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

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017.

OR

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

FOR THE TRANSITION PERIOD FROM _________ TO _________.

Commission File No. 0-13375

LSI INDUSTRIES INC.
(Exact name of Registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	10000 Alliance Road Cincinnati, Ohio 45242 (Address of principal executive offices)	IRS Employer I.D. No. 31-0888951

(513) 793-3200
(Telephone number of principal executive offices)
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares, no par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities Registered Pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☑ No ☐

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

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

As of December 31, 2016, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $244,069,995 based upon a closing sale price of $9.74 per share as reported on The NASDAQ Global Select Market.

At August 27, 2017 there were 25,507,466 no par value Common Shares issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement filed with the Commission for its 2017 Annual Meeting of Shareholders are incorporated by reference in Part III, as specified.

LSI INDUSTRIES INC.
2017 FORM 10-K ANNUAL REPORT
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"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This document contains certain forward-looking statements that are subject to numerous assumptions, risks or uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Forward-looking statements may be identified by words such as "estimates," "anticipates," "projects," "plans," "expects," "intends," "believes," "seeks," "may," "will," "should" or the negative versions of those words and similar expressions, and by the context in which they are used. Such statements, whether expressed or implied, are based upon current expectations of the Company and speak only as of the date made. Actual results could differ materially from those contained in or implied by such forward-looking statements as a result of a variety of risks and uncertainties over which the Company may have no control. These risks and uncertainties include, but are not limited to, the impact of competitive products and services, product demand and market acceptance risks, potential costs associated with litigation and regulatory compliance, reliance on key customers, financial difficulties experienced by customers, the cyclical and seasonal nature of our business, the adequacy of reserves and allowances for doubtful accounts, fluctuations in operating results or costs whether as a result of uncertainties inherent in tax and accounting matters or otherwise, failure of an acquisition or acquired company to achieve its plans or objectives generally, unexpected difficulties in integrating acquired businesses, the ability to retain key employees, unfavorable economic and market conditions, the results of asset impairment assessments, the ability to maintain an effective system of internal control over financial reporting, the ability to remediate any material weaknesses in internal control over financial reporting and any other risk factors that are identified herein. You are cautioned to not place undue reliance on these forward-looking statements. In addition to the factors described in this paragraph, the risk factors identified in our Form 10-K and other filings the Company may make with the SEC constitute risks and uncertainties that may affect the financial performance of the Company and are incorporated herein by reference. The Company does not undertake and hereby disclaims any duty to update any forward-looking statements to reflect subsequent events or circumstances.

PART I

ITEM 1. BUSINESS

Our Company

We are a customer-centric company that positions itself as a value-added, trusted partner in developing superior image solutions through our lighting, graphics, and technology capabilities. Our products and services include digital signage, printed and structural graphics, and electrical signage capabilities, a wide variety of high quality indoor and outdoor lighting products, lighting control systems, and related professional services including engineering, installation, and project management. We also provide graphics and lighting products on a stand-alone basis. Our company is the leading provider of corporate visual image solutions to the petroleum / convenience store industry. We use this leadership position to penetrate national retailers and multi-site retailers, including quick service and casual restaurants, retail chain stores and automobile dealerships, located primarily in the United States. We seek to expand our market share in the traditional commercial / industrial lighting market by combining our LED product innovation and lighting control solutions utilizing the latest technology along with a strong emphasis on high service levels and market focused solutions. Our solutions are targeted at both renovation and new construction markets. We design and develop most aspects of the solid-state LED lighting, from the electronic circuit board, to the software to drive and control the LEDs, to the structure of the LED product. We also provide a variety of lighting control solutions which allow our customers to reduce energy and maintenance costs. In addition to designing and producing printed graphics and structural graphics, we design and integrate our digital signage offering where customers are provided a turnkey solution that includes design, software, hardware content development, implementation, service and support.

We believe that national retailers and other companies in the markets we serve are increasingly seeking single-source suppliers with the project management skills and service expertise necessary to execute a comprehensive visual image program. The integration of our graphics, lighting, and technology coupled with our professional services capabilities allows our customers to outsource to us the development of an entire visual image program from the planning and design stage through installation. Our approach is to combine our lighting products and custom graphics applications utilizing the latest technology along with our professional service capabilities to create complete customer-focused visual image solutions. We also offer our lighting products and graphics elements on a stand-alone basis to service our existing image solutions customers, to establish a presence in a new market or to create a relationship with a new customer. We believe that our ability to combine lighting, graphics, and technology coupled with professional services into a comprehensive visual image solution differentiates us from our competitors who offer only stand-alone products for lighting or graphics and who lack professional services offerings. During the past several years, we have continued to enhance our ability to provide comprehensive corporate visual image solutions by adding additional graphics capabilities such as digital signage and media content management, wireless lighting control systems, new and innovative LED lighting products and professional services through acquisitions and internal development.

Our focus on product development and innovation creates products that are essential components of our customers' corporate visual image strategy. Our spending on research and development was $5.7 million in fiscal 2017, and $5.5 million in fiscal 2016, and $5.6 million in fiscal 2015. We develop and manufacture lighting including solid-state LED lighting, lighting control systems, and graphics and distribute them through an extensive multi-channel distribution network that allows us to effectively service our target markets. Representative customers include BP, Chevron Texaco, ExxonMobil, Shell, Burger King, Dairy Queen, Taco Bell, Wendy's, Best Buy, CVS Caremark, Phillips 66, Target Stores, Wal-Mart Stores, Chrysler, Ford, General Motors, Nissan, Toyota, Sports Clips, AAA, Panda Express, and SunTrust Bank. We service our customers at the corporate, franchise and local levels.

We also focus on the elimination of non-value added activities throughout our organization through the LSI Business System, a Lean Management System utilizing kaizen events and lean tools to drive continuous improvement in our processes. The LSI Business System improves shareholder value by increasing customer satisfaction and eliminating waste, both of which will improve the bottom line. We are committed to this company-wide initiative through employee education and training with the ultimate goal to make it part of the corporate culture and way of thinking of all employees.

Our business is organized as follows: the Lighting Segment, which represented 72% of our fiscal 2017 net sales; the Graphics Segment, which represented 22% of our fiscal 2017 net sales; and the Technology Segment, which represented 6% of our fiscal 2017 net sales. See Note 2 of Notes to Consolidated Financial Statements beginning on page 46 of this Form 10-K for additional information on business segments. Net sales by segment are as follows (in thousands):

	2017	2016	2015
Lighting Segment	$ 239,005	$ 226,889	$ 219,920
Graphics Segment	72,395	77,968	67,152
Technology Segment	19,992	17,339	20,744
All Other Category	--	--	41
Total Net Sales	$ 331,392	$ 322,196	$ 307,857

Lighting Segment

Our Lighting Segment manufactures and markets outdoor and indoor lighting and lighting controls for the commercial, industrial and multi-site retail markets including the petroleum / convenience store, quick-service, and automotive markets. Our products are designed and manufactured to provide maximum value and meet the high-quality, competitively-priced product requirements of the markets we serve. We generally avoid specialty or custom-designed, low-volume products for single order opportunities. Our concentration is on our high-volume, standard product lines that meet our customers' needs. By focusing our product offerings, we achieve significant manufacturing and cost efficiencies.

Our lighting fixtures, poles and brackets are produced in a variety of designs, styles and finishes. Important functional variations include types of mounting, such as pole, bracket and surface, and the nature of the light requirement, such as interior and exterior down-lighting, wall-wash lighting, canopy lighting, flood-lighting, area lighting and security lighting. Our engineering staff performs photometric analyses and wind load safety studies for all light fixtures and also designs our fixtures and lighting systems. Our lighting products utilize a variety of different light sources, with the primary light source being solid-state LED, along with high-intensity discharge and fluorescent. The major products and services offered within our lighting segment include: exterior area lighting, interior lighting, canopy lighting, landscape lighting, lighting controls, light poles, lighting system design, and photometric layouts. All of our products are designed for performance, reliability, ease of installation and service, as well as attractive appearance. The Company also has a focus on designing lighting system solutions and implementing strategies related to energy savings in substantially all markets served.

We offer our customers expertise in developing and utilizing high-performance solid-state LED solutions, which when combined with the Company's lighting fixture expertise and technology, has the potential to result in a broad spectrum of white light LED fixtures that offer equivalent or improved lighting performance with significant energy and maintenance savings as compared to the present metal halide and fluorescent lighting fixtures.

Lighting Segment net sales of $239,005,000 in fiscal 2017 increased 5.3% from fiscal 2016 net sales of $226,889,000. Fiscal 2017 Lighting Segment net sales include $17.8 million of net sales of Atlas Lighting Products, which was acquired in February 2017. The Lighting Segment's net sales of light fixtures having solid-state LED technology totaled $186.5 million in fiscal 2017 (78.0% of total lighting net sales), representing a $31.0 million or 20.0% increase from fiscal 2016 net sales of solid-state LED light fixtures of $155.5 million (68.5% of total Lighting net sales). The trend of a reduction in the Company's traditional lighting sales (metal halide and fluorescent light sources) continued from fiscal 2016 to fiscal 2017 as customers converted from traditional lighting to light fixtures having solid-state LED technology**.** The market shift from fluorescent lighting to LED lighting was the basis for management's decision to close its Kansas City facility which produced fluorescent lighting.

Graphics Segment

Our Graphics Segment manufactures and sells exterior and interior visual image elements related to signage and graphics, including integrated digital signage solutions. These products are used in graphics displays and visual image programs in several markets, including the petroleum / convenience store market, quick-service restaurant, grocery, and multi-site retail operations. Our extensive lighting and graphics expertise, product offering, visual image solution implementation capabilities and other professional services represent significant competitive advantages. We work with corporations and design firms to establish and implement cost effective corporate visual image programs to advance our customer's brand. Increasingly, we have become the primary supplier of exterior and interior graphics for our customers. We also offer installation management services for those customers who require the installation of interior or exterior products (utilizing pre-qualified independent subcontractors throughout the United States).

Our business can be significantly impacted by participation in a customer's "image conversion program," especially if it were to involve a "roll out" of that new image to a significant number of that customer's and its franchisees' retail sites. The impact to our business can be very positive with growth in net sales and profitability when we are engaged in an image conversion program. This can be followed in subsequent periods by lesser amounts of business or negative comparisons following completion of an image conversion program, unless we are successful in replacing that completed business with participation in new image conversion programs of similar size with one or more customers. An image conversion program can potentially involve any or all of the following improvements, changes or refurbishments at a customer's retail site: interior or exterior lighting (see discussion above about our lighting segment), interior or exterior store signage and graphics, and installation of these products in both the prototype and roll out phases of their program.

The major products and services offered within our Graphics Segment include the following: signage and canopy graphics, pump dispenser graphics, building fascia graphics and ACM systems, electrical signage, decals, interior signage and marketing graphics, aisle markers, wall mural graphics, fleet graphics, prototype program graphics, video boards, and digital signage and media content management. Our Company also manages and executes the implementation of large rollout programs.

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 $5.6 million decrease in Graphics Segment net sales is primarily the net result of sales to the petroleum / convenience store market ($2.3 million net decrease), sales to the national drug store market ($3.0 million decrease), sales to the quick-service restaurant market ($0.5 million net increase), sales to the retail market ($1.2 million increase), sales to the retail grocery market ($1.5 million decrease), and changes in volume to several other markets ($0.5 million decrease).

Technology Segment

Our Technology Segment designs, engineers, and manufactures electronic circuit boards, assemblies, and lighting controls. Applications for these products include, but are not limited to, OEM, transportation, commercial, industrial, and medical markets. This segment also has significant inter-segment sales to the Lighting Segment to support that segment's customer sales of solid-state LED lighting and lighting controls.

Technology Segment net customer sales of $19,992,000 in fiscal 2017 increased 15.3% from fiscal 2016 net sales of $17,339,000. The $2.7 million increase in Technology Segment net sales is primarily the net result of a $1.7 million increase in sales to the transportation market, a $0.8 million increase in sales to original equipment manufacturers, and a $0.2 million net increase in sales to various other markets. The decrease in net customer sales is due to the cyclic nature of the markets the Company serves in this segment. While net customer sales increased, the Technology Segment inter-company sales of electronic circuit boards and lighting control systems to the Lighting Segment decreased $1.8 million or 4.9%.

Our Competitive Strengths

Single Source Comprehensive Visual Image Solution Provider. We believe that we are the only company serving our target markets that combines significant graphics capabilities, lighting products and installation implementation capabilities to create comprehensive image solutions. We believe that our position as a single-source provider creates a competitive advantage over competitors who can only address either the lighting or the graphics component of a customer's corporate visual image program. Using our broad visual image solutions capabilities, our customers can maintain complete control over the creation of their visual image programs while avoiding the added complexity of coordinating separate lighting and graphics suppliers and service providers. We can use high technology software to produce computer-generated virtual prototypes of a customer's new or improved retail site image. We believe that these capabilities are unique to our target markets and they allow our customers to make educated, cost-effective decisions quickly.

Proven Ability to Penetrate Target Markets. We have grown our business by establishing a leadership position in many of the markets we serve, including petroleum / convenience stores, automobile dealerships and specialty retailers. Although our relationship with our customers may begin with the need for a single product or service, we leverage our broad product and service offering to identify additional products and solutions. We promote the combination of graphics, lighting, and technology, along with image element offerings, and services to create comprehensive solutions for our customers.

Focus on Product Innovation. We believe that our ability to successfully identify, develop and patent new products has allowed us to expand our market opportunity and enhance our market position. Our product innovation initiatives are designed to increase the value of our product offering by addressing the needs of our customers and target markets through retrofit enhancements to existing products or the development of new products. New product development includes developing an expanding portfolio of technology patents related to the design of LED based products. We believe our product innovation process creates value for our customers by producing products that offer energy efficiency, low maintenance requirements and long-term operating performance at competitive prices based upon the latest technologies available.

Strong Relationships with our Customers. We have used our innovative products and high-quality services to develop close, long-standing relationships with a large number of our customers. Many of our customers are recognized among the leaders in their respective markets, including customers such as Wal-Mart, BP, Phillips 66, Exxon Mobil, Carmax, Chevron, CVS Caremark, Stop & Shop, and Burger King. Their use of our products and services raises the visibility of our capabilities and facilitates the acceptance of our products and services in their markets. Within each of these markets, our ability to be a single source provider of image solutions often creates repeat business opportunities through corporate reimaging programs. We have served some of our customers since our inception in 1976.

Well-capitalized Balance Sheet. As part of our long-term operating strategy, we believe the Company maintains a conservative capital structure. With a strong equity base, we are able to preserve operating flexibility in times of industry expansion and contraction. In the current business environment, a strong balance sheet demonstrates financial viability to our existing and targeted customers. In addition, a strong balance sheet enables us to invest in the company through research and development and allows the Company to invest in capital projects that support the Company's growth.

Aggressive Use of Our Marketing Center. The capabilities of our Image Center, Innovation Center, Inspiration Center and, I-Zone Marketing Center provide us with a distinct competitive advantage to demonstrate the effectiveness of integrating graphics, lighting, and technology into a complete corporate visual image program. These four centers, which demonstrate the depth and breadth of our product and service offerings, have become an effective component of our sales process.

Maintain our Vertically Integrated Business Model. We consider our Company to be a vertically integrated manufacturer rather than just a product assembler. We focus on developing lighting and graphics products coupled with technology, and outsource certain non-core processes and product components as necessary.

Commitment to Continuous Improvement. We are committed to a philosophy of continuous improvement through the LSI Business System, which is a Lean Management System utilizing Kaizen events and lean tools to identify and eliminate waste and increase customer satisfaction with the ultimate goal to improve shareholder value.

