39		
Exercised	(561,946)	$	7.34		
Forfeited	(165,800)	$	15.15		
Outstanding at 6/30/16	2,976,490	$	8.97	6.6 years	$ 8,338,974
Exercisable at 6/30/16	1,312,985	$	9.75	4.0 years	$ 3,819,127

The following table presents information related to unvested stock options:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at June 30, 2017	1,842,127	$3.52
Granted	794,537	$1.73
Vested	(942,905)	$3.39
Forfeited	(219,634)	$3.43
Unvested at June 30, 2018	1,474,125	$2.65

The weighted average grant date fair value of options granted during fiscal years 2018, 2017, and 2016, was $1.73, $3.67 and $3.64 per share, respectively. The aggregate intrinsic value of options exercised during the years ended June 30, 2018, 2017 and 2016 were $39,011, $1,189,414 and $1,695,213, respectively. The aggregate grant date fair value of options that vested during 2018, 2017 and 2016 was $3,192,672, $2,298,114 and $1,168,192, respectively.

The Company received $285,875, $2,945,986, and $4,124,047, of cash from employees who exercised options in fiscal years 2018, 2017 and 2016, respectively.

For year ended June 30, 2018, exercised options resulted in an income tax benefit of $116,602. Pursuant to the implementation of ASU 2016-09, the Company recognized a discrete tax expense of $292,000 to reduce deferred tax assets for cancelled awards and for detriments compared to the current year tax deduction. A discrete tax benefit of $10,767 was recognized for disqualifying dispositions of incentive stock options.

For the year ended June 30, 3017, exercised options resulted in an income tax benefit of $505,879. The Company reduced common stock by $261,694 to reduce deferred tax assets for cancelled awards and for detriments compared to the current year tax deduction. A discrete tax benefit of $138,722 was recognized for disqualifying dispositions of incentive stock options.

For the year ended June 30, 2016, exercised options resulted in an income tax benefit of $595,483. The company reduced common stock by $102,010 to reduce deferred tax assets for cancelled awards and for detriments compared to the current year tax deduction. A discrete tax benefit of $141,349 was recognized for disqualifying dispositions of incentive stock options.

Restricted Stock Units

A total of 91,490 RSUs with a weighted average fair value of $5.92 per share were awarded to employees during fiscal, 2018. A total of 96,210 RSUs with a weighted average fair value of $10.84 per share were awarded to employees during the twelve months ended June 30, 2017. The service-based RSUs awarded during fiscal 2017 and in prior fiscal years have a four year ratable vesting period beginning one year after the date of award. The Company determined the fair value of

the awards based on the closing price of the Company stock on the date the RSUs were awarded. The RSUs are non-voting, but accrue cash dividends at the same per share rate as those cash dividends declared and paid on LSI's common stock. Dividends on RSUs in the amount of $50,621 and $30,067 were accrued as of June 30, 2018 and 2017, respectively. Accrued dividends are paid to the holder upon vesting of the RSUs and issuance of shares.

The following table presents information related to RSUs:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at June 30, 2017	133,335	$ 10.38
Awarded	91,490	$ 5.92
Vested	(43,803)	$ 10.32
Forfeited	(11,625)	$ 9.82
Unvested at June 30, 2018	169,397	$ 8.03

The Company recorded $879,613 of expense related to RSUs during fiscal year 2018. As of June 30, 2018, the 169,397 RSUs outstanding have a weighted average remaining contractual life of 4.5 years. Of the 169,397 RSUs outstanding as of June 30, 2018, 165,680 RSUs are vested or expected to vest in the future. The approximate unvested stock compensation expense that will be recorded as expense in future periods for RSU's is $246,302. The weighted average time over which this expense will be recorded is approximately 21 months. An estimated forfeiture rate of 8.3% was used in the calculation of expense related to the RSUs.

As of June 30, 2017, the 133,335 outstanding RSUs had a remaining weighted average contractual life of 6.0 years. The Company recorded $570,178 of expense related to RSUs during fiscal year 2017. Of the 133,335 RSUs outstanding as of June 30, 2017, 128,859 are vested or expected to vest in the future. An estimated forfeiture rate of 3.4% was used in the calculation of expense related to the RSUs.