Sales, Marketing and Customers

Sales: Our lighting products including lighting controls, are sold primarily throughout the United States, but also in Canada, Australia, and Latin America (about 3.1% of consolidated net sales are outside the United States) using a combination of regional sales managers and independent sales representatives serving primarily the commercial / industrial market along with several of the other markets we serve. LSI has traditionally been a project based business, quoting and receiving orders as a preferred vendor for product sales to multiple end-users, including customer-owned as well as franchised and licensed dealer operations. With the recent acquisition of Atlas, we now market and sell standard product to stocking distributors, who subsequently provide product to electrical contractors and end users for a variety of lighting applications. Our graphics products, which in many instances are program-driven, are sold primarily through our own sales force. Our marketing approach and means of distribution vary by product line and by type of market.

Sales are developed through a wide variety of contacts such as, but not limited to, national retail marketers, branded product companies, franchise and dealer operations. In addition, sales are also achieved through recommendations from local architects, engineers, petroleum and electrical distributors and contractors. The Company utilizes the latest technology to track sales leads and customer quotes with the ultimate goals to turn them into orders from our customers. Our sales are partially seasonal as installation of outdoor lighting and graphic systems in the northern states decreases during the winter months.

Marketing: The capabilities of our Image Center, Innovation Center, Inspiration Center, and iZone Marketing Center are important parts of our sales process. These four centers, unique within the lighting and graphics industry, are facilities that can produce a computer-generated virtual prototype of a customer's facility on a large screen through the combination of high technology software and audio/visual presentation. The i-Zone marketing center is a digitally controlled facility containing a large solid-state LED video screen and several displays that showcase our LED technology and LED products. With these capabilities, our customers can instantly explore a wide variety of lighting and graphics alternatives to develop consistent day and nighttime images. These centers give our customers more options, greater control, and more effective time utilization in the development of lighting, graphics and visual image solutions, all with much less expense than traditional prototyping. In addition to being cost and time effective for our customers, we believe that the capabilities of these marketing centers contribute to the development of the best solution for our customers' needs.

The Image and iZone marketing centers also contain comprehensive indoor and outdoor product display areas that allow our customers to see many of our products and services in one setting. This aids our customers in making quick and effective lighting and graphic design decisions through hands-on product demonstrations and side-by-side comparisons. More importantly, these capabilities allow us to expand our customer's interest from just a single product into other products and solutions. We believe that the capabilities of these centers have further enhanced our position as a highly qualified outsourcing partner capable of guiding a customer through image alternatives utilizing our lighting and graphics products and services. We believe this capability distinguishes us from our competitors and will become increasingly beneficial in attracting additional customers.

In addition to the capabilities of our Image Center, Innovation Center, Inspiration Center, and iZone Marketing Center, the Company markets its products and service capabilities to end users in multiple channels through a broad spectrum of marketing and promotional methods, including direct customer contact, trade shows, on-site training, print advertising in industry publications, product brochures and other literature, as well as the internet and social media.

Manufacturing and Operations

We design, engineer and manufacture substantially all of our lighting and graphics products through a vertically integrated business model. By emphasizing high-volume production of standard product lines, we achieve significant manufacturing efficiencies. We periodically invest in new machinery and equipment utilizing the latest technology in order to leverage the manufacturing efficiencies gained from our high-volume production. When appropriate, we utilize alliances with domestic and international vendors to outsource certain products and components. LED products and related software are engineered, designed and final-assembled by the Company, while a portion of the manufacturing has been performed by select qualified vendors. We are not dependent on any one supplier for any of our component parts.

The principal raw materials and purchased components used in the manufacturing of our products are steel, aluminum, aluminum castings, fabrications, LEDs, power supplies, powder paint, steel and aluminum poles, wire harnesses, acrylic and glass lenses, inks, various graphics substrates such as foam board and vinyls, and digital screens. We source these materials and components from a variety of suppliers. Although an interruption of these supplies and components could disrupt our operations, we believe generally that alternative sources of supply exist and could be readily arranged. We strive to reduce price volatility in our purchases of raw materials and components through annual contracts with strategic suppliers. The Company experienced rapid and significant material price inflation in the range of 5.0% to 6.0% in fiscal 2017 driven by increases in several key commodities. Material inflation has stabilized at these higher price levels in the first few months of fiscal 2018 and we expect these elevated levels to continue in the short term. Our Lighting operations generally carry a certain level of sub-assemblies finished goods inventory to meet quick delivery requirements. Most lighting products are made to order and shipped shortly after they are manufactured. Our Graphics operations manufacture custom graphics products for customers who require us to stock certain amounts of finished goods in exchange for their commitment to that inventory. In some Graphics programs, customers also give us a cash advance for the inventory that we stock for them. The Company's operations dealing with LED products generally carry LED and LED component inventory due to longer lead times. Our Technology Segment operations purchase electronic components from multiple suppliers and manufacture custom electronic circuit boards and lighting control systems. Most products are made to order and, as a result, these operations do not carry very many finished goods.

We currently operate out of ten manufacturing facilities in six U.S. states.

A majority of our operations received ISO 9001:2015 Certification thru ANAB (Cert# 5369-Eagle Registrations Inc.), with plans to seek additional certifications in future years. Our manufacturing operations are subject to various federal, state and local regulatory requirements relating to environmental protection and occupational health and safety. We do not expect to incur material capital expenditures with regard to these matters and believe our facilities are in compliance with such regulations.

Goodwill and Intangible Asset Impairment

There was no impairment of the Company's goodwill or indefinite-lived intangible assets in fiscal 2016 or 2015. The Company recorded a $479,000 impairment of a finite-lived intangible asset in the Graphics Segment in fiscal 2017.

Competition

We experience strong competition in all segments of our business, and in all markets served by our product lines. Although we have many competitors, some of which have greater financial and other resources, we do not compete with the same companies across our entire product and service offerings. We believe product quality and performance, price, customer service, prompt delivery, and reputation to be important competitive factors. We also have several product and process patents which have been obtained in the normal course of business which provide a competitive advantage in the marketplace.

Additional Information

Our sales are partially seasonal as installation of outdoor lighting and graphic systems in the northern states lessens during the harshest winter months. We had a backlog of orders, which we believe to be firm, of $30.2 million and $29.1 million at June 30, 2017 and 2016, respectively. All orders are expected to be shippable or installed within twelve months.

We have 1,232 full-time employees and 113 agency employees as of June 30, 2017. We offer a comprehensive compensation and benefits program to most employees, including competitive wages, a cash-based incentive plan that is based upon the achievement of the Company's business plan goals, a 401(k) retirement savings plan, a nonqualified deferred compensation plan (for certain employees), an equity compensation plan, and medical and dental insurance.

We file reports with the Securities and Exchange Commission ("SEC") on Forms 10-K, 10-Q and 8-K. You may read and copy any materials filed with the SEC at its public reference room at 100 F. Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain that information by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet website that contains reports, proxy and information statements and other information regarding us. The address of that site is http://www.sec.gov. Our internet address is http://www.lsi-industries.com. We make available free of charge through our internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practical after we electronically file them with the SEC. LSI is not including the other information contained on its website as part of or incorporating it by reference into this Annual Report on Form 10-K.

LSI Industries Inc. is an Ohio corporation, incorporated in 1976.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition, cash flows or future results. Any one of these factors could cause the Company's actual results to vary materially from recent results or from anticipated future results. The risks described below are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Lower levels of economic activity in our end markets could adversely affect our operating results.

Our businesses operate in several market segments including, but not limited to, commercial, industrial, retail, petroleum / convenience store and automotive. Operating results can be negatively impacted by volatility in these markets. Future downturns in any of the markets we serve could adversely affect our overall sales and profitability.

The markets in which we operate are subject to competitive pressures that could affect selling prices, and therefore could adversely affect our operating results.

Our businesses operate in markets that are highly competitive, and we compete on the basis of price, quality, service and/or brand name across the industries and markets served. Some of our competitors for certain products, primarily in the Lighting Segment, have greater sales, assets and financial resources. Some of our competitors are based in foreign countries and have cost structures and prices in foreign currencies. Accordingly, currency fluctuations could cause our U.S. dollar-priced products to be less competitive than our competitors' products which are priced in other currencies. Competitive pressures could affect prices we charge our customers or demand for our products, which could adversely affect our operating results. Additionally, customers for our products may attempt to reduce the number of vendors from which they purchase in order to reduce the size and diversity of their inventories and their transaction costs. To remain competitive, we will need to invest continuously in research and development, manufacturing, marketing, customer service and support, and our distribution networks. We may not have sufficient resources to continue to make such investments and we may be unable to maintain our competitive position.

Our operating results may be adversely affected by unfavorable economic, political and market conditions.

Economic and political conditions worldwide have from time to time contributed to slowdowns in our industry at large, as well as to the specific segments and markets in which we operate. When combined with ongoing customer consolidation activity and periodic manufacturing and inventory initiatives, an uncertain macro-economic and political climate, including but not limited to the effects of possible weakness in domestic and foreign financial and credit markets, could lead to reduced demand from our customers and increased price competition for our products, increased risk of excess and obsolete inventories and uncollectible receivables, and higher overhead costs as a percentage of revenue. If the markets in which we participate experience further economic downturns, as well as a slow recovery period, this could negatively impact our sales and revenue generation, margins and operating expenses, and consequently have a material adverse effect on our business, financial condition and results of operations.

Price increases or significant shortages of raw materials and components could adversely affect our operating margin.

The Company purchases large quantities of raw materials and components — mainly steel, aluminum, LEDs, electronic components, light bulbs and fluorescent tubes, lighting ballasts, sockets, wire harnesses, plastic lenses, glass lenses, vinyls, inks, and corrugated cartons. Materials comprise the largest component of costs, representing approximately 60% and 58% of the cost of sales in 2017 and 2016, respectively. While we have multiple sources of supply for most of our material requirements, significant shortages could disrupt the supply of raw materials. Further significant increases in the price of these raw materials and components could further increase the Company's operating costs and materially adversely affect margins. Although the Company attempts to pass along increased costs in the form of price increases to customers, the Company may be unsuccessful in doing so for competitive reasons. Even when price increases are successful, the timing of such price increases may lag significantly behind the incurrence of higher costs. On occasion, there are selected electronic component parts and certain other parts shortages in the market place, some of which have affected the Company's manufacturing operations and shipment schedules even though multiple suppliers may be available. The lead times of these suppliers can increase and the prices of some of these parts have increased during periods of shortages.

We have a concentration of net sales to the petroleum / convenience store market, and any substantial change in this market could have an adverse effect on our business.

Approximately 30% of our net sales in fiscal year 2017 are concentrated in the petroleum / convenience store market. Sales to this market segment are dependent upon the general conditions prevailing in and the profitability of the petroleum and convenience store industries and general market conditions. Our petroleum market business can be subject to reactions by the petroleum industry to world political events, particularly those in the Middle East, and to the price and supply of oil. Major disruptions in the petroleum industry generally result in a curtailment of retail marketing efforts, including expansion and refurbishing of retail outlets, by the petroleum industry and adversely affect our business. Any substantial change in purchasing decisions by one or more of our larger customers whether due to actions by our competitors, customer financial constraints, industry factors or otherwise, could have an adverse effect on our business.

Difficulties with integrating acquisitions could adversely affect operating costs and expected benefits from those acquisitions.

We have pursued and may continue to seek potential acquisitions to complement and expand our existing businesses, increase our revenues and profitability, and expand our markets. We cannot be certain that we will be able to identify, acquire or profitably manage additional companies or successfully integrate such additional companies without substantial costs, delays or other problems. Also, companies acquired recently and in the future may not achieve revenues, profitability or cash flows that justify our investment in them. We expect to spend significant time and effort in expanding our existing businesses and identifying, completing and integrating acquisitions. We expect to face competition for acquisition candidates which may limit the number of acquisition opportunities available to us, possibly leading to a decrease in the rate of growth of our revenues and profitability, and may result in higher acquisition prices. The success of these acquisitions we do make will depend on our ability to integrate these businesses into our operations. We may encounter difficulties in integrating acquisitions into our operations, retaining key employees of acquired companies and in managing strategic investments. Therefore, we may not realize the degree or timing of the benefits anticipated when we first enter into a transaction.

Goodwill and intangible assets that are recorded on the balance sheet from a previous or future acquisition could be written off if circumstances arise whereby the goodwill or intangible assets have been impaired.

We have pursued and will continue to seek potential acquisitions, at the appropriate time, to complement and expand our existing businesses, increase our revenues and profitability, and expand our markets. As a result of acquisitions, we have significant goodwill and intangible assets recorded on our balance sheet. We will continue to evaluate the recoverability of the carrying amount of our goodwill and intangible assets on an ongoing basis, and we may incur substantial non-cash impairment charges, which would adversely affect our financial results. There can be no assurance that the outcome of such reviews in the future will not result in substantial impairment charges. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs, holding periods or other factors that may result in changes in our estimates of future cash flows. Although we believe the assumptions we used in testing for impairment are reasonable, significant changes in any one of our assumptions could produce a significantly different result. If there were to be a decline in our market capitalization and/or a decline in estimated forecasted discounted cash flows, there could be an impairment of the goodwill and intangible assets. A non-cash impairment charge could be material to the earnings of the reporting period in which it is recorded.

If we do not develop the appropriate new products or if customers do not accept new products, we could experience a loss of competitive position which could adversely affect future revenues.

The Company is committed to product innovation on a timely basis to meet customer demands. Development of new products for targeted markets requires the Company to develop or otherwise leverage leading technologies in a cost-effective and timely manner. Failure to meet these changing demands could result in a loss of competitive position and seriously impact future revenues. Products or technologies developed by others may render the Company's products or technologies obsolete or noncompetitive. A fundamental shift in technologies in key product markets could have a material adverse effect on the Company's operating results and competitive position within the industry. More specifically, the development of new or enhanced products is a complex and uncertain process requiring the anticipation of technological and market trends. Rapidly changing product technologies could adversely impact operating results due to potential technological obsolescence of certain inventories or increased warranty expense related to newly developed LED lighting products. We may experience design, manufacturing, marketing or other difficulties, such as an inability to attract a sufficient number of experienced engineers that could delay or prevent our development, introduction or marketing of new products or enhancements and result in unexpected expenses. Such difficulties could cause us to lose business from our customers and could adversely affect our competitive position. In addition, added expenses could decrease the profitability associated with those products that do not gain market acceptance.

Our business is cyclical and seasonal, and in downward economic cycles our operating profits and cash flows could be adversely affected.

Historically, sales of our products have been subject to cyclical variations caused by changes in general economic conditions. Our revenues in our third quarter ending March 31 are also affected by the impact of weather on construction and installation programs and the annual budget cycles of major customers. The demand for our products reflects the capital investment decisions of our customers, which depend upon the general economic conditions of the markets that our customers serve, including, particularly, the petroleum and convenience store industries. During periods of expansion in construction and industrial activity, we generally have benefited from increased demand for our products. Conversely, downward economic cycles in these industries result in reductions in sales and pricing of our products, which may reduce our profits and cash flow. During economic downturns, customers also tend to delay purchases of new products. The cyclical and seasonal nature of our business could at times adversely affect our liquidity and financial results.

A loss of key personnel or inability to attract qualified personnel could have an adverse effect on our operating results.

The Company's future success depends on the ability to attract and retain highly skilled technical, managerial, marketing and finance personnel, and, to a significant extent, upon the efforts and abilities of senior management. The Company's management philosophy of cost-control results in a lean workforce. Future success of the Company will depend on, among other factors, the ability to attract and retain other qualified personnel, particularly management, research and development engineers and technical sales professionals. The loss of the services of any key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on the Company's results of operations.

The costs of litigation and compliance with environmental regulations, if significantly increased, could have an adverse effect on our operating profits.

We are, and may in the future be, a party to any number of legal proceedings and claims, including those involving patent litigation, product liability, employment matters, and environmental matters, which could be significant. Given the inherent uncertainty of litigation, we can offer no assurance that existing litigation or a future adverse development will not have a material adverse impact. We are also subject to various laws and regulations relating to environmental protection and the discharge of materials into the environment, and it could potentially be possible we could incur substantial costs as a result of the noncompliance with or liability for clean up or other costs or damages under environmental laws.

The turnover of commissioned sales representatives could cause a significant disruption in sales volume.

Commissioned sales representatives are critical to generating business in the Lighting Segment. From time to time, commissioned sales representatives representing a particular region resign or are terminated and replaced with new commissioned sales representatives. During this period of transition from the previous agency to the new one, sales in the particular region will likely fall as business is disrupted. It may take several months for the new sales representative to generate sales that will equal or exceed the previous sales representative. There is also the risk that the new sales agency will not attain the sales volume of the previous agency. These sales representative changes may occur individually as one agency is replaced due to lack of performance. On the other hand, these sales representative changes can be widespread as a result of the competitive nature of the lighting industry as LSI and its competition vie for the strongest sales agency in a particular region.

Changes in a customer's demands and commitment to proprietary inventory could result in significant inventory write-offs.

Upgrading or replacing a customer's current image requires the manufacture of inventory that is specific to the particular customer. This is particularly true in the Graphics Segment. In as many instances as possible, we require a commitment from the customer before the inventory is produced. Our request for a commitment can range from a single site or store to a large roll-out program involving many sites or stores. The risk does exist that a customer cannot or will not honor its commitment to us. The reasons a customer cannot or will not honor its commitment can range from the bankruptcy of the customer, to the change in the image during the roll-out program, to canceling the program before its completion and before the inventory is sold to the customer. In each of these instances, we could be left with significant amounts of inventory required to support the customer's re-imaging. While all efforts are made to hold the customer accountable for its commitment, there is the risk that a significant amount of inventory could be deemed obsolete or no longer usable which could result in significant inventory write-offs.

If we are unable to adequately protect our intellectual property, we may lose some of our competitive advantage.

Our success is determined in part by our ability to obtain United States and foreign patent protection for our technology and to preserve our trade secrets. Our ability to compete and the ability of our business to grow could suffer if our intellectual property rights are not adequately protected. There can be no assurance that our patent applications will result in patents being issued or that current or additional patents will afford protection against competitors. We rely on a combination of patents, copyrights, trademarks and trade secret protection and contractual rights to establish and protect our intellectual property. Failure of our patents, copyrights, trademarks and trade secret protection, non-disclosure agreements and other measures to provide protection of our technology and our intellectual property rights could enable our competitors to more effectively compete with us and have an adverse effect on our business, financial condition and results of operations. In addition, our trade secrets and proprietary know-how may otherwise become known or be independently discovered by others. No guarantee can be given that others will not independently develop substantially equivalent proprietary information or techniques, or otherwise gain access to our proprietary technology.

Sudden or unexpected changes in a customer's creditworthiness could result in significant accounts receivable write-offs.

The Company takes a conservative approach when extending credit to its customers. Customers are granted an appropriate credit limit based upon the due diligence performed on the customer which includes, among other things, the review of the company's financial statements and banking information, various credit checks, and payment history the customer has with the Company. At any given time, the Company can have a significant amount of credit exposure with its larger customers. While the Company is frequently monitoring its outstanding receivables with its customers, the likelihood does exist that a customer with large credit exposure is unable to make payment on its outstanding receivables which could result in a significant write-off of accounts receivable.

Failure of the Company's operating or information system or a compromise of security with respect to its operating system or portable electronic devices could adversely affect the Company's results of operations and financial condition or the effectiveness of internal controls over operations and financial reporting.

Information technology system failures, network disruptions and breaches of data security caused by such factors, including, but not limited to, earthquakes, fire, theft, fraud, malicious attack or other causes could disrupt the Company's operations by causing delays or cancellation of customer orders, negatively affecting the Company's online offerings and services, impeding the manufacture or shipment of products, processing transactions and reporting financial results, resulting in the unintentional disclosure of customer or Company information, or damage to the Company's reputation. While management has taken steps to address these concerns by implementing network security and internal control measures, there can be no assurance that a system failure or loss or data security breach will not materially adversely affect the Company's financial condition and operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company operates ten facilities and has one vacant facility held for sale:

Description	Size	Location	Status
1) LSI Industries Corporate Headquarters and lighting fixture manufacturing	243,000 sq. ft. (includes 66,000 sq. ft. of office space)	Cincinnati, OH	Owned
2) LSI Industries pole manufacturing and dry powder-coat painting	122,000 sq. ft.	Cincinnati, OH	Owned
3) LSI Industries technology center	9,000 sq. ft.	Cincinnati, OH	Leased
4) LSI Industries lighting assembly	12,000 sq. ft.	Hawthorne, CA	Leased
5) LSI Metal Fabrication manufacturing and dry powder-coat painting	96,000 sq. ft. (includes 5,000 sq. ft. of office space)	Independence, KY	Owned
6) LSI Integrated Graphics office; screen printing manufacturing; and architectural graphics manufacturing	141,000 sq. ft. (includes 34,000 sq. ft. of office space)	Houston, TX	Leased
7) Grady McCauley office and manufacturing	212,000 sq. ft. (includes 22,000 sq. ft. of office space)	North Canton, OH	Owned
8) LSI Lightron office and manufacturing	170,000 sq. ft. (includes 10,000 sq. ft. of office space)	New Windsor, NY	Owned and Leased (a)
9) LSI ADL Technology office and manufacturing	57,000 sq. ft. (includes 5,000 sq. ft. of office space)	Columbus, OH	Owned
10) Atlas Lighting Products office and manufacturing	336,000 sq. ft. (included 60,000 sq. ft. of office space)	Burlington, NC	Leased
11) LSI Retail Graphics office and manufacturing	33,000 sq. ft. (includes 5,000 sq. ft. of office space)	Woonsocket, RI	Owned (b)

(a) The land at this facility is leased and the building is owned.
(b) This facility is vacant and is currently offered for sale.

The Company considers these ten operating facilities, excluding the Woonsocket facility (total of 1,398,000 square feet) adequate for its current level of operations.

ITEM 3. LEGAL PROCEEDINGS

See Note 13 of Notes to the Consolidated Financial Statements beginning on page 60 of this Form 10-K

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Common share information appears in Note 19 — SUMMARY OF QUARTERLY RESULTS (UNAUDITED) under "Range of share prices" beginning on page 65 of this Form 10-K. Information related to "Earnings (loss) per share" and "Cash dividends paid per share" appears in SELECTED FINANCIAL DATA on page 66 of this Form 10-K. LSI's shares of common stock are traded on the NASDAQ Global Select Market under the symbol "LYTS."

The Company's Board of Directors has adopted a dividend policy 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 by the Board of Directors. The Company has paid annual cash dividends beginning in fiscal 1987 through fiscal 1994, and quarterly cash dividends since fiscal 1995. The Company's indicated annual rate for payment of a cash dividend at the end of fiscal 2017 was $0.20 per share.

At August 30, 2017, there were approximately 630 shareholders of record. The Company believes this represents approximately 3,000 beneficial shareholders.

In connection with the acquisition of Atlas on February 21, 2017 LSI issued to sellers of Atlas warrants to purchase an aggregate of 200,000 shares of the Company's Common Stock at an exercise price of $9.95 per share expiring February 2022. The warrants were issued pursuant to an exemption from the registration requirements under the Securities Act of 1933, as amended, under Section 4(2) thereof.

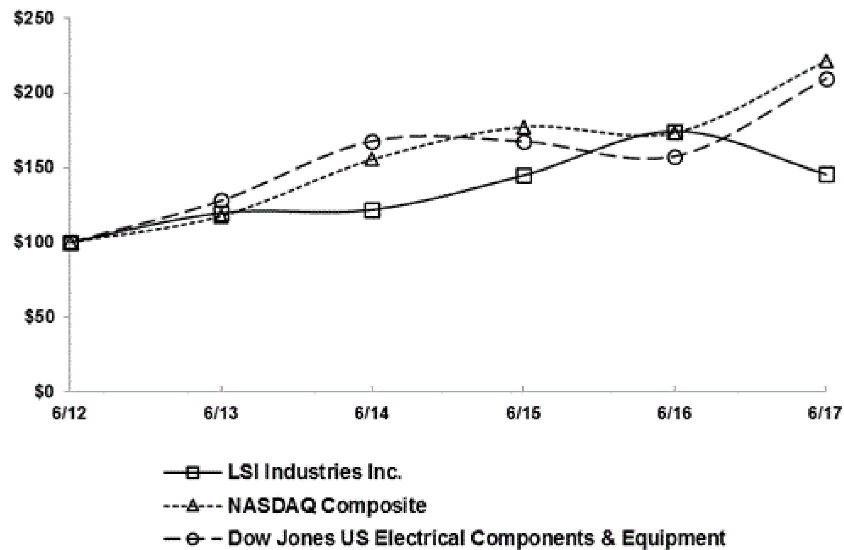
(b) The Company does not purchase into treasury its own common shares for general purposes. However, the Company does purchase its own common shares, through a Rabbi Trust, as investments of employees/participants of the LSI Industries Inc. Nonqualified Deferred Compensation Plan. Purchases of Company common shares for this Plan in the fourth quarter of fiscal 2017 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
4/1/17 to 4/30/17	1,766	$ 9.05	1,766	(1)
5/1/17 to 5/31/17	1,833	$ 8.72	1,833	(1)
6/1/17 to 6/30/17	1,845	$ 8.75	1,845	(1)
Total	5,444	$ 8.84	5,444	(1)

(1) All acquisitions of shares reflected above have been made in connection with the Company's Nonqualified Deferred Compensation Plan, which does not contemplate a limit on shares to be acquired or acquired into this plan.

The following graph compares the cumulative total shareholder return on the Company's common shares during the five fiscal years ended June 30, 2017 with a cumulative total return on the NASDAQ Stock Market Index (U.S. companies) and the Dow Jones Electrical Equipment Index. The comparison assumes $100 was invested June 30, 2012 in the Company's Common Shares and in each of the indexes presented; it also assumes reinvestment of dividends.



The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. SELECTED FINANCIAL DATA

"Selected Financial Data" begins on page 66 of this Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis of Financial Condition and Results of Operations" appears on pages 19 through 33 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in variable interest rates, changes in prices of raw materials and component parts, and changes in foreign currency translation rates. Each of these risks is discussed below.

Interest Rate Risk

The Company earns interest income on its cash, cash equivalents, and short-term investments (if any) and pays interest expense on its debt (if any). Because of variable interest rates, the Company is exposed to the risk of interest rate fluctuations, which impact interest income, interest expense, and cash flows.

The Company's $100,000,000 line of credit is subject to interest rate fluctuations, should the Company borrow certain amounts on this line of credit. Additionally, the Company expects to generate cash from its operations that will subsequently be used to pay down as much of the debt (if any is outstanding) as possible or invest cash in short-term investments (if no debt is outstanding), while still funding the growth of the Company.

Raw Material Price Risk

The Company purchases large quantities of raw materials and components, mainly steel, aluminum, castings, fabrications, LEDs, electronic components, power supplies, powder paint, wire harnesses, plastic and glass lenses, vinyls, inks, and corrugated cartons. The Company's operating results could be affected by the availability and price fluctuations of these materials. The Company's strategic sourcing plans include mitigating risk by utilizing multiple suppliers for a commodity to avoid significant dependence on any single supplier. Other than the possibility of industry-wide supply shortages, the Company has not experienced any significant supply problems in recent years. Price risk for these materials is related to price increases in commodity items that affect all users of the materials, including the Company's competitors. For the fiscal year ended June 30, 2017, the raw material component of cost of goods sold subject to price risk was approximately $150 million. The Company does not actively hedge or use derivative instruments to manage its risk in this area. The Company does, however, seek and qualify new suppliers, negotiate with existing suppliers, and arranges stocking agreements to mitigate risk of supply and price increases. On occasion, the Company's Lighting Segment has announced price increases with customers in order to offset raw material price increases. 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 has not fully offset the commodity price increases. The Company's Graphics Segment generally establishes new sales prices, reflective of the then current raw material prices, for each custom graphics program as it begins.

Foreign Currency Translation Risk

The Company has essentially no foreign currency risk as all operations are conducted in U.S. dollars.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Schedules other than those listed above are omitted for the reason(s) that they are either not applicable or not required or because the information required is contained in the financial statements or notes thereto. Selected quarterly financial data is found in Note 19 of the accompanying consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We conducted, under the supervision of our management, including the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the internal control over financial reporting as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2017, our disclosure controls and procedures were effective. Management believes that the consolidated financial statements included in this Annual Report on Form 10-K are fairly presented in all material respects in accordance with U.S GAAP, and the Company's Chief Executive Officer and Chief Financial Officer have certified that, based on their knowledge, the consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations, statement of shareholders' equity, and cash flows for each of the periods presented in this report.

The Company acquired Atlas Lighting Products, Inc. ("Atlas") on February 21, 2017. Management excluded Atlas from its evaluation of the effectiveness of the internal control over financial reporting as of June 30, 2017. Atlas represented 39% of the Company's total consolidated assets as of June 30, 2017, and 5% of the Company's total consolidated sales for the fiscal year ended June 30, 2017.

Changes in Internal Control

There have been no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except as otherwise described in this Item 9A. See Management's Report On Internal Control Over Financial Reporting on page 34.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEMS 10, 11, 12, 13 and 14 of Part III are incorporated by reference to the LSI Industries Inc. Proxy Statement for its Annual Meeting of Shareholders to be held November 16, 2017, as filed with the Commission pursuant to Regulation 14A.

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

The description of equity compensation plans required by Regulation S-K, Item 201(d) is incorporated by reference to the LSI Industries Inc. Proxy Statement for its Annual Meeting of Shareholders to be held November 16, 2017, as filed with the Commission pursuant to Regulation 14A.

The following table presents information about the Company's equity compensation plans (LSI Industries Inc. 2003 Equity Compensation Plan and the 2012 Stock Incentive Plan) as of June 30, 2017.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	3,453,023	$9.22	2,188,509
Equity compensation plans not approved by security holders	—	$—	—
Total	3,453,023	$9.22	2,188,509

PART IV

ITEM 15.EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements
Appear as part of Item 8 of this Form 10-K.

(2) Exhibits — Exhibits set forth below are either on file with the Securities and Exchange Commission and are incorporated by reference as exhibits hereto, or are filed with this Form 10-K.

Exhibit No.	Exhibit Description
3.1	Articles of Incorporation of LSI (incorporated by reference to Exhibit 3.1 to LSI's Form S-3 Registration Statement File No. 33-65043).
3.2	Amended Article Fourth of LSI's Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to LSI's Form 8-K filed November 19, 2009).
3.3	Amended and Restated Code of Regulations of LSI (incorporated by reference to Exhibit 3 to LSI's Form 8-K filed January 22, 2009).
10.1	Third Amendment to Loan Documents dated February 21, 2017 between the Registrant and PNC Bank, National Association (incorporated by reference to Exhibit 42 to LSI's Form 8-K filed February 21, 2017).