Director and Employee Stock Compensation Awards

The Company awarded a total of 41,388, 40,092, and 23,838 common shares in fiscal years 2018, 2017, and 2016, respectively, as stock compensation awards. These common shares were valued at their approximate $312,000, $409,000 and $248,000 fair market values based on their stock price at dates of issuance multiplied by the number of common shares awarded, respectively, pursuant to the compensation programs for non-employee directors who receive a portion of their compensation as an award of Company stock and for employees who received a nominal recognition award in the form of Company stock. Stock compensation awards are made in the form of newly issued common shares of the Company.

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan providing for both Company contributions and participant deferrals of compensation. This plan is fully funded in a Rabbi Trust. All plan investments are in common shares of the Company. As of June 30, 2018, there were 32 participants, all with fully vested account balances. A total of 241,996 common shares with a cost of $2,110,248, and 257,898 common shares with a cost of $2,456,875 were held in the plan as of June 30, 2018 and 2017, respectively, and, accordingly, have been recorded as treasury shares. The change in the number of shares held by this plan is the net result of share purchases and sales on the open stock market for compensation deferred into the plan; shares newly issued for compensation deferred into the plan, and for distributions to terminated employees. The Company issued 67,138 new common shares for purposes of the non-qualified deferred compensation plan during fiscal 2018 and the company did not issue new common shares for the plan in fiscal years 2017 and 2016. The Company used approximately $106,537 and $492,400 to purchase 15,225 and 50,579 common shares of the Company in the open stock market during fiscal years 2018 and 2017, respectively, for either employee salary deferrals or Company contributions into the nonqualified deferred compensation plan.

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

NOTE 10 — LEASES AND PURCHASE COMMITMENTS

Purchase commitments, including minimum annual rental commitments, of the Company totaled $21,451,000 and $21,973,000 as of June 30, 2018 and June 30, 2017, respectively. The Company leases certain of its facilities and equipment under operating lease arrangements. The facility leases contain the option to renew for periods ranging from one to five years. Rental expense was $2,867,000 in 2018, $2,439,000 in 2017, and $2,027,000 in 2016. Minimum annual rental commitments under non-cancelable operating leases are indicated in the table below:

2019	2020	2021	2022	2023	2024 & Beyond
$1,902,516	$1,864,873	$1,891,698	$1,893,083	$1,895,930	$2,941,434

NOTE 11 — INCOME TAXES

The following information is provided for the years ended June 30:

(In thousands)	**2018**	2017	2016
Components of income before income taxes:			
United States	**$ (23,332)**	$ 3,080	$ 14,004
Foreign	**—**	—	—
Income before income taxes	**$ (23,332)**	$ 3,080	$ 14,004
Provision for income taxes:			
Current			
U.S. federal	**$ 922**	$ 800	$ 5,056
State and local	**35**	59	582
Total current	**957**	859	5,638
Deferred	**(4,748)**	(779)	(1,116)
Total provision for income taxes	**$ (3,791)**	$ 80	$ 4,522

(In thousands)	**2018**	2017	2016
Reconciliation to federal statutory rate:			
Federal statutory tax rate	**27.6%**	34.0%	35.0%
State and local taxes, net of federal benefit	**1.1**	2.4	2.2
Federal and state tax credits	**0.9**	(5.3)	(2.6)
Valuation allowance	**3.5**	(18.9)	—
Domestic production activities deduction	**0.6**	(4.1)	(4.2)
Uncertain tax position activity	**0.4**	(5.5)	(0.6)
Shared based compensation	**(1.3)**	0.0	2.5
Tax rate changes	**(14.2)**	—	—
Other	**(2.3)**	—	—
Effective tax rate	**16.3%**	2.6%	32.3%

The Tax Cuts and Jobs Act (the "Act") was signed into law in December 2017 and makes numerous changes to the Internal Revenue Code. Among other changes, the Act reduces the U.S. corporate income tax rate to 21% effective January 1, 2018. Because the Act became effective mid-way through the Company's tax year, the Company will have a U.S. statutory income tax rate of 27.6% for fiscal 2018 and will have a 21% U.S statutory income tax rate for fiscal years thereafter. During the year ended June 30, 2018, the Company recognized a net deferred tax expense of $3,322,991 as a result of the revaluation of its deferred tax balances due to the tax rate changes caused by the Act. The company completed its accounting for the income tax effects of the Act during the year ended June 30, 2018.