10.2	Stock Purchase Agreement dated as of February 21, 2017 among LSI Industries Inc., James Hewes Bennett, Rector Samuel Hunt III and Atlas Lighting Products, Inc. (incorporated by reference to Exhibit 21 to LSI's Form 8-K filed February 21, 2017).
10.9*	LSI Industries Inc. 401(k) Retirement Savings Plan (Amended and Restated as of July 1, 2017)
10.10*	LSI Industries Inc. 2003 Equity Compensation Plan (Amended and Restated through November 19, 2009) (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed November 19, 2009).
10.11*	Amended and Restated 2012 Stock Incentive Plan as of November 17, 2016 (incorporated by reference to Exhibit 10.1 to LSI's Form 10-Q filed February 3, 2017).
10.12*	Trust Agreement Establishing the Rabbi Trust Agreement by and between LSI Industries Inc. and Prudential Bank & Trust, FSB (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed January 5, 2006).
10.13*	LSI Industries Inc. Nonqualified Deferred Compensation Plan (Amended and Restated as of November 20, 2014) (incorporated by reference to Exhibit 10.2 to LSI's Form 10-Q filed February 5, 2015).
10.14*	Amended Agreement dated January 25, 2005 with James P. Sferra (incorporated by reference to Exhibit 10.2 to LSI's Form 8-K filed January 27, 2005).
10.15*	Amendment to Amended Agreement dated September 16, 2014 between LSI Industries Inc. and James P. Sferra (incorporated by reference to Exhibit 10.15 to LSI's Form 10-K filed September 8, 2015).
10.16*	Employment Offer Letter between LSI and James E. Galeese (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed on June 13, 2017).
10.17*	Amended and Restated Employment Agreement between Dennis W. Wells and LSI (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed February 27, 2017).
10.18*	Non-Competition, Non-Solicitation and Non-Disclosure Agreement dated as of February 24, 2017 between LSI Industries Inc. and Dennis W. Wells (incorporated by reference to Exhibit 10.2 to LSI's Form 8-K filed February 27, 2017).
10.20*	Change of Control Policy (incorporated by reference to Exhibit 10 to LSI's Form 8-K filed October 3, 2011).
10.23*	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to LSI's Form 8-K filed July 6, 2015).
10.24*	Form of Nonqualified Stock Option Award Agreement - Service-Based (incorporated by reference to Exhibit 10.5 to LSI's Form 8-K filed July 6, 2015).
10.25*	Form of Nonqualified Stock Option Award Agreement – Performance-Based (incorporated by reference to Exhibit 10.4 to LSI's Form 8-K filed July 6, 2015).
10.26*	Form of Incentive Stock Option Award Agreement (incorporated by reference to Exhibit 10.6 to LSI's Form 8-K filed July 6, 2015).
10.27*	Form of Warrant Agreement issued by LSI Industries Inc. (incorporated by reference to Exhibit 4.1 to LSI's Form 8-K filed February 21, 2017).
10.28*	LSI Industries Inc. Long Term Incentive Plan FY2017 for Named Executive Officers (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed July 5, 2016).
10.29*	LSI Industries Inc. Short Term Incentive Plan FY2017 for Named Executive Officers (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed August 22, 2016).
10.30*	Form of Indemnification Agreement between LSI and certain indemnities (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed June 23, 2016).

14	Code of Ethics (incorporated by reference to exhibit 14 to LSI's Form 10-K for the fiscal year ended June 30, 2004).
21	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm (Grant Thornton LLP)
24	Power of Attorney (included as part of signature page)
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a)
31.2	Certification of Principal Financial Officer required by Rule 13a-14(a)
32.1	18 U.S.C. Section 1350 Certification of Principal Executive Officer
32.2	18 U.S.C. Section 1350 Certification of Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Document

* Management Compensatory Agreements

LSI will provide shareholders with any exhibit upon the payment of a specified reasonable fee, which fee shall be limited to LSI's reasonable expenses in furnishing such exhibit. The exhibits identified herein as being filed with the SEC have been so filed with the SEC but may not be included in this version of the Annual Report to Shareholders.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LSI INDUSTRIES INC.

September 8, 2017	BY: /s/ Dennis W. Wells
Date	Dennis W. Wells Chief Executive Officer and President

We, the undersigned directors and officers of LSI Industries Inc. hereby severally constitute Dennis W. Wells and James E. Galeese, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

ITEM 16. FORM 10-K SUMMARY

Not included.

Signature	Title
/s/ Dennis W. Wells Dennis W. Wells Date: September 8, 2017	Chief Executive Officer and President; Director (Principal Executive Officer)
/s/ James E. Galeese James E. Galeese Date: September 8, 2017	Executive Vice President, and Chief Financial Officer (Principal Financial Officer)
/s/ Jeffery S. Bastian Jeffery S. Bastian Date: September 8, 2017	Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Robert P. Beech Robert P. Beech Date: September 8, 2017	Director
/s/ Gary P. Kreider Gary P. Kreider Date: September 8, 2017	Chairman of the Board of Directors
/s/ Wilfred T. O'Gara Wilfred T. O'Gara Date: September 8, 2017	Director
/s/ James P. Sferra James P. Sferra Date: September 8, 2017	Director
/s/ John K. Morgan John K. Morgan Date: September 8, 2017	Director
/s/ Robert A. Steele Robert A. Steele Date: September 8, 2017	Director

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's "forward looking statements" and disclosures as presented earlier in this Form 10-K in the "Safe Harbor" Statement, as well as the Company's consolidated financial statements and accompanying notes presented later in this Form 10-K should be referred to when reading Management's Discussion and Analysis of Financial Condition and Results of Operations.

Net Sales by Business Segment

(In thousands)	**2017**	2016	2015
Lighting Segment	**$ 239,005**	$ 226,889	$ 219,920
Graphics Segment	**72,395**	77,968	67,152
Technology Segment	**19,992**	17,339	20,744
All Other Category	**--**	--	41
Total Net Sales	**$ 331,392**	$ 322,196	$ 307,857

Operating Income (Loss) by Business Segment

(In thousands)	**2017**	2016	2015
Lighting Segment	**$ 10,566**	$ 15,785	$ 14,775
Graphics Segment	**2,439**	5,246	952
Technology Segment	**3,885**	4,028	3,153
All Other Category	**--**	--	(183)
Corporate and Eliminations	**(13,281)**	(11,103)	(11,164)
Total Operating Income	**$ 3,609**	$ 13,956	$ 7,533

Summary Comments

Fiscal 2017 net sales of $331,392,000 increased $9.2 million or 2.9% as compared to fiscal 2016 net sales of $322,196,000. Net sales were favorably influenced by increased net sales of the Lighting Segment (up $12.1 million or 5.3%) and the Technology Segment (up $2.7 million or 15.3%). Net sales were unfavorably influenced by net sales of the Graphics Segment (down $5.6 million or 7.1%). 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 in the Lighting Segment results. Atlas contributed $17.8 million to net sales during fiscal 2017 since the date of acquisition.

Fiscal 2017 operating income of $3,609,000 decreased 74.1% from operating income of $13,956,000 in fiscal 2016. The $10.3 million decrease in operating income was the net result of increased net sales, a decrease in gross profit and a decrease in gross profit as a percentage of net sales from 26.0% in fiscal 2016 to 24.7% in fiscal 2017, an increase in selling and administrative expenses, restructuring and plant closure costs as well as acquisition deal costs in fiscal 2017 with no comparable events in fiscal 2016, and an intangible asset impairment in fiscal 2017.

Fiscal 2016 net sales of $322,196,000 increased $14.3 million or 4.7% as compared to fiscal 2015 net sales of $307,857,000. Net sales were favorably influenced by increased net sales of the Lighting Segment (up $7.0 million or 3.2%), the Graphics Segment (up $10.8 million or 16.1%) and the Technology Segment (down $3.4 million or 16.4%).

Fiscal 2016 operating income of $13,956,000 increased 85.3% from operating income of $7,533,000 in fiscal 2015. The $6.4 million increase in operating income was the net result of increased net sales, an increase in gross profit and an increase in gross profit as a percentage of net sales from 24.2% in fiscal 2015 to 26.0% in fiscal 2016, an increase in selling and administrative expenses, and the net effect of the gain on the sale of a facility more than offset by the loss on the sale of a subsidiary in fiscal 2015 with no comparable events in fiscal 2016.

The Company recorded intangible asset impairment expense in the Graphics Segment in fiscal 2017 totaling $479,000. There was no intangible asset impairment expense in fiscal 2015 or 2016. There was no goodwill impairment expense in fiscal 2015, 2016, or 2017.

Fiscal 2017 net sales of LED lighting products of $186,532,000 in the Lighting Segment were up $31.0 million or 20.0% from the fiscal 2016 net sales of LED lighting products. Fiscal 2016 net sales of LED lighting products of $155,485,000 in the Lighting Segment were up $24.1 million or 18.4% from the fiscal 2015 net sales of LED lighting products.

Non-GAAP Financial Measures

The Company believes it is appropriate to evaluate its performance after making adjustments to net income for the 2017, 2016 and 2015 fiscal years reported in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). We adjusted operating income, net income and earnings per share, which exclude the impact of restructuring and plant closure costs, along with severance costs, intangible asset impairment expense, acquisition deal costs, and fair market value inventory adjustments, are non-GAAP financial measures. We believe that these adjusted supplemental measures are useful in assessing the operating performance of our business. These supplemental measures are used by our management, including our chief operating decision maker, to evaluate business results. We exclude these items because they are not representative of the ongoing results of operations of our business. Below is a reconciliation of these non-GAAP financial measures to operating income, net income, and adjusted diluted earnings per share for the periods indicated.

(In thousands; unaudited)	**FY 2017**	FY 2016	FY 2015
Reconciliation of operating income to adjusted operating income:			
Operating income as reported	**$ 3,609**	$ 13,956	$ 7,533
Adjustment for impairment of intangible asset	**479**	—	—
Adjustment for restructuring, plant closure costs, and related inventory write-downs (includes sale of the Kansas City facility – See Note 15)	**897**	—	—
Adjustment for other severance costs	**506**	469	1,083
Adjustment for acquisition deal costs	**1,608**	—	—
Adjustment for fair market value inventory write-up	**155**	—	—
Adjustment for a self-insured death benefit expense	**—**	—	1,000
Adjustment for the gain on sale of a manufacturing facility	**—**	—	(343)
Adjustment for the loss on sale of a subsidiary	—	—	565
Adjusted operating income	**$ 7,254**	$ 14,425	$ 9,838

(In thousands, except per share data; unaudited)	**FY 2017**		FY 2016		FY 2015	
	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Reconciliation of net income (loss) to adjusted net income:						
Net income as reported	**$ 3,000**	**$ 0.12**	$ 9,482	$ 0.37	$ 5,151	$ 0.21
Adjustment for impairment of intangible asset	**335**(1)	**0.01**	—	—	—	—
Adjustment for restructuring, plant closure costs, and related inventory write-downs, inclusive of the income tax effect (See Note 11)	**81**(2)	—	—	—	—	—
Adjustment for severance costs, inclusive of the income tax effect	**347**(3)	**0.01**	318(4)	0.01	691(5)	0.03
Adjustment for acquisition deal costs, inclusive of the income tax effect	**1,103**(6)	**0.04**	—	—	—	—
Adjustment for fair market value inventory write-up, inclusive of the income tax effect	**108**(7)	—	—	—	—	—
Adjustment for self-insured death benefit expense, inclusive of the income tax effect	—	—	—	—	637(8)	0.03
Adjustment for the gain on the sale of a manufacturing facility, inclusive of the income tax effect	—	—	—	—	(224)(9)	(0.01
Adjustment for the loss on sale of a subsidiary, inclusive of the income tax effect	—	—	—	—	565(10)	0.02
Income tax effect of utilization of a long-term capital loss	—	—	—	—	(101)(11)	0.00
Adjusted net income and earnings per share	**$ 4,974**	**$ 0.19**	$ 9,800	$ 0.38	$ 6,719	$ 0.27

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

(1) $144
(2) $816
(3) $159
(4) $151
(5) $392
(6) $505
(7) $47
(8) $363
(9) ($119)
(10) $0
(11) $0

Results of Operations

2017 Compared to 2016

Lighting Segment

(In thousands)	2017	2016
Net Sales	$ 239,005	$ 226,889
Gross Profit	$ 57,241	$ 56,674
Operating Income	$ 10,566	$ 15,785

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 $239,005,000 in the fiscal 2017 increased 5.3% from fiscal 2016 net sales of $226,889,000. While Lighting Segment net sales increased, net sales excluding Atlas decreased $5.7 million or 2.5% from fiscal 2016. The overall market for lighting products is soft, particularly in the second half of fiscal 2017. The softness in the lighting market has continued into the first few months of fiscal 2018. The Lighting Segment's net sales of light fixtures having solid-state LED technology totaled $186.5 million in fiscal 2017, representing a $31.0 million or 20.0% increase from fiscal 2016 net sales of solid-state LED light fixtures of $155.5 million. Net sales of light fixtures having solid-state LED technology accounted for 78.0% of total Lighting Segment net sales in fiscal 2017 compared to 68.5% of total Lighting Segment net sales in fiscal 2016. 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 converted from traditional lighting to light fixtures having solid-state LED technology.

Lighting Segment total net sales of solid-state LED technology in light fixtures have been recorded as indicated in the table below.

	LED Net Sales				
(In thousands)	FY 2017	FY 2016	% change (FY 17 vs FY 16)	FY 2015	% change (FY 16 vs FY 15)
First Quarter	$ 43,146	$ 37,393	15.4%	$ 29,607	26.3%
Second Quarter	46,137	41,612	10.9%	37,068	12.3%
First Half	89,283	79,005	13.0%	66,675	18.5%
Third Quarter	44,946	33,670	33.5%	29,498	14.1%
Nine Months	134,229	112,675	19.1%	96,173	17.2%
Fourth Quarter	52,303	42,810	22.2%	35,175	21.7%
Full Year	$ 186,532	$ 155,485	20.0%	$ 131,348	18.4%

Gross profit of $57,241,000 in fiscal 2017 increased $0.6 million or 1.0% from fiscal 2016, and decreased from 24.7% to 23.7% 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 of $1,325,000 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 product net sales, 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 has not fully offset the commodity price increases. Also contributing to the net change in gross profit is decreased employee compensation and benefits expense ($1.2 million), decreased warranty costs ($0.3 million), increased customer relations expense ($0.5 million), increased depreciation expense ($0.6 million), increased rent expense ($0.5 million), decreased supplies expense ($0.1 million), and decreased outside service expense ($0.4 million).

Selling and administrative expenses of $47,932,000 in fiscal 2017 increased $7.0 million or 17.2% from fiscal 2016. The $7.0 million increase is primarily the result of increased employee compensation and benefits expense ($1.5 million), increased intangible asset amortization expense due to the increase in intangible assets resulting from the acquisition of Atlas ($0.8 million), increased samples expense ($0.2 million), increased outside service expense ($0.2 million), increased sales commission expense ($3.1 million), increased bad debt expense ($0.2 million), increased supplies expense ($ 0.1 million), decreased convention expense ($0.1 million), an increase in audit fees ($0.1 million), a loss on the sale of fixed assets ($0.1 million), an increase in research and development expense ($0.3 million), use tax recorded on current and prior year purchases as a result of a use tax audit ($0.2 million), and small net increases in several other categories ($0.3 million). Also contributing to the increase in selling and administrative expenses are restructuring and plant closure costs of $104,000 related to the closure of the Kansas City, Kansas manufacturing 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 gain in fiscal 2016.

The Lighting Segment fiscal 2017 operating income of $10,566,000 decreased $5.2 million or 33.1% from operating income of $15,785,000 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 $1.4 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 gain 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 markets that the Graphics Segment serves were soft as evidenced by the decline in several key markets described below. The softness in these markets has continued into the first few months of fiscal 2018. The $5.6 million decrease in Graphics Segment net sales is primarily the net result of sales to the petroleum / convenience store market ($2.3 million net decrease), sales to the national drug store market ($3.0 million decrease), sales to the quick-service restaurant market ($0.5 million net increase), sales to the retail market ($1.2 million increase), sales to the retail grocery market ($1.5 million decrease), and changes in volume to several other markets ($0.5 million decrease).

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 product sales (customer plus inter-segment net product sales were down $6.2 million or 7.8%), significant inflationary pressures in several key commodities, a drop in customer installation sales related to the Company's traditional graphics of $5.5 million partially offset by higher margins on installation sales, slightly decreased freight expense as a percentage of shipping and handling revenue, increased depreciation expense ($0.3 million), decreased real estate taxes ($0.1 million), decreased supplies expense ($0.2 million), decreased repair and maintenance expense ($0.1 million), decreased rent expense ($0.1 million), decreased outside services ($0.1 million), and decreased compensation and benefits expense ($0.6 million). Material inflation has stabilized at these higher price levels in the first few months of fiscal 2018 and are likely to remain at these levels in the short term.

Selling and administrative expenses of $14,187,000 in fiscal 2017 increased $0.1 million or 0.7% from fiscal 2016 primarily as a result of decreased compensation and benefits expense ($0.5 million), increased outside services expense ($0.4 million), increased convention and shows expense ($0.1 million), increased travel expense ($0.1 million), increased supplies expense ($0.1 million), decreased commissions expense ($0.1 million), decreased rent expense ($0.1 million), increased depreciation expense ($0.1 million), and other small net decreases in other categories ($0.2 million). Also contributing to the higher selling and administrative expense 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 the prior period of fiscal 2016.

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 $448,000 with no comparable costs in fiscal 2016, and intangible asset impairment expense of $479,000 with no comparable cost in fiscal 2016, and a decrease in other selling and administrative expenses.

Technology Segment

(In thousands)	2017	2016
Net Sales	$ 19,992	$ 17,339
Gross Profit	$ 7,359	$ 7,620
Operating Income	$ 3,885	$ 4,028

Technology Segment net customer sales of $19,992,000 in fiscal 2017 increased $2.7 million or 15.3% from fiscal 2016 net sales of $17,339,000. The $2.7 million increase in Technology Segment net sales is primarily the net result of a $1.7 million increase in sales to the transportation market, a $0.8 million increase in sales to original equipment manufacturers, and a $0.1 million net increase in sales to various other markets. The increase in net customer sales is due to the cyclic nature of the markets the Company serves in this segment. While net customer sales increased, the Technology Segment inter-company sales of electronic circuit boards and lighting control systems to the Lighting Segment decreased $1.8 million or 4.9% due to demand and the outsourcing of some products.

Gross profit of $7,359,000 in the fiscal 2017 decreased $0.3 million or 3.4% from the same period of fiscal 2016, and decreased from 14.4% to 13.6% as a percentage of Technology Segment net sales (customer plus inter-segment net sales). The Company incurred restructuring charges of $0.2 million related to the consolidation of its Beaverton, Oregon facility into other LSI facilities, with no comparable costs in fiscal 2016. The remaining $0.1 million decrease in amount of gross profit is due to the net effect of increased customer net sales, partially offset by decreased inter-segment sales, increased employee compensation and benefits expense ($0.3 million), increased warranty expense ($0.3 million), decreased rent expense ($0.1 million), and decreased outside services expense ($0.2 million).

Selling and administrative expenses of $3,441,000 in fiscal 2017 decreased $151,000 or 4.2% from the same period of fiscal 2016. The decrease in selling and administrative expenses is primarily the net result of an increase in employee compensation and benefits expense ($0.1 million), an increase in bad debt expense ($0.1 million), a decrease in research and development expense ($0.3 million), a decrease in the amortization expense ($0.1 million), and other changes to selling and administrative expenses ($0.1 million decrease).

Technology Segment fiscal 2017 operating income of $3,885,000 decreased $0.1 million or 0.4% from operating income of $4,028,000 in the same period of fiscal 2016. The decrease of $0.1 million was the net result of increased net customer sales, decreased inter-segment sales, restructuring costs in fiscal 2017 of $0.3 million with no comparable costs in fiscal 2016, decreased gross profit, and decreased operating expenses.

In September 2016, the Company 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.

Corporate and Eliminations

(In thousands)	2017	2016
Gross Profit	$ 164	$ (149)
Operating (Loss)	$ (13,281)	$ (11,103)

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

Administrative expenses of $11,712,000 in fiscal 2017 increased $0.8 million or 6.9% from the same period of the prior year. The $0.8 million change in administrative expenses is primarily the net result of decreased employee compensation and benefits expense ($0.6 million), an increase in legal expense ($0.1 million), decreased depreciation expense ($0.1 million), increased research and development expense ($0.3 million), increased telephone expense ($0.1 million), increased outside services expense ($0.5 million), a change in the allocation of corporate expense to the operating units ($0.2 million increase), and several small net increases in various other expenses ($0.3 million). Also contributing to the increased administrative expenses are 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.

Consolidated Results

The Company reported net interest expense of $529,000 in fiscal 2017 as compared to net interest income of $48,000 in the same period of 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 primarily 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 in fiscal 2017 with no comparable costs in fiscal 2016, intangible asset impairment expense 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.

Results of Operations

2016 Compared to 2015

Lighting Segment

(In thousands)	2016	2015
Net Sales	$ 226,889	$ 219,920
Gross Profit	$ 56,674	$ 54,542
Operating Income	$ 15,785	$ 14,775

Lighting Segment net sales of $226,889,000 in fiscal 2016 increased 3.2% from fiscal 2015 net sales of $219,920,000. The Lighting Segment's net sales of light fixtures having solid-state LED technology totaled $155,485,000 in fiscal 2016, representing a $24.1 million or 18.4% increase from fiscal 2015 net sales of solid-state LED light fixtures of $131.3 million. Net sales of light fixtures having solid-state LED technology accounted for 68.5% of total Lighting Segment net sales. There was a reduction in the Company's traditional lighting sales (metal halide and fluorescent light sources) from fiscal 2015 to fiscal 2016 as customers converted from traditional lighting to light fixtures having solid-state LED technology.

Gross profit of $56,674,000 in fiscal 2016 increased $2.1 million or 3.9% from fiscal 2015, and increased from 24.5% to 24.7% as a percentage of Lighting Segment net sales (customer plus inter-segment net sales). The increase in amount of gross profit is due to the net effect of increased net sales, the improved procurement of material, competitive pricing pressures, and improved manufacturing efficiencies as a result of the Company's lean initiatives. Also contributing to the changes in gross profit is increased employee compensation and benefits expense ($0.8 million), increased supplies expense ($0.2 million), increased repair and maintenance expense ($0.2 million), increased outside services ($0.1 million), decreased utilities ($0.1 million), increased depreciation expense ($0.1 million), increased rent expense ($0.2 million), increased customer relations expense ($0.3 million), and increased warranty expense ($1.8 million). The Company experienced a higher than normal level of warranty claims in the third quarter of fiscal 2016, primarily driven by older generation LED drivers.

Selling and administrative expenses of $40,889,000 in fiscal 2016 increased $1.1 million or 2.8% from fiscal 2015 primarily as the net result of increased employee compensation and benefits expense ($0.3 million), increased travel and entertainment expenses ($0.2 million), increased samples expense ($0.3 million), decreased convention and show expense ($0.1 million), decreased literature expense ($0.1 million), decreased outside services ($0.1 million), decreased depreciation expense ($0.2 million), decreased bad debt expense ($0.1 million), increased sales commissions at a slightly higher commission rate due to higher net sales ($0.7 million), decreased lease expense ($0.1 million), an increase in corporate shared service costs ($1.8 million), and a decrease in research and development expenses ($1.4 million).

The Lighting Segment fiscal 2016 operating income of $15,785,000 increased $1.0 million or 6.8% from operating income of $14,775,000 in fiscal 2015. This increase of $1.0 million was the net result of increased net sales, an increase in gross profit and an increase in the gross margin as a percentage of net sales, and increased selling and administrative expenses.

Graphics Segment

(In thousands)	2016	2015
Net Sales	$ 77,968	$ 67,152
Gross Profit	$ 19,526	$ 13,126
Operating Income	$ 5,246	$ 952

Graphics Segment net sales of $77,968,000 in fiscal 2016 increased $10.8 million or 16.1% from fiscal 2015 net sales of $67,152,000. The $10.8 million increase in Graphics Segment net sales is primarily the net result of sales to the petroleum / convenience store market ($16.9 million net increase), sales to the national drug store market ($0.8 million decrease), sales to the quick-service restaurant market ($4.0 million net decrease), sales to the banking industry ($0.4 million decrease), sales to the retail grocery market ($1.7 million increase), sales to the sports market ($1.3 million decrease), and changes in volume to several other markets ($1.3 million decrease). The Graphics Segment net sales of graphic identification products that contain solid-state LED light sources and LED lighting for signage totaled $3.4 million in fiscal 2016, representing a $0.2 million increase from fiscal 2015 net sales of $3.6 million.

Gross profit of $19,526,000 in fiscal 2016 increased $6.4 million or 48.6% from fiscal 2015, and increased from 19.4% to 24.5% as a percentage of Graphics Segment net sales (customer plus inter-segment net sales). The increase in the amount of gross profit is due to the net effect of increased net sales, customer and product mix related to large petroleum/convenience store rollout programs, lower margins on installation sales, increased freight expense on higher sales, increased property and real estate taxes ($0.3 million), increased outside service expense ($0.2 million), decreased utility expense ($0.1 million), an increase in corporate shared services ($0.2 million), and increased compensation and benefits expense ($0.6 million).

Selling and administrative expenses of $14,280,000 in fiscal 2016 increased $1.8 million or 14.0% from fiscal 2015 primarily as a result of increased compensation and benefits expense ($1.4 million), increased travel and entertainment expense ($0.2 million), increased convention and show expense ($0.1 million), and increased commission expense ($0.1 million). In fiscal 2015, the Graphics Segment recorded a gain on the sale of one of its facilities in Woonsocket, Rhode Island of $343,000 with no comparable event in fiscal 2016.

Graphics Segment fiscal 2016 operating income of $5,246,000 increased $4.3 million or 451% from fiscal 2015 and is the net result of increased net sales, increased gross profit and increased gross profit as a percentage of net sales, increased selling and administrative expenses, and a gain on the sale of a facility in fiscal 2015 with no corresponding event in fiscal 2016.

Technology Segment

(In thousands)		2016		2015
Net Sales	$	17,339	$	20,744
Gross Profit	$	7,620	$	6,769
Operating Income	$	4,028	$	3,153

Technology Segment net customer sales of $17,339,000 in fiscal 2016 decreased 16.4% from fiscal 2015 net sales of $20,744,000. The $3.4 million decrease in Technology Segment net sales is primarily the net result of a $2.4 million decrease in sales to the transportation market, a $0.3 million decrease in sales to original equipment manufacturers, a $0.8 million decrease in sales to the medical markets, and a $0.1 million net increase in sales to various other markets. The decrease in sales is due to the cyclic nature of the markets the Company serves in this segment. While net customer sales decreased, the Technology Segment inter-segment sales increased $6.3 million or 21.5%. The increase in inter-segment sales is the direct result of the Lighting Segment's increase in net sales of light fixtures having solid-state LED technology along with light fixtures with integrated controls. The Technology Segment's intercompany support of electronic circuit boards and lighting control systems to the Lighting Segment is core to the strategic growth of the Company.

Gross profit of $7,620,000 in fiscal 2016 increased $0.9 million or 12.6% from fiscal 2015, and increased from 13.5% to 14.4% as a percentage of Technology Segment net sales (customer plus inter-segment net sales). The $0.9 million increase in amount of gross profit is due to the net effect of decreased customer net sales more than offset by increased inter-segment sales, an improvement in operational efficiencies, decreased employee compensation and benefits expense ($0.4 million), decreased supplies ($0.2 million), and increased depreciation expense ($0.1 million).

Selling and administrative expenses of $3,592,000 in fiscal 2016 decreased slightly from fiscal 2015 primarily as the net result of decreased research and development expense ($0.4 million) and increased compensation and benefits expenses ($0.3 million).

Technology Segment fiscal 2016 operating income of $4,028,000 increased $0.9 million or 27.8% from operating income of $3,153,000 in fiscal 2015. The increase of $0.9 million was the net result of decreased net customer sales more than offset by increased inter-segment sales, increased gross profit from the net increase in total net sales (customer and intersegment net sales), and decreased selling and administrative expenses.

All Other Category

(In thousands)		2016		2015
Net Sales	$	--	$	41
Gross Profit	$	--	$	21
Operating (Loss)	$	--	$	(183)

Due to the sale of LSI Saco on September 30, 2014, there is no longer comparable data for the All Other Category.

Corporate and Eliminations

(In thousands)		2016		2015
Gross Profit	$	(149)	$	(19)
Operating (Loss)	$	(11,103)	$	(11,164)

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

Selling and administrative expenses of $10,954,000 in fiscal 2016 increased $0.3 million or 3.5% from fiscal 2015. The increase in expense is primarily the result of increased employee compensation and benefits expense ($0.1 million), a decrease in legal fee expense ($0.3 million), increased outside service expense ($0.3 million), increased depreciation expense ($0.2 million), an increase in telephone expense ($0.2 million), and an increase in repair and maintenance expense ($0.2 million), an increase in corporate shared service costs allocated to the segments (favorable change of $2.5 million), and an increase in research and development expense ($2.0 million). The increase in research and development spending is the result of the creation of a corporate research and development department with its sole purpose to develop leading edge products utilizing: 1) the latest energy saving controls; 2) LED light source technology; and 3) the "internet of things" connectivity. In fiscal 2015, the Company recognized a $565,000 loss on the sale of its Montreal subsidiary, LSI Saco, with no corresponding event in fiscal 2016.

Consolidated Results

The Company reported net interest income of $48,000 in fiscal 2016 as compared to net interest expense of $19,000 in fiscal 2015. Commitment fees related to the unused portions of the Company's lines of credit and interest income on invested cash are included in the net interest expense amounts in both fiscal 2016 and 2015. The change from net interest expense in fiscal 2015 to net interest income in fiscal 2016 is the result of the growth in invested cash.

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 retroactive reinstatement of the R&D tax credit, and by a tax benefit related to uncertain income tax positions. The $2,363,000 income tax expense in fiscal 2015 represents a consolidated effective tax rate of 31.4% influenced by certain permanent book-tax differences, by certain U.S. federal tax credits, by a benefit related to uncertain income tax positions, and a $136,000 tax benefit related to the retroactive reinstatement of the R&D tax credit.

The Company reported net income of $9,482,000 in fiscal 2016 as compared to net income of $5,151,000 in fiscal 2015. This represents an 84.1% increase in net income in fiscal 2016 compared to fiscal 2015. The increase in net income is primarily the net result of increased net sales, increased gross profit, increased operating expenses, the gain on the sale of a facility more than offset by the loss on the sale of a subsidiary in fiscal 2015 with no comparable events in fiscal 2016, and increased income tax expense. Diluted earnings per share were $0.37 in fiscal 2016 as compared to diluted earnings per share of $ 0.21 in fiscal 2015. The weighted average common shares outstanding for purposes of computing diluted earnings per share in fiscal 2016 were 25,592,000 shares as compared to 24,638,000 shares in fiscal 2015.