The components of deferred income tax assets and (liabilities) at June 30, 2018 and 2017 are as follows:

(In thousands)	**2018**	2017
Uncertain tax positions	$ **119**	$ 281
Reserves against current assets	**1,348**	584
Accrued expenses	**2,028**	3,357
Deferred compensation	**402**	925
Stock-based compensation	**1,296**	1,824
State net operating loss carryover and credits	**2,194**	1,853
Long term capital loss carryforward	**2,555**	3,703
Goodwill, acquisition costs and intangible assets	**4,728**	(502)
U.S. Federal net operating loss carryover and credits	**232**	406
Deferred income tax asset before valuation allowance	**14,902**	12,431
Valuation allowance	**(4,749)**	(5,556)
Deferred income tax asset	**10,153**	6,875
Depreciation	**(2,045)**	(3,515)
Deferred income tax liability	**(2,045)**	(3,515)
Net deferred income tax asset	**$ 8,108**	$ 3,360

As of June 30, 2018 and 2017, the Company has recorded a deferred tax asset in the amount of $232,000 and $406,000, respectively, related to U.S. Federal net operating loss and research and development credit carryovers acquired in the acquisition of Virticus Corporation. The net operating losses will expire over a period of 3 years, beginning in June 30, 2029. The research and development credits will expire over a period of 2 years, beginning in June 30, 2029. The annual utilization is limited by Internal Revenue Code Section 382. However, the Company has determined these assets, more likely than not, will be realized.

Also related to the acquisition of Virticus, the Company has recorded a deferred state income tax asset in the amount of $108,000 and $137,000, for fiscal years 2018 and 2017, respectively, related to a state net operating loss carryover and a state research and development credit in Oregon. The Company has determined this asset more likely than not, will not be realized and that a full valuation reserve is required. The Oregon net operating loss will expire over a period of 4 years, beginning in June 30, 2027. The deferred income tax asset and the valuation reserve amounts changed in fiscal 2018 due to the revaluation of the deferred items under the Tax Cuts and Jobs Act (TCJA).

As of June 30, 2018 and 2017, the Company has recorded a deferred state income tax asset in the amount of $2,086,000 and $1,716,000, respectively, net of federal tax benefits related to non-refundable New York state tax credits. These credits do not expire, but pursuant to New York state legislation enacted in fiscal 2014, the Company has determined that this asset, more likely than not, will not be realized. As of June 30, 2018 and 2017, the Company has recorded a full valuation reserve in the amount of $2,086,000 and $1,716,000, respectively. The deferred state income tax asset and valuation reserve amounts were revalued in fiscal 2018 as a result of the TCJA.

During fiscal 2015, the Company generated a capital loss of $11,972,000 from the sale of a Canadian subsidiary. The Company utilized $1,192,000 of the capital loss carryover in fiscal 2017. The remaining capital loss carryover of $10,780,000 has a full valuation allowance established against the deferred tax asset of $2,555,000 because the Company has no expectation of generating capital gains to utilize the loss before it expires in June 30, 2020.

Considering all issues discussed above, the Company has recorded valuation reserves of $4,749,000 and $5,556,000 as of June 30, 2018 and 2017, respectively.

At June 30, 2018, tax, interest, and penalties, net of potential federal tax benefits, were $651,000, $259,000, and $159,000 respectively, of the total reserve for uncertain tax positions of $1,069,000. The entire uncertain tax position of $651,000, net of federal tax benefit, would impact the effective tax rate if recognized. The liability for uncertain tax position is primarily included in Other Long-Term Liabilities, the remainder of $322,000 is included as a current tax receivable. At June 30, 2017, tax, interest, and penalties, net of potential federal tax benefits, were $657,000, $268,000, and $194,000,

respectively, of the total reserve for uncertain tax positions of $1,119,000. The entire uncertain tax position of $657,000, net of federal tax benefit, would impact the effective tax rate if recognized. During fiscal 2017, the Company added uncertain tax positions, including interest and penalties as a result of the acquisition of Atlas totaling $483,000, which is included in the $1,119,000 above.

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 Company recognized a $20,000 net tax benefit in fiscal 2018, a $78,000 net tax benefit in fiscal 2017, and a $26,000 net tax benefit in fiscal 2016 related to the change in reserves for uncertain tax positions. The Company recognized interest net of federal benefit and penalties of $9,000 and $35,000, respectively, in fiscal 2018, $66,000 and $27,000, respectively, in fiscal 2017, and $48,000 and $10,000, respectively in fiscal 2016. The reserve for uncertain tax positions is not expected to change significantly in the next twelve months.