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, 2017, the Company had working capital of $61.7 million, compared to $88.5 million at June 30, 2016. The large decrease in the Company's working capital is primarily the result of the $31 million in cash used to acquire Atlas lighting. The ratio of current assets to current liabilities was 2.36 to 1 as compared to a ratio of 3.26 to 1 at June 30, 2016. The $26.8 million decrease in working capital from June 30, 2016 to June 30, 2017 was primarily related to the net effect of decreased cash and cash equivalents ($30.8 million), increased net accounts receivable ($1.9 million), increased net inventory ($5.9 million), an increase in accrued expenses ($0.9 million), an increase in other current assets ($0.2 million), an increase in refundable income taxes ($0.8 million), an increase in accounts payable ($5.5 million), and assets held for sale of $1.5 million at June 30, 2017. 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 $21.0 million of cash from operating activities in fiscal 2017 as compared to $17.8 million in fiscal 2016. This $3.2 million increase in net cash flows from operating activities is primarily the net result of a decrease rather than an increase in net accounts receivable (unfavorable change of $8.6 million), an increase rather than a decrease in accounts payable (favorable change of $3.4 million), an increase rather than a decrease in customer prepayments (favorable change of $0.3 million), a decrease rather than an increase in net inventory (unfavorable change of $3.7 million), a decrease rather than an increase in accrued expenses and other (unfavorable change of $7.3 million), an increase rather than a decrease in refundable income taxes (unfavorable change of $0.9 million), a smaller increase in net deferred tax assets (favorable change of $0.3 million), an increase in stock compensation expense (favorable change of $0.1 million), an increase in the deferred compensation liability (favorable change of $0.1 million), an increase in depreciation and amortization expense (favorable change of $1.6 million), fixed asset impairment and accelerated depreciation with no comparable events in the prior year (favorable change of $0.4 million), intangible asset impairment with no comparable events in the prior year (favorable change of $0.5 million), a gain on the sale of a building (the Kansas City facility) in fiscal 2017 with no comparable event in fiscal 2016 (unfavorable change of$1.4 million), a loss compared to a gain on the sale of several fixed assets other than the sale of a building (favorable change of $0.1 million), and a decrease in net income (unfavorable change of $6.5 million).

Net accounts receivable were $48.9 million and $47.0 million at June 30, 2017 and 2016, respectively. The increase of $1.9 million in net receivables is primarily due to the net effect of a higher amount of net sales in the fourth quarter of fiscal 2017 as compared to the fourth quarter of fiscal 2016 and higher days sales outstanding (DSO). The DSO increased to 52 days at June 30, 2017 from 47 days at June 30, 2016. 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 $50.0 million at June 30, 2017 increased $5.9 million from June 30, 2016 levels. The increase of $5.9 million is the result of an increase in gross inventory of $6.3 million partially offset by an increase in inventory obsolescence reserves of $0.4 million. Based on a strategy of balancing inventory reductions with customer service and the timing of shipments, net inventory increases occurred in fiscal 2017 in the Lighting Segment of approximately $3.5 million (fiscal 2017 includes $9.4 million of net inventory at Atlas for which there was no comparable inventory as of June 30, 2016), in the Graphics Segment of approximately $0.6 million and in the Technology Segment of approximately $1.5 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 $49.9 million of the credit line available as of August 25, 2017. 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 2018 operational and capital expenditure needs. The Company is in compliance with all of its loan covenants.

The Company used cash of $98.6 million related to investing activities in fiscal 2017 as compared to a use of $10.1 million in fiscal 2016, resulting in an unfavorable change of $88.5 million. Capital expenditures for fiscal 2017 decreased $3.6 million to $6.6 million from fiscal 2016. The largest components of the fiscal 2017 capital expenditures are equipment and building improvements related to the Company's Lighting and Graphics Segments and computer hardware and software related to Corporate Administration. The Company acquired Atlas Lighting Products in the third quarter of fiscal 2017, which used cash of $95.1 million of which $66 million was funded by the Company's line of credit. Proceeds from the sale of fixed assets increased by $3.0 million due to the sale of the Kansas City manufacturing facility in the third quarter of fiscal 2017.

The Company provided $46.8 million of cash related to financing activities in fiscal 2017 compared to a use of cash of $0.2 million in fiscal 2016. The $47.0 million favorable change in cash flow was primarily the net result of borrowings in excess of payments of long term debt of $49.5 million, an increase in dividends paid to shareholders (unfavorable change of $0.8 million), and a decrease in the exercise of stock options in fiscal 2017 (unfavorable change of $1.4 million).

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.

	Payments Due by Period				
Contractual Obligations as of June 30, 2017 (a)(b)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating Lease Obligations	$ 14,265	$ 1,870	$ 5,665	$ 6,324	$ 406
Purchase Obligations	21,234	21,192	42	--	--
Total Contractual Obligations	$ 35,499	$ 23,062	$ 5,707	$ 6,324	$ 406

(a) The liability for uncertain tax positions of $1.4 million is not included due to the uncertainty of timing of payments.

(b) The $49.7 borrowed against the revolving line of credit is not included due to the uncertainty of the timing of payments.

Cash Dividends

In August 2017, the Board of Directors declared a regular quarterly cash dividend of $0.05 per share payable September 6, 2017 to shareholders of record as of August 28, 2017. The indicated annual cash dividend rate for fiscal 2017 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 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 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 early 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.

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 customer 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 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.

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. 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. Management values inventory at lower of cost or market.

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 will adopt these standards no later than July 1, 2018. The Company is reviewing accounting policies and evaluating disclosures in the financial statements related to the new standard. The Company is also assessing potential changes to the business processes, internal controls, and information systems related to the adoption of the new standard. While the Company is currently assessing the impact of the new standard, the Company's revenue is primarily generated from the sale of finished products to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer. The recognition of revenue from most product sales is largely unaffected by the new standard. However, with respect to certain product sales requiring installation, revenue is currently not recognized until the installation is complete. While the Company does not expect this new guidance to have a material impact on the amount of overall sales recognized, the timing of recognition of revenues from sales on certain projects may be affected. Our initial conclusions may change as we finalize our assessment and select a transition method during the next six to nine months.

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 year 2018, with early adoption permitted. The Company is evaluating the impact the amended guidance will have on its financial statements.

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.

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 years and interim periods within those years, beginning after December 15, 2017, or the Company’s fiscal year 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 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 years and interim periods within those years, beginning after December 15, 2016, or the Company’s fiscal year 2018, with early adoption permitted. The Company has determined the amended guidance will have an immaterial impact on its financial statements.

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 years and interim periods within those years, beginning after December 15, 2019, or the Company’s fiscal year 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 year 2019. The Company is evaluating the impact the amended guidance will have 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 year 2021. 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, 2017, 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.

The Company acquired Atlas Lighting Products, Inc. ("Atlas") on February 21, 2017. Management excluded Atlas from its evaluation of the effectiveness of internal control over financial reporting as of June 30, 2017. Atlas represented 39% of the Company's total consolidated assets as of June 30, 2017, and 5% of the Company's total consolidated sales for the fiscal year ended June 30, 2017.

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, 2017. 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 attestation report on the effectiveness of the Company's internal control over financial reporting, which is presented in the financial statements.

Dennis W. Wells
Chief Executive Officer and President
(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.

We have audited the internal control over financial reporting of LSI Industries Inc. (an Ohio corporation) and subsidiaries (the "Company") as of June 30, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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. Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of Atlas Lighting Products, Inc. ("Atlas"), a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 39 percent and 5 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended June 30, 2017. As indicated in Management's Report On Internal Control Over Financial Reporting, Atlas was acquired during fiscal year 2017. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of Atlas.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2017, 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), the consolidated financial statements of the Company as of and for the year ended June 30, 2017, and our report dated September 8, 2017 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Cincinnati, Ohio
September 8, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
LSI Industries Inc.

We have audited the accompanying consolidated balance sheets of LSI Industries Inc. (an Ohio corporation) and subsidiaries (the "Company") as of June 30, 2017 and 2016, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2017. Our audits of the basic consolidated financial statements included the financial statement schedule appearing under Item 8. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LSI Industries Inc. and subsidiaries as of June 30, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2017, 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 8, 2017 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Cincinnati, Ohio
September 8, 2017

LSI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended June 30, 2017, 2016, and 2015
(In thousands, except per share data)

	2017	2016	2015
Net sales	**$ 331,392**	$ 322,196	$ 307,857
Cost of products and services sold	**248,012**	238,525	233,408
Restructuring costs	**1,503**	—	—
Gross profit	**81,877**	83,671	74,449
Selling and administrative expenses	**77,272**	69,715	66,694
Impairment of intangible asset	**479**	—	—
Acquisition deal costs	**1,608**	—	—
Restructuring costs (gain) (see Note 15)	**(1,091)**	—	—
Loss on sale of subsidiary (see Note 17)	**—**	—	565
Gain on sale of building	**—**	—	(343)
Operating income	**3,609**	13,956	7,533
Interest (income)	**(91)**	(84)	(26)
Interest expense	**620**	36	45
Income before income taxes	**3,080**	14,004	7,514
Income tax expense	**80**	4,522	2,363
Net income	**$ 3,000**	$ 9,482	$ 5,151
Earnings per common share (see Note 3)			
Basic	**$ 0.12**	$ 0.38	$ 0.21
Diluted	**$ 0.12**	$ 0.37	$ 0.21
Weighted average common shares outstanding			
Basic	**25,436**	24,988	24,496
Diluted	**25,988**	25,592	24,638

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

LSI INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2017 and 2016
(In thousands, except shares)

		2017		2016
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**3,039**	$	33,835
Accounts receivable, less allowance for doubtful accounts of $506 and $226, respectively		**48,880**		46,975
Inventories		**50,008**		44,141
Refundable income taxes		**775**		—
Assets held for sale		**1,463**		—
Other current assets		**2,964**		2,792
Total current assets		**107,129**		127,743
Property, Plant and Equipment, at cost				
Land		**6,429**		6,978
Buildings		**35,463**		39,317
Machinery and equipment		**78,804**		82,628
Construction in progress		**3,805**		838
		124,501		129,761
Less accumulated depreciation		**(77,147)**		(82,299)
Net property, plant and equipment		**47,354**		47,462
Goodwill		**58,538**		10,508
Other Intangible Assets, net		**38,169**		5,586
Other Long-Term Assets, net		**5,490**		4,261
Total assets	**$**	**256,680**	$	195,560

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

	2017	2016
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	**$ 19,356**	$ 13,892
Accrued expenses	**26,069**	25,341
Total current liabilities	**45,425**	39,233
Long-Term Debt	**49,698**	—
Other Long-Term Liabilities	**1,479**	807
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 25,429,223 and 24,982,219 shares, respectively	**120,259**	113,653
Retained earnings	**39,819**	41,867
Total shareholders' equity	**160,078**	155,520
Total liabilities & shareholders' equity	**$ 256,680**	$ 195,560

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, 2017, 2016, and 2015
(In thousands, except per share data)

	Common Shares		Key Executive Deferred Compensation			
	Number of Shares	Amount	Number of Shares	Amount	Retained Earnings	Total Shareholders' Equity
Balance at June 30, 2014	24,430	$ 106,979	(307)	$ (2,915)	$ 34,348	$ 138,412
Net income	—	—	—	—	5,151	5,151
Stock compensation awards	27	191	—	—	—	191
Distribution of treasury shares, net	—	—	80	770	—	770
Deferred stock compensation	—	(761)	—	—	—	(761)
Stock option expense	—	1,239	—	—	—	1,239
Stock options exercised, net	163	850	—	—	—	850
Dividends — $0.12 per share	—	—	—	—	(2,900)	(2,900)
Balance at June 30, 2015	24,620	108,498	(227)	(2,145)	36,599	142,952
Net income	—	—	—	—	9,482	9,482
Stock compensation awards	23	248	—	—	—	248
Restricted stock units issued	5	—	—	—	—	—
Purchase of treasury shares, net	—	—	(1)	(23)	—	(23)
Deferred stock compensation	—	151	—	—	—	151
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	115,821	(228)	(2,168)	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**
Purchase of treasury shares, net	**—**	**—**	**(30)**	**(276)**	**—**	**(276)**
Deferred stock compensation	**—**	**237**	**—**	**—**	**—**	**237**
Stock-based compensation expense	**—**	**3,049**	**—**	**—**	**—**	**3,049**
Stock options exercised, net	**412**	**2,612**	**—**	**—**	**—**	**2,612**
Dividends — $0.20 per share	**—**	**—**	**—**	**—**	**(5,048)**	**(5,048)**
Balance at June 30, 2017	**25,687**	**$ 122,703**	**(258)**	**$ (2,444)**	**$ 39,819**	**$ 160,078**

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, 2017, 2016, and 2015
(In thousands)

	2017	2016	2015
Cash Flows From Operating Activities			
Net income	$ 3,000	$ 9,482	$ 5,151
Non-cash items included in net income			
Depreciation and amortization	8,262	6,677	6,331
Intangible asset impairment	479	—	—
Deferred income taxes	(779)	(1,117)	(226)
Deferred compensation plan	237	151	(761)
Stock based compensation expense	3,049	2,903	1,239
Issuance of common shares as compensation	409	248	191
(Gain) on disposition of building	(1,361)	—	(343)
Loss (gain) on disposition of fixed assets	484	(1)	9
Loss on sale of subsidiary	—	—	565
Allowance for doubtful accounts	349	55	220
Inventory obsolescence reserve	2,088	1,726	1,493
Change in certain assets and liabilities, net of acquisition			
Accounts receivable	4,948	(3,369)	(1,631)
Inventories	535	(2,784)	1
Refundable income taxes	(775)	99	1,815
Accounts payable	2,278	(1,130)	910
Accrued expenses and other	(2,180)	5,116	6,115
Customer prepayments	9	(271)	(149)
Net cash flows provided by operating activities	21,032	17,785	20,930
Cash Flows From Investing Activities			
Purchases of property, plant, and equipment	(6,633)	(10,211)	(4,754)
Acquisition of business, net of cash received and warrants issued	(95,077)	—	—
Proceeds from sale of subsidiary, net of cash sold	—	—	1,494
Proceeds from sale of fixed assets	3,095	68	1,006
Net cash flows (used in) investing activities	(98,615)	(10,143)	(2,254)
Cash Flows From Financing Activities			
Payments of long-term debt	(41,282)	—	—
Borrowings of long-term debt	90,781	—	—
Cash dividends paid	(5,048)	(4,214)	(2,900)
Purchase of treasury shares	(494)	(363)	(205)
Issuance of treasury shares	218	340	975
Exercise of stock options	2,612	4,021	850
Net cash flows provided by (used in) financing activities	46,787	(216)	(1,280)
(Decrease) Increase in cash and cash equivalents	(30,796)	7,426	17,396
Cash and cash equivalents at beginning of year	33,835	26,409	9,013
Cash and cash equivalents at end of year	$ 3,039	$ 33,835	$ 26,409

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, 2017	June 30, 2016
Accounts receivable	$ 49,386	$ 47,201
Less: Allowance for doubtful accounts	(506)	(226)
Accounts receivable, net	$ 48,880	$ 46,975

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, 2017 and June 30, 2016, the Company had bank balances of $4,488,000 and $37,883,000, respectively, without insurance coverage.

Inventories and Inventory Reserves:

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

The Company maintains an inventory reserve for obsolete and excess inventory. The Company first determines its obsolete inventory reserve by considering specific known obsolete items, and then by applying certain percentages to specific inventory categories based upon inventory turns. The Company uses various tools, in addition to inventory turns, to identify which inventory items have the potential to become obsolete. 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 (in years)	28 - 40
Machinery and equipment (in years)	3 - 10
Computer software (in years)	3 - 8

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

The Company sold one of two facilities at its Woonsocket, Rhode Island operation, which is included in the Graphics Segment, in the first quarter of fiscal 2015. The sale of this property was the result of the consolidation of the operations into the remaining facility in order to eliminate redundancies and improve manufacturing efficiencies. The selling price of the building was in excess of its carrying value.

The Company is in the process of selling its second of two facilities in Woonsocket, Rhode Island. This Graphics Segment facility, which is not expected to be sold at a loss, has been separately identified on the balance sheet as an asset held for sale as of June 30, 2017. The Company sold its Kansas City facility and certain manufacturing equipment in the third quarter of fiscal 2017. Refer to Note 15 for more information regarding the closure of these facilities.

The Company recorded $7,005,000, $6,171,000 and $5,804,000 of depreciation expense in the years ended June 30, 2017, 2016 and 2015, 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, 2017	June 30, 2016
Balance at beginning of the period	$ 5,069	$ 3,408
Additions charged to expense	4,956	5,069
Addition from acquired company	907	--
Deductions for repairs and replacements	(3,372)	(3,408)
Balance at end of the period	$ 7,560	$ 5,069

Employee Benefit Plans:

The Company has a defined contribution retirement plan and a discretionary profit sharing plan covering substantially all of its non-union employees in the United States, and a nonqualified deferred compensation plan covering certain employees. The costs of employee benefit plans are charged to expense and funded annually. Total costs were $2,373,000 in 2017, $2,327,000 in 2016, and $1,880,000 in 2015.

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 $5,700,000, $5,549,000 and $5,598,000 for the fiscal years ended June 30, 2017, 2016 and 2015, 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 844,000 shares in fiscal 2017; 872,000 shares in fiscal 2016; and 451,000 shares in fiscal 2015. 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.

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 will adopt these standards no later than July 1, 2018. The Company is reviewing accounting policies and evaluating disclosures in the financial statements related to the new standard. The Company is also assessing potential changes to the business processes, internal controls, and information systems related to the adoption of the new standard. While the Company is currently assessing the impact of the new standard, the Company's revenue is primarily generated from the sale of finished products to customers. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer. The recognition of revenue from most product sales is largely unaffected by the new standard. However, with respect to certain product sales requiring installation, revenue is currently not recognized until the installation is complete. While the Company does not expect this new guidance to have a material impact on the amount of overall sales recognized, the timing of recognition of revenues from sales on certain projects may be affected. Our initial conclusions may change as we finalize our assessment and select a transition method during the next six to nine months.

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.

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. The Company's three operating segments are Lighting, Graphics, and Technology, 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 be 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 Graphics Segment designs, manufactures and installs exterior and interior visual image elements such as traditional graphics, 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.

LED video screens that were previously reported in the Technology Segment in prior years' results have been reclassified to the Graphics Segment. The movement of the LED video screen product line was the result of a change in management responsibility of this product line to the Graphics Segment president during the first quarter of fiscal 2017. This movement aligns the product line with other digital visual image elements sold to graphics customers and is consistent with how the Company's CODM manages the business. The movement of the video screen product line resulted in a reclassification of $183,000 of operating loss from the Technology Segment to the Graphics Segment in fiscal 2016, and $204,000 of operating loss in fiscal 2015.

The Technology Segment designs, engineers, and manufactures electronic circuit boards, assemblies and sub-assemblies, and various control system products used in other applications (primarily the control of solid-state LED lighting). This operating segment sells its products directly to customers (primarily in the transportation, original equipment manufacturers, sports, and medical markets) and also has significant inter-segment sales to 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, 2017, 2016 and 2015. 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, 2017, June 30, 2016, and June 30, 2015:

(In thousands)		**2017**		2016		2015
Net Sales:						
Lighting Segment	**$**	**239,005**	$	226,889	$	219,920
Graphics Segment		**72,395**		77,968		67,152
Technology Segment		**19,992**		17,339		20,744
All Other Category		**—**		—		41
Total Net Sales		**331,392**	$	322,196	$	307,857
Operating Income (Loss):						
Lighting Segment	**$**	**10,566**	$	15,785	$	14,775
Graphics Segment		**2,439**		5,246		952
Technology Segment		**3,885**		4,028		3,153
All Other Category		**—**		—		(183)
Corporate and Eliminations		**(13,281)**		(11,103)		(11,164)
Total Operating Income	**$**	**3,609**	$	13,956	$	7,533
Capital Expenditures:						
Lighting Segment	**$**	**4,010**	$	4,255	$	1,905
Graphics Segment		**1,748**		3,688		1,105
Technology Segment		**239**		1,852		1,141
All Other Category		**—**		—		4
Corporate and Eliminations		**636**		416		599
Total Capital Expenditures	**$**	**6,633**	$	10,211	$	4,754
Depreciation and Amortization:						
Lighting Segment	**$**	**4,337**	$	2,930	$	2,965
Graphics Segment		**1,474**		1,104		1,042
Technology Segment		**1,312**		1,429		1,278
All Other Category		**—**		—		31
Corporate and Eliminations		**1,139**		1,214		1,015
Total Depreciation and Amortization	**$**	**8,262**	$	6,677	$	6,331

	June 30, 2017	June 30, 2016
Identifiable Assets:		
Lighting Segment	**$ 186,111**	$ 95,168
Graphics Segment	**33,144**	33,490
Technology Segment	**28,294**	28,348
Corporate and Eliminations	**9,131**	38,554
Total Identifiable Assets	**$ 256,680**	$ 195,560

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)	**2017**	2016	2015
Lighting Segment intersegment net sales	**$ 2,559**	$ 2,935	$ 2,752
Graphics Segment intersegment net sales	**$ 1,135**	$ 1,760	$ 559
Technology Segment intersegment net sales	**$ 33,981**	$ 35,733	$ 29,412
All Other Category intersegment net sales	**$ —**	$ —	$ 308

The Company's operations are located solely within the United States due to the sale of a subsidiary on September 30, 2014, the Company no longer has a presence in Canada (See Note 17). As a result, the geographic distribution of the Company's net sales and long-lived assets originate within the United States.

(In thousands)	**2017**	2016	2015
Net Sales (a):			
United States	**$ 331,392**	$ 322,196	$ 307,816
Canada	**—**	—	41
Total Net Sales	**$ 331,392**	$ 322,196	$ 307,857
	June 30, 2017	June 30, 2016	June 30, 2015
Long-Lived Assets (b):			
United States	**$ 52,844**	$ 51,723	$ 46,430
Canada	**—**	—	—
Total Long-Lived Assets	**$ 52,844**	$ 51,723	$ 46,430

a. Net sales are attributed to geographic areas based upon the location of the operation making the sale.
b. Long-lived assets include property, plant and equipment, and other long term assets. Goodwill and intangible assets are not included in long-lived assets.

NOTE 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)	**2017**	2016	2015
BASIC EARNINGS PER SHARE			
Net income	**$ 3,000**	$ 9,482	$ 5,151
Weighted average shares outstanding during the period, net of treasury shares (a)	**25,144**	24,720	24,187
Weighted average vested restricted stock units outstanding	**37**	24	—
Weighted average shares outstanding in the Deferred Compensation Plan	**255**	244	309
Weighted average shares outstanding	**25,436**	24,988	24,496
Basic earnings per share	**$ 0.12**	$ 0.38	$ 0.21
DILUTED EARNINGS PER SHARE			
Net income	**$ 3,000**	$ 9,482	$ 5,151
Weighted average shares outstanding - Basic	**25,436**	24,988	24,496
Effect of dilutive securities (b):			
Impact of common shares to be issued under stock option plans, and contingently issuable shares, if any	**552**	604	142
Weighted average shares outstanding (c)	**25,988**	25,592	24,638
Diluted earnings per share	**$ 0.12**	$ 0.37	$ 0.21

(a) Includes shares accounted for like treasury stock.

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

(c) Options to purchase 1,698,883 common shares, 1,331,300 common shares, and 1,882,722 common shares at June 30, 2017, 2016, and 2015, 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.

NOTE 4 — INVENTORIES

The following information is provided as of the dates indicated:

(In thousands)	**June 30, 2017**	June 30, 2016
Inventories:		
Raw materials	**$ 32,421**	$ 28,979
Work-in-process	**3,527**	4,418
Finished goods	**14,060**	10,744
Total Inventories	**$ 50,008**	$ 44,141

NOTE 5 — ACCRUED EXPENSES

The following information is provided as of the dates indicated:

(In thousands)	**June 30, 2017**	June 30, 2016
Accrued Expenses:		
Compensation and benefits	**$ 9,759**	$ 11,983
Customer prepayments	**1,061**	1,053
Accrued sales commissions	**2,314**	2,792
Accrued warranty	**7,560**	5,069
Other accrued expenses	**5,375**	4,444
Total Accrued Expenses	**$ 26,069**	$ 25,341

NOTE 6 — GOODWILL AND OTHER INTANGIBLE ASSETS

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 reporting units and indefinite-lived intangible assets using a combination of a market approach and an income (discounted cash flow) approach, at the reporting unit level. The estimation of the fair value of reporting units and intangible assets requires significant management judgment with respect to revenue and expense growth rates, changes in working capital and the selection and use of an appropriate discount rate. The estimates of fair value of reporting units are based on the best information available as of the date of the assessment. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease an impairment charge. Company management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as adverse business conditions, a sustained significant drop in the Company's stock price, economic factors, 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 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.

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 one reporting unit in the Lighting Segment passed with a business enterprise value that was $60.0 million or 80% above the carrying value of this reporting unit including goodwill. 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 including goodwill. The goodwill impairment test of the reporting unit in the Technology Segment that contains goodwill passed with an estimated business enterprise value that was $23.2 million or 95% above the carrying value of this reporting unit including goodwill. 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 there were no triggering events that would indicate the assets are impaired. There were no changes to the qualitative factors from the date of the Atlas acquisition that would indicate the goodwill is impaired.

As of March 1, 2016, the Company performed its annual goodwill impairment test on the three reporting units that contain goodwill. The goodwill impairment test in the Lighting Segment passed with a business enterprise value that was $89.0 million or 112% above the carrying value of this reporting unit including goodwill. The goodwill impairment test of the one reporting unit with goodwill in the Graphics Segment passed with an estimated business enterprise value that was $1.7 million or 183% above the carrying value of the reporting unit including goodwill. The goodwill impairment test of the reporting unit in the Technology Segment that contains goodwill passed with an estimated business enterprise value that was $15.4 million or 59% above the carrying value of this reporting unit including goodwill.

The Company acquired all of the capital stock of Atlas Lighting Products, Inc., on February 21, 2017 (see Note 16). The total purchase price exceeded the estimated fair value of net assets by approximately $48.0million, which was allocated to goodwill. The Company completed its valuation of the goodwill and intangible assets in March 2017 and purchase price allocations have been made at February 21, 2017. While identified intangible assets related to the Atlas acquisition are being amortized effective February 21, 2017 over appropriate lives, goodwill will not be amortized on the Company's financial statements. Goodwill and intangible assets related to Atlas Lighting Products are included in the assets of the Lighting Segment. Refer to Note 16 for additional information on the intangible assets of Atlas Lighting Products.

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	Technology Segment	Total
Balance as of June 30, 2016				
Goodwill	$ 34,913	$ 28,690	$ 11,621	$ 75,224
Accumulated impairment losses	(34,778)	(27,525)	(2,413)	(64,716)
Goodwill, net as of June 30, 2016	$ 135	$ 1,165	$ 9,208	$ 10,508
Goodwill acquired	$ 48,030	$ --	$ --	$ 48,030
Balance as of June 30, 2017				
Goodwill	$ 82,943	28,690	11,621	123,254
Accumulated impairment losses	(34,778)	(27,525)	(2,413)	(64,716)
Goodwill, net as of June 30, 2017	$ 48,165	$ 1,165	$ 9,208	$ 58,538

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

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.

As of March 1, 2016, 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 $ 8.4 million or 245% above its carrying value.

In the first quarter of fiscal 2015, the Company sold LSI Saco Technologies Inc. A customer relationship intangible asset with a gross carrying amount of $1,306,000 and accumulated amortization of $428,000 was sold as a result of the sale of LSI Saco Technologies (See Note 17).

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

Other Intangible Assets *(In thousands)*	June 30, 2017 Gross Carrying Amount	June 30, 2017 Accumulated Amortization	June 30, 2017 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

Other Intangible Assets *(In thousands)*	June 30, 2016 Gross Carrying Amount	June 30, 2016 Accumulated Amortization	June 30, 2016 Net Amount
Amortized Intangible Assets			
Customer relationships	$ 9,316	$ 7,581	$ 1,735
Patents	338	154	184
LED technology firmware, software	11,228	10,989	239
Trade name	460	460	--
Non-compete agreements	710	704	6
Total Amortized Intangible Assets	22,052	19,888	2,164
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	$ 25,474	$ 19,888	$ 5,586

(In thousands)	Amortization Expense of Other Intangible Assets 2017	2016	2015
Amortization Expense	$ 1,257	$ 506	$ 527

The Company expects to record annual amortization expense as follows:

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

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

In February, 2017 the Company amended its line of credit to a $100 million secured revolving line of credit, increased from the $30 million line of credit that was previously in place. The increased credit line was required for the funding of the acquisition of Atlas Lighting Products, Inc. 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 increment over LIBOR borrowing rate will remain at 175 basis points for the next twelve months. 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, 2017, there was $49.7 million borrowed against the line of credit, and $50.3 million was available as of that date. Based on the terms of the line of credit and the final principal due date, the debt has been classified as long term. The line of credit closing fees and legal fees of $199,000 have been recorded as a long term asset and are being amortized over the term of the line of credit.

The Company is in compliance with all of its loan covenants as of June 30, 2017.

NOTE 8 — CASH DIVIDENDS

The Company paid cash dividends of $5,048,000, $4,214,000 and $2,900,000 in fiscal years 2017, 2016 and 2015, respectively. Dividends on restricted stock units in the amount of $30,067 and $10,625 were accrued as of June 30, 2017 and 2016, respectively. These dividends are paid upon the vesting of the restricted stock units when shares are issued to the award recipients. In August 2017, the Board of Directors declared a regular quarterly cash dividend of $0.05 per share payable September 6, 2017 to shareholders of record August 28, 2017.

NOTE 9 — EQUITY COMPENSATION

Stock Options

The Company has an equity compensation plan that was approved by shareholders in November 2012 and that covers all of its full-time employees, outside directors and certain advisors. This 2012 Stock Incentive Plan replaced all previous equity compensation plans. The options granted and stock awards made pursuant to this plan are granted at fair market value at the date of grant or award. Service-based options granted to non-employee directors become exercisable 25% every ninety days (cumulative) from the date of grant and options granted to employees generally become exercisable 25% per year (cumulative) beginning one year after the date of grant. Performance-based options granted to employees become exercisable 33.3% per year (cumulative) beginning one year after the date of grant. The maximum contractual term of the Company's stock options 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 is 2,188,509 shares, all of which were available for future grant or award as of June 30, 2017. This plan allows for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted and unrestricted stock awards, performance stock awards, and other stock awards. Service based and performance based stock options were granted and restricted stock units ("RSUs") were awarded in fiscal 2017.

Stock Warrants

The Company issued 200,000 fully vested stock warrants in the third quarter of fiscal 2017 in conjunction with the acquisition of Atlas Lighting Products, Inc., with the fair value of the warrants being included in the purchase price of that company rather than being expensed. See further discussion in Note 16. These 200,000 stock warrants were outstanding as of June 30, 2017. 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.

	February 21, 2017
Dividend yield	2.01%
Expected volatility	39%
Risk-free interest rate	1.80%
Expected life (in years)	4.5

The stock warrants issued during the quarter ended March 31, 2017 had an exercise price of $9.95, and a fair value of $2.87. As of June 30, 2017, the warrants had a remaining contractual life of 4.7 years.

Stock Options

As of June 30, 2017, a total of 3,119,688 options for common shares were outstanding from this plan as well as one previous stock option plan (both of which have been approved by shareholders), and of these, a total of 1,277,561 options for common shares were vested and exercisable. As of June 30, 2017, the approximate unvested stock option expense that will be recorded as expense in future periods is $3,065,300. The weighted average time over which this expense will be recorded is approximately 2 years.

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.

	2017	2016	2015
Dividend yield	1.9%	1.3%	1.1%
Expected volatility	42%	44%	55%
Risk-free interest rate	1.3%	1.7%	1.6%
Expected life (in years)	6.0	6.0	6.0

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.