The fiscal 2018, 2017 and 2016 tax activity in the liability for uncertain tax positions was as follows:

(in thousands)	**2018**	2017	2016
Balance at beginning of the fiscal year	**$ 842**	$ 648	$ 687
Decreases — tax positions in prior period	**(185)**	(170)	(161)
Increases — tax positions in current period	**41**	50	122
Increases – tax positions in prior period	**42**	314	—
Settlements and payments	**(4)**	—	—
Lapse of statute of limitations	**—**	—	—
Balance at end of the fiscal year	**$ 736**	$ 842	$ 648

The Company files a consolidated federal income tax return in the United States, and files various combined and separate tax returns in several state and local jurisdictions. With limited exceptions, the Company is no longer subject to U.S. Federal, state and local tax examinations by tax authorities for fiscal years ending prior to June 30, 2015. The Company is currently under audit by the Internal Revenue Service for the tax year ended June 30, 2016. The audit is in its preliminary stages.

NOTE 12 — SUPPLEMENTAL CASH FLOW INFORMATION

(In thousands)	**2018**	2017	2016
Cash payments for:			
Interest	**$ 1,582**	$ 529	$ 50
Income taxes	**$ 1,854**	$ 2,618	$ 5,079
Non-cash investing and financing activities			
Issuance of common shares as compensation	**$ 319**	$ 409	$ 248
Issuance of stock warrants	**—**	575	—
Issuance of common shares to fund deferred compensation plan	**$ 429**	$ —	$ —

NOTE 13 — COMMITMENTS AND CONTINGENCIES

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

The Company may occasionally issue a standby letter of credit in favor of third parties. As of June 30, 2018, there were no such standby letters of credit issued.

NOTE 14 – SEVERANCE COSTS

The Company recorded severance charges of $1,900,000, 523,000 and $469,000 in fiscal 2018, 2017 and 2016, respectively. This severance expense was related to reductions in staffing not related to plant restructuring. Included in fiscal 2018 severance expense is severance expense related to the departure of the Company's Chief Executive Officer. See further discussion below.

The activity in the Company's accrued severance liability was as follows for the twelve months ended June 30, 2018 and 2017:

(In thousands)	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Balance at beginning of the period	$ 235	$ 39
Accrual of expense	1,900	523
Payments	(363)	(313)
Adjustments	—	(14)
Balance at end of the period	$ 1,772	$ 235

On April 23, 2018, the Company's Board of Directors announced the appointment of an interim Chief Executive Officer (CEO) and Chief Operating Officer in connection with the departure of Dennis Wells, the Company's CEO. The $1,772,000 severance liability represents the severance benefits Mr. Wells in entitled to receive under his employment agreement. Of the total $1,772,000, $640,000 has been classified as a current liability and will be paid out over the next twelve months. The remaining $1,132,000 has been classified as a long-term liability.

NOTE 15 – RESTRUCTURING COSTS

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

The Company also announced the consolidation of the Beaverton, Oregon facility into other LSI facilities. The light assembly of products in the Beaverton facility was moved to the Company's Columbus, Ohio facility, and administration and engineering functions were moved to the Company's Cincinnati, Ohio facility. This consolidation was completed September 30, 2016. As a result of this consolidation, restructuring charges of $377,000 were recorded in fiscal 2017 in the lighting segment, with the majority of this representing the costs related to the remaining period of the facility's lease and severance costs for employees who formerly worked in the Beaverton facility. There have been no restructuring charges in fiscal 2018.

In November 2016, the Company announced the consolidation of the Woonsocket, Rhode Island manufacturing operation into its North Canton, Ohio operation. The manufacturing operations in Woonsocket ceased prior to December 31, 2016. The Company owned the facility in Woonsocket and realized a small gain when the facility was sold in September 2017. Total restructuring costs related to the consolidation of the Woonsocket facility were $452,000 in fiscal 2017 and were recorded in the Graphics Segment. These costs primarily include employee-related costs (severance), plant shut down costs, costs related to the preparation of the facility for sale, legal costs, and other related costs. There have been no restructuring charges in fiscal 2018.

The following table presents information about restructuring costs recorded in fiscal 2017:

(In thousands)		Total Fiscal 2017 Restructuring Costs
Severance and other termination benefits	$	811
Lease obligation		213
Impairment of fixed assets and accelerated depreciation		354
Gain on sale of facility		(1,361)
Other		395
Total	$	412

Impairment and accelerated depreciation expense of $354,000 was recorded in fiscal 2017 related to machinery and equipment at the Kansas City and Beaverton facilities. This expense was recorded in the Lighting Segment. There was no impairment expense related to the closure of the Woonsocket facility. The fair value of the equipment evaluated for impairment was determined by comparing the future undiscounted cash flows to the carrying value of the assets. The future cash flows are from the remaining use of the assets as well as the cash flows expected to result from the sale of the assets.

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

(In thousands)		Total Fiscal 2018 Restructuring Costs		Total Fiscal 2017 Restructuring Costs
Cost of Goods Sold	$	--	$	1,503
Operating Expenses		--		(1,091)
Total	$	--	$	412

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

(In thousands)		Total Fiscal 2018 Restructuring Expenses		Total Fiscal 2017 Restructuring Expenses
Lighting Segment	$	--	$	(165)
Graphics Segment		--		452
Corporate and Eliminations		--		125
Total	$	--	$	412

The above tables include the gain on the sale of the Kansas City facility. Additionally, the above tables do not include expense of $485,000 recorded during fiscal 2017 related to the write-down of inventory included as cost of sales as part of the Kansas City facility closure.

There were no restructuring charges for fiscal 2018. All previously announced restructuring projects were completed in fiscal 2017 and all restructuring charges were recorded in fiscal 2017. The following table presents a roll forward of the beginning and ending liability balances related to the restructuring costs:

(In thousands)	Balance as of June 30, 2017	Restructuring Expense	Payments	Adjustments	Balance as of June 30, 2018
Severance and termination benefits	$ --	$ --	$ --	$ --	$ --
Lease obligation	85	--	(85)	--	--
Other	--	--	--	--	--
Total	$ 85	$ --	$ (85)	$	$ --

Refer to Note 14 for information regarding additional severance expenses that are not included in the restructuring costs identified in this footnote.

NOTE 16 — RELATED PARTY TRANSACTIONS

The Company has recorded expense for the following related party transactions in the fiscal years indicated:

(In thousands)	**2018**	2017	2016
Keating Muething & Klekamp PLL	**$ 161**	$ 526	$ 207
American Engineering and Metal Working	**$ —**	$ —	$ 522
Cost of Freedom, Inc	**$ 25**	$ —	$ —
Atlas Melbane Street Properties, LLC	**$ —**	$ 314	$ —

As of the balance sheet date indicated, the Company had the following liabilities recorded with respect to related party transactions:

(In thousands)	**June 30, 2018**	June 30, 2017
Keating Muething & Klekamp PLL	**$ —**	$ 28

The Company has recognized revenue related to the following related party transactions in the fiscal years indicated:

(In thousands)	**2018**	2017	2016
Wesco International	**$ 3,200**	$ 2,121	$ 2,450
American Engineering and Metal Working	**$ —**	$ —	$ 27

As of the balance sheet date indicated, the Company had the following accounts receivable recorded with respect to related party transactions:

(In thousands)	**June 30, 2018**	June 30, 2017
Wesco International	**$ 16**	$ —

The law firm of Keating Muething & Klekamp PLL, of which the son of one of the Company's independent outside directors is a partner, provides certain legal services to the Company. Wesco International, of which one of the Company's independent outside directors is a director, purchases lighting fixtures from the Company. The manufacturing firm of American Engineering and Metal Working, which is owned and operated by the son of the former president of the Company's Graphics Segment, provides metal fabricated components. The Company leases its Burlington, North Carolina facility from Atlas Melbane Street Properties, LLC which is partially owned by a former executive of the

Company. The Company contributed to a charitable cause to Cost of Freedom, Inc of which the Company's former Chief Financial Officer is a director.

NOTE 17 – ACQUISITION

On February 21, 2017, the Company acquired all the capital stock of Atlas Lighting Products, Inc. (Atlas), a Burlington North Carolina manufacturer of high-quality LED lighting products sold into the electrical distribution market. The purchase price of $97.5 million included a cash payment of $96.9 million and 200,000 five year warrants valued at $0.6 million. The Company funded the acquisition with a combination of cash on hand and $66 million from a new $100 million revolving line of credit (See Note 7).

The Company has accounted for this transaction as a business combination. Under business combination accounting, the allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed as of February 21, 2017 is as follows:

(amounts in thousands)	February 21, 2017 (Initially Reported)	Measurement Period Adjustments	February 21, 2017 (As Adjusted)
Cash and Cash Equivalents	$ 1,815	$	$ 1,815
Accounts Receivable	7,202		7,202
Inventories	8,490		8,490
Property, Plant, and Equipment	3,631	(85)	3,546
Other Assets	248		248
Intangible Assets	34,319		34,319
Liabilities Assumed	(6,106)	(77)	(6,183)
Identifiable net assets acquired	49,599	(162)	49,437
Goodwill	47,868	162	48,030
Net Purchase Consideration	$ 97,467	$ --	$ 97,467

Goodwill recorded from the acquisition of Atlas is attributable to the impact of the positive cash flow from Atlas in addition to the expected synergies from the business combination. The goodwill resulting from the acquisition is deductible for tax purposes. The intangible assets include amounts recognized for the fair value of the trade name, customer relationships, and technology-related assets. The fair value of the intangible assets was determined based upon a combination of the market and income (discounted cash flow) approach. The following table present the details of the identified intangible assets acquired at the date of acquisition (in thousands):

	Estimated Fair Value	**Estimate Useful Life (Years)**
Tradename	$ 2,198	20
Technology asset	4,838	10
Customer relationship	27,283	15
Total	$ 34,319	

The fair market value write-up of the inventory totaled $228,000, and the fair market value write-up of the property, plant, and equipment totaled $526,000. Transaction costs related to the acquisition totaled $1.48 million in fiscal 2017 and are recorded as an operating expense.

Atlas's post-acquisition results of operations for the period from February 21, 2017 through June 30, 2017 are included in the Company's Consolidated Statements of Operations. Since the acquisition date, net sales of Atlas for the period from February 21, 2017 through June 30, 2017 were $17.8 million and operating income was $1.8 million. The operating results of Atlas are included in the Lighting Segment.

Pro Forma Impact of the Acquisition of Atlas Lighting Products, Inc. *(unaudited)*

The following table represents pro forma results of operations and gives effect to the acquisition of Atlas as if the transaction had occurred on July 1, 2015. The unaudited pro forma results of operations have been prepared for comparative purposes only and are not necessarily indicative of what would have occurred had the business combination

been completed at the beginning of the period or the results that may occur in the future. Furthermore, the pro forma financial information does not reflect the impact of any synergies or operating efficiencies resulting from the acquisition of Atlas.

(In thousands, unaudited)	Twelve Months Ended June 30	
	2017	2016
Net Sales	$ 366,541	$ 381,650
Gross Profit	$ 95,038	$ 105,592
Operating Income	$ 6,857	$ 18,010

The unaudited pro forma financial information for the twelve months ended June 30, 2017 and June 30, 2016 is prepared using the acquisition method of accounting and has been adjusted to effect to the pro forma events that are: (1) directly attributable to the acquisition; (2) factually supportable; and (3) expected to have a continuing impact on the combined results. The pro forma operating income of $6.9 million excludes acquisition-related expenses of $1.61 million.

NOTE 18 — SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(In thousands except per share data)	Quarter Ended Sept. 30	Dec. 31	March 31	June 30	Fiscal Year
2018					
Net sales	$ 87,466	$ 92,305	$ 78,843	$ 83,409	$ 342,023
Gross profit	23,703	25,307	19,918	20,306	89,234
Net income	(15,629)	(1,468)	220	(2,664)	(19,541)
Earnings per share					
Basic	$ (0.61)	$ (0.06)	$ (0.01)	$ (0.10)	$ (0.76)
Diluted	$ (0.61)	$ (0.06)	$ (0.01)	$ (0.10)	$ (0.76)
Range of share prices					
High	$ 9.27	$ 7.49	$ 8.88	$ 8.11	$ 9.27
Low	$ 4.99	$ 6.07	$ 6.70	$ 4.91	$ 4.91
2017					
Net sales	$ 84,159	$ 85,658	$ 78,156	$ 83,419	$ 331,392
Gross profit	20,835	21,407	18,399	21,236	81,877
Net income	829	2,006	(531)	696	3,000
Earnings per share					
Basic	$ 0.03	$ 0.08	$ (0.02)	$ 0.03	$ 0.12
Diluted	$ 0.03	$ 0.08	$ (0.02)	$ 0.03	$ 0.12
Range of share prices					
High	$ 11.64	$ 11.23	$ 10.68	$ 10.21	$ 11.64
Low	$ 9.41	$ 8.12	$ 8.31	$ 8.26	$ 8.12
2016					
Net sales	$ 85,925	$ 84,687	$ 70,740	$ 80,844	$ 322,196
Gross profit	23,349	23,926	16,549	19,847	83,671
Net income (loss)	3,750	3,782	522	1,428	9,482
Earnings (loss) per share					
Basic	$ 0.15	$ 0.15	$ 0.02	$ 0.06	$ 0.38
Diluted	$ 0.15	$ 0.15	$ 0.02	$ 0.06	$ 0.37(a)

Range of share prices					
High	$ 10.48	$ 12.80	$ 12.22	$ 13.45	$ 13.45
Low	$ 8.33	$ 7.89	$ 9.85	$ 10.29	$ 7.89

(a) The total of the earnings per share for each of the four quarters does not equal the total earnings per share for the full year because the calculations are based on the average shares outstanding during each of the individual periods.

At August 30, 2018, there were approximately 654 shareholders of record. The Company believes this represents approximately 3,000 beneficial shareholders.

LSI INDUSTRIES INC.
SELECTED FINANCIAL DATA
(In thousands except per share data)

The following data has been selected from the Consolidated Financial Statements of the Company for the periods and dates indicated:

Statement of Operations Data:

	2018	2017	2016	2015	2014
Net sales	**$ 342,023**	$ 331,392	$ 322,196	$ 307,857	$ 299,463
Cost of products and services sold	**252,789**	248,012	238,525	233,408	234,165
Restructuring costs (in cost of sales)	**—**	1,503	—	—	—
Loss on sale of a subsidiary	**—**	—	—	565	—
(Gain) loss on sale of a building	**—**	—	—	(343)	—
Acquisition deal costs	**—**	1,608	—	—	—
Transition and Realignment Costs	**3,136**	—	—	—	—
Restructuring costs (in SG&A)	**—**	(1,091)	—	—	—
Selling and administrative expenses	**79,750**	77,272	69,715	66,694	62,175
Goodwill and intangible asset impairment	**28,000**	479	—	—	805
Operating income	**(21,652)**	3,609	13,956	7,533	2,318
Interest (income)	**(39)**	(91)	(84)	(26)	(17)
Interest expense	**1,719**	620	36	45	68
(Loss) income before income taxes	**(23,332)**	3,080	14,004	7,514	2,267
Income taxes	**(3,791)**	80	4,522	2,363	1,337
Net income (loss)	**$ (19,541)**	$ 3,000	$ 9,482	$ 5,151	$ 930
Earnings (loss) per common share					
Basic	**$ (0.76)**	$ 0.12	$ 0.38	$ 0.21	$ 0.04
Diluted	**$ (0.76)**	$ 0.12	$ 0.37	$ 0.21	$ 0.04
Cash dividends paid per share	**$ 0.20**	$ 0.20	$ 0.17	$ 0.12	$ 0.24
Weighted average common shares					
Basic	**25,866**	25,436	24,988	24,496	24,388
Diluted	**25,866**	25,988	25,592	24,638	24,546

Balance Sheet Data:
(At June 30)

	2018	2017	2016	2015	2014
Working capital	**$ 67,882**	$ 61,704	$ 88,510	$ 80,813	$ 74,349
Total assets	**229,517**	256,680	195,560	180,690	168,688
Long-term debt	**45,360**	49,698	—	—	—
Shareholders’ equity	**139,251**	160,078	155,520	142,952	138,412

LSI INDUSTRIES INC. AND SUBSIDIARIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2018, 2017, AND 2016
(In Thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Description	Balance Beginning of Period	Additions Charged to Costs and Expenses	Additions (Deductions) From Company Acquired (Sold)	(a) Deductions	Balance End of Period
Allowance for Doubtful Accounts:					
Year Ended June 30, 2018	$ 506	$ 214	$ —	$ (311)	$ 409
Year Ended June 30, 2017	$ 226	$ 339	$ 10	$ (69)	$ 506
Year Ended June 30, 2016	$ 317	$ 55	$ —	$ (146)	$ 226
Inventory Obsolescence Reserve:					
Year Ended June 30, 2018	$ 2,815	$ 2,605	$ —	$ (1,788)	$ 3,632
Year Ended June 30, 2017	$ 2,394	$ 1,495	$ 600	$ (1,674)	$ 2,815
Year Ended June 30, 2016	$ 2,197	$ 1,726	$ —	$ (1,529)	$ 2,394
Deferred Tax Asset Valuation Reserve:					
Year Ended June 30, 2018	$ 5,556	$ —	$ 183	$ (990)	$ 4,749
Year Ended June 30, 2017	$ 6,150	$ —	$ (569)	$ (25)	$ 5,556
Year Ended June 30, 2016	$ 6,161	$ —	$ —	$ (11)	$ 6,150

(a) For Allowance for Doubtful Accounts, deductions are uncollectible accounts charged off, less recoveries.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	Business and Location	Percent Owned by Registrant	State of Incorporation
Atlas Lighting Products, Inc.	LED lighting Burlington, NC	100%	North Carolina
Grady McCauley Inc.	Digital image and screen printed graphics; interior graphics and signs North Canton, OH	100%	Ohio
LSI Adapt Inc.	Project management and installation services North Canton, OH	100%	Ohio
LSI ADL Technology Inc.	Electronic circuit boards Columbus, OH	100%	Ohio
LSI Controls Inc.	Lighting control systems Cincinnati, OH	100%	Oregon
LSI Integrated Graphics LLC	Screen and digital printed materials; and illuminated and non-illuminated architectural graphics Houston, TX	100%	Ohio
LSI Kentucky LLC	Metal fabrication Independence, KY	100%	Ohio
LSI Lightron Inc.	LED lighting New Windsor, NY	100%	Ohio
LSI MidWest Lighting Inc. (a)	Fluorescent lighting Kansas City, KS (a)	100%	Kansas
LSI Retail Graphics LLC (b)	Interior graphics and signs Woonsocket, RI (b)	100%	Ohio
LSI International Holdings, Inc.	A holding company for LSI's expansion into countries outside the United States (majority shareholder)	100%	Ohio
LSI International, LLC	A holding company for LSI's expansion into countries outside the United States (minority shareholder)_	100 %	Ohio
LSI Graficas e Illuminacion S de RL de C.V.	Outsourced back-office support located in Mexico City, Mexico	100%	Mexico

(a) This facility was closed and sold in fiscal 2017, and this subsidiary is currently inactive.
(b) This facility was closed and sold in fiscal 2018, and this subsidiary is currently inactive.

(a) EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated September 11, 2018, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of LSI Industries Inc. on Form 10-K for the year ended June 30, 2018. We consent to the incorporation by reference of said reports in the Registration Statements of LSI Industries Inc. on Form S-3 (File No. 333-213527) and on Forms S-8 (File No. 333-215878, No. 333-209386, File No. 333-201890, File No. 333-201889, File No. 333-11503, File No. 333-110784, File No. 333-169264, File No. 333-183747, and File No. 333-186446).

/s/ GRANT THORNTON LLP

Cincinnati, Ohio

September 11, 2018

EXHIBIT 31.1

Certification of Principal Executive Officer
Pursuant to Rule 13a-14(a)

I, Ronald D. Brown, certify that:

1. I have reviewed this annual report on Form 10-K of LSI Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 11, 2018

/s/ Ronald D. Brown
Ronald D. Brown
Principal Executive Officer

EXHIBIT 31.2

Certification of Principal Financial Officer
Pursuant to Rule 13a-14(a)

I, James E. Galeese, certify that:

1. I have reviewed this annual report on Form 10-K of LSI Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 11, 2018

/s/ James E. Galeese
James E. Galeese
Principal Financial Officer

EXHIBIT 32.1

CERTIFICATION OF RONALD D. BROWN

Pursuant to Section 1350 of Chapter 63 of the
United States Code and Rule 13a-14b

In connection with the filing with the Securities and Exchange Commission of the Annual Report of LSI Industries Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2018 (the "Report"), I, Ronald D. Brown, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ronald D. Brown
Ronald D. Brown
Principal Executive Officer

September 11, 2018

A signed original of this written statement required by Section 906 has been provided to LSI Industries Inc. and will be retained by LSI Industries Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF JAMES E. GALEESE

Pursuant to Section 1350 of Chapter 63 of the United States Code and Rule 13a-14b

In connection with the filing with the Securities and Exchange Commission of the Annual Report of LSI Industries Inc. (the “Company”) on Form 10-K for the fiscal year ended June 30, 2018 (the “Report”), I, James E. Galeese, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James E. Galeese
James E. Galeese
Principal Financial Officer

September 11, 2018

A signed original of this written statement required by Section 906 has been provided to LSI Industries Inc. and will be retained by LSI Industries Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This page intentionally left blank.

This page intentionally left blank.