At June 30, 2015, the 734,323 options granted to employees during fiscal 2015 had exercise prices ranging from $5.96 to $8.23 per share, fair values ranging from $2.19 to $3.89 per share, and remaining contractual lives of between nine years five months and 9.8 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 Stock Incentive Plan, with an estimated 3.1% forfeiture rate effective April 1, 2017. Previous estimated forfeiture rates were between 2.0% and 3.3% over the period January 1, 2013 through March 31, 2017. The expected volatility of the Company's stock was calculated based upon the historic monthly fluctuation in stock price for a period approximating the expected life of option grants. The risk-free interest rate is the rate of a five year Treasury security at constant, fixed maturity on the approximate date of the stock option grant. The expected life of outstanding options is determined to be less than the contractual term for a period equal to the aggregate group of option holders' estimated weighted average time within which options will be exercised. It is the Company's policy that when stock options are exercised, new common shares shall be issued.

The Company recorded $2,478,861, $2,519,092 and $1,238,897 of expense related to stock options in fiscal years 2017, 2016 and 2015, respectively. As of June 30, 2017, the Company had 3,067,295 stock options that were vested and that were expected to vest, with a weighted average exercise price of $9.11 per share, an aggregate intrinsic value of $2,322,190 and weighted average remaining contractual terms of 7.1 years.

Information related to all stock options for the years ended June 30, 2017, 2016 and 2015 is shown in the following tables:

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

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

	Twelve Months Ended June 30, 2015					
	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value
Outstanding at 6/30/14	2,677,464	$	9.57	5.4	$	1,674,010
Granted	734,323	$	6.83			
Forfeitures	(571,275)	$	10.26			
Exercised	(163,076)	$	6.70			
Outstanding at 6/30/15	2,677,436	$	8.8.5	6.1	$	4,914,601
Exercisable at 6/30/15	1,597,238	$	10.18	4.3	$	2,250,093

The following table presents information related to unvested stock options:

	Shares		Weighted-Average Grant Date Fair Value
Unvested at June 30, 2016	1,663,505	$	3.39
Granted	1,332,623	$	3.67
Vested	(696,501)	$	3.30
Forfeited	(457,500)	$	3.81
Unvested at June 30, 2017	1,842,127	$	3.52

The weighted average grant date fair value of options granted was $3.67, $3.64 and $3.27 per share in fiscal years 2017, 2016 and 2015, respectively. The aggregate intrinsic value of options exercised during the years ended June 30, 2017, 2016 and 2015 were $1,189,414, $1,695,213 and $212,106, respectively. The aggregate grant date fair value of options that vested during 2017, 2016 and 2015 was $2,298,114, $1,168,192 and $822,827, respectively. The Company received $2,945,946, $4,124,047 and $1,092,002 of cash from employees who exercised options in fiscal years 2017, 2016 and 2015, respectively. For the twelve months ended June 30, 2017, the $2,945,986 cash received from stock options was partially offset by $138,722 related to the tax effect of disqualifying dispositions of stock options. For the twelve months ended June 30, 2016, the $4,170,997 cash received from stock options was partially offset by $141,394 related to the tax effect of disqualifying dispositions of stock options. In the fiscal 2017 the Company recorded $505,879 as a reduction of federal income taxes payable, $261,694 as a decrease in common stock, $138,722 as a reduction of income tax expense, and $628,852 as a reduction of the deferred tax asset related to the issuance of RSUs and the exercises of stock options in which the employees sold the common shares prior to the passage of twelve months from the date of exercise. In fiscal 2016 the Company recorded $595,483 as a reduction of federal income taxes payable, $102,010 as a decrease in common stock, $141,349 as a reduction of income tax expense, and $556,144 as a reduction of the deferred tax asset related to the exercises of stock options in which the employees sold the common shares prior to the passage of twelve months from the date of exercise.

Restricted Stock Units

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. A total of 72,000 RSUs with a fair value of $9.39 per share were awarded to employees during the twelve months ended June 30, 2016. 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 have a four year ratable vesting period. 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 $30,067 and $10,625 were accrued as of June 30, 2017 and 2016, 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, 2016	62,500	$	9.39
Awarded	96,210	$	10.84
Shares Issued	(25,375)	$	9.69
Unvested at June 30, 2017	133,335	$	10.38

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. The approximate unvested stock compensation expense that will be recorded as expense in future periods for the RSUs is $234,320. The weighted average time over which this expense will be recorded is approximately 32 months. An estimated forfeiture rate of 3.4% was used in the calculation of expense related to the RSUs.

As of June 30, 2016, the 62,500 outstanding RSUs had a remaining weighted average contractual life of 3.0 years. The Company recorded $383,483 of expense related to RSUs during fiscal year 2016. Of the 62,500 RSUs outstanding as of June 30, 2016, 60,794 were vested or expected to vest in the future. An estimated forfeiture rate of 3.3% was used in the calculation of expense related to the RSUs.

Director and Employee Stock Compensation Awards

The Company awarded a total of 40,092 common shares in fiscal 2017, a total of 23,838 common shares in fiscal 2016, and a total of 26,850 common shares in fiscal 2015 as stock compensation awards. These common shares were valued at their approximate $409,000, $248,000 and $191,000 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 receive a nominal recognition award in the form of common 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, 2017, there were 33 participants, all with fully vested account balances. A total of 257,898 common shares with a cost of $2,456,875, and 228,100 common shares with a cost of $2,167,717 were held in the plan as of June 30, 2017 and 2016, respectively, and, accordingly, have been recorded as treasury shares. The change in the number of shares held by this plan is the net result of share purchases and sales on the open stock market for compensation deferred into the plan and for distributions to terminated employees. The Company does not issue new common shares for purposes of the nonqualified deferred compensation plan. The Company used approximately $492,400 and $363,400 to purchase 50,579 and 36,685 common shares of the Company in the open stock market during fiscal years 2017 and 2016, respectively, for either employee salary deferrals or Company contributions into the nonqualified deferred compensation plan. For fiscal year 2018, the Company estimates the Rabbi Trust for the Nonqualified Deferred Compensation Plan will make net repurchases, deposits of newly issues shares, and issuances in the range of 85,000 to 95,000 common shares of the Company. The Company does not currently repurchase its own common shares for any other purpose.

NOTE 10 — LEASES AND PURCHASE COMMITMENTS

Purchase commitments, including minimum annual rental commitments, of the Company totaled $21,973,000 and $20,824,000 as of June 30, 2017 and June 30, 2016, 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 $2,439,000 in 2017, $2,027,000 in 2016, and $1,876,000 in 2015. Minimum annual rental commitments under non-cancelable operating leases are indicated in the table below:

2018	2019	2020	2021	2022	2023 & Beyond
$ 1,869,943	$ 1,907,756	$ 1,865,341	$ 1,891,698	$ 1,893,083	$ 4,837,364

NOTE 11 — INCOME TAXES

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

(In thousands)	**2017**	2016	2015
Components of income before income taxes:			
United States	**$ 3,080**	$ 14,004	$ 7,697
Foreign	**—**	—	(183)
Income before income taxes	**$ 3,080**	$ 14,004	$ 7,514
Provision for income taxes:			
Current			
U.S. federal	**$ 800**	$ 5,056	$ 2,364
State and local	**59**	582	237
Foreign	**—**	—	(12)
Total current	**859**	5,638	2,589
Deferred	**(779)**	(1,116)	(226)
Total provision for income taxes	**$ 80**	$ 4,522	$ 2,363

(In thousands)	**2017**	2016	2015
Reconciliation to federal statutory rate:			
Federal statutory tax rate	**34.0%**	35.0%	34.0%
State and local taxes, net of federal benefit	**2.4**	2.2	2.4
Impact of foreign operations	**—**	—	0.7
Federal and state tax credits	**(5.3)**	(2.6)	(3.7)
Valuation allowance	**(18.9)**	—	(3.8)
Domestic production activities deduction	**(4.1)**	(4.2)	(4.0)
Uncertain tax position activity	**(5.5)**	(0.6)	(1.3)
Other	**0.0**	2.5	2.1
Sale of subsidiary	**—**	—	5.0
Effective tax rate	**2.6%**	32.3%	31.4%

The components of deferred income tax assets and (liabilities) at June 30, 2017 and 2016 are as follows:

(In thousands)	**2017**	2016
Uncertain tax positions	**$ 281**	$ —
Reserves against current assets	**584**	679
Accrued expenses	**3,357**	3,690
Deferred compensation	**925**	842
Stock-based compensation	**1,824**	1,473
State net operating loss carryover and credits	**1,853**	1,878
Long term capital loss carryforward	**3,703**	4,272
U.S. Federal net operating loss carryover and credits	**406**	456
Deferred income tax asset before valuation reserve	**12,933**	13,290
Valuation reserve	**(5,556)**	(6,150)
Deferred income tax asset	**7,377**	7,140
Depreciation	**(3,515)**	(4,270)
Goodwill, acquisition costs and intangible assets	**(502)**	(289)
Deferred income tax liability	**(4,017)**	(4,559)
Net deferred income tax asset	**$ 3,360**	$ 2,581

As of June 30, 2017 and 2016, the Company has recorded a deferred tax asset in the amount of $406,000 and $456,000, 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.

As of June 30, 2017 and 2016, the Company has recorded a deferred state income tax asset in the amount of $1,716,000, 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, 2017 and 2016, the Company has recorded a full valuation reserve in the amount of $1,716,000. There was no change in the deferred state income tax asset or related valuation reserve in fiscal 2017.

As of June 30, 2017 and 2016, the Company has recorded a deferred state income tax asset in the amount of $137,000 and $162,000, respectively, related to a state net operating loss carryover and a state research and development credit in Oregon acquired during the acquisition of Virticus Corporation. 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. Related to the Oregon research and development credit, $11,000 expired during fiscal 2016 and the remaining balance of $25,000 expired during fiscal 2017.

During fiscal 2015, the Company recorded a deferred tax asset related to the sale of its Canadian subsidiary creating a long term capital loss carryforward totaling $4,272,000. The Company previously determined that this asset, more likely than not, will not be realized within the 5 year carryforward period and that a full valuation reserve was required. In fiscal 2017 the Company sold its Kansas City facility that generated a long term capital gain. The capital loss carryforward related to the sale of the Canadian subsidiary will offset the long term gain from the sale of the Kansas City facility. The utilization of the capital loss carryforward will reduce the deferred tax asset with its corresponding full valuation allowance to $3,703,000. The long term capital loss carryforward will expire in June 30, 2020.

Considering all issues discussed above, the Company has recorded valuation reserves of $5,556,000 and $6,150,000 as of June 30, 2017 and 2016, respectively.

The Company accounts for uncertain tax positions in accordance with accounting standards. 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. Of the $1,119,000 reserve for uncertain tax positions, $925,000 would have an unfavorable impact on the effective tax rate if recognized. During fiscal 2017, the Company added uncertain tax positions as a result of the acquisition of Atlas totaling $483,000, which is included in the $1,119,000 above. Tax, interest, and penalties, net of potential federal tax benefits were $314,000, $79,000, and $90,000, respectively. At June 30, 2016, tax, interest, and penalties, net of potential federal tax benefits, were $421,000, $244,000, and $142,000 respectively, of the total reserve for uncertain tax positions of $807,000. Of the $807,000 reserve for uncertain tax positions, $665,000 would have an unfavorable impact on the effective tax rate if recognized. The liability for uncertain tax positions is included in Other Long-Term Liabilities.

The Company recognized a $78,000 net tax benefit in fiscal 2017, a $26,000 net tax benefit in fiscal 2016, and a $40,000 net tax benefit in fiscal 2015 related to the change in reserves for uncertain tax positions. The Company recognized interest net of federal benefit and penalties of $66,000 and $27,000, respectively, in fiscal 2017, $48,000 and $10,000, respectively, in fiscal 2016, and $41,000 and $17,000, respectively in fiscal 2015. The Company is recording estimated interest and penalties related to potential underpayment of income taxes as a component of tax expense in the Consolidated Statements of Operations. The reserve for uncertain tax positions is not expected to change significantly in the next twelve months.

The fiscal 2017, 2016 and 2015 tax activity in the liability for uncertain tax positions was as follows:

(in thousands)	**2017**	2016	2015
Balance at beginning of the fiscal year	**$ 648**	$ 687	$ 746
Decreases — tax positions in prior period	**(170)**	(161)	(134)
Increases — tax positions in current period	**50**	122	75
Increases — tax positions in prior period	**314**	—	—
Settlements and payments	**—**	—	—
Lapse of statute of limitations	**—**	—	—
Balance at end of the fiscal year	**$ 842**	$ 648	$ 687

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, 2014.

NOTE 12 — SUPPLEMENTAL CASH FLOW INFORMATION

(In thousands)	**2017**	2016	2015
Cash payments for:			
Interest	**$ 529**	$ 50	$ 48
Income taxes	**$ 2,618**	$ 5,079	$ 1,078
Issuance of common shares as compensation	**$ 409**	$ 248	$ 191

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, 2017, there were no such standby letters of credit issued.

NOTE 14 — SEVERANCE COSTS

The Company recorded severance charges of $523,000 and $469,000 in fiscal 2017 and 2016, respectively. This severance expense was related to reductions in staffing not related to plant restructuring. See further discussion of restructuring expenses in Note 15.

The activity in the Company's accrued severance liability was as follows for the twelve months ended June 30, 2017 and 2016:

(In thousands)	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
Balance at beginning of the period	$ 39	$ 379
Accrual of expense	523	469
Payments	(313)	(742)
Adjustments	(14)	(67)
Balance at end of the period	$ 235	$ 39

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. 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.

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

In November 2016, the Company announced the consolidation of the Woonsocket, Rhode Island manufacturing operation into its North Canton, Ohio operation. The manufacturing operations in Woonsocket ceased prior to December 31, 2016. The Company owns the facility in Woonsocket and expects to realize a gain when the facility is sold. The facility is presented on the balance sheet as an asset held for sale of $1,463,000. Total restructuring costs related to the consolidation of the Woonsocket facility are expected to be approximately $500,000. 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.

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. There was no impairment expense related to the closure of the Woonsocket facility. Of the $354,000 of impairment and accelerated depreciation expense, $322,000 was recorded in the Lighting Segment and $32,000 was recorded in the Technology Segment. 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 future 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 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 2017 Restructuring Expenses
Lighting Segment	$ (417)
Graphics Segment	452
Technology Segment	252
Corporate and Eliminations	125
Total	$ 412

The above tables include the gain on the sale of the Kansas City facility, and exclude the expected gain on the Woonsocket 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.

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, 2016	Restructuring Expense	Payments	Adjustments	Balance as of June 30, 2017
Severance and termination benefits	$ --	$ 811	$ (804)	$ (7)	$ --
Lease obligation	--	213	(128)	--	85
Other	--	395	(395)	--	--
Total	$ --	$ 1,419	$ (1,327)	$ (7)	$ 85

The above table does not include fixed asset impairment and accelerated depreciation expense of $354,000 or the $1,361,000 gain on the sale of the Kansas City facility recorded in fiscal 2017.

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

NOTE 16 – 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 preliminary 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 17 — SALE OF SUBSIDIARY

On September 30, 2014, the Company sold the stock of its wholly owned subsidiary LSI Saco Technologies Inc., located in Montreal, Canada, for $1.9 million cash. The sale resulted in a pre-tax loss of $565,000. As a result of the sale, the Company terminated the $5 million unsecured revolving line of credit for this Canadian operation. LSI Saco reported $41,000 of net customer sales and a $(183,000) operating loss in the first quarter of fiscal 2015 prior to the sale. The sale of LSI Saco was not considered the sale of a discontinued operation because the Company migrated most of its manufacturing, research and development, and selling activities from LSI Saco to the Company's Cincinnati, Ohio location.

NOTE 18 — RELATED PARTY TRANSACTIONS

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

(In thousands)	**2017**	2016	2015
Keating Muething & Klekamp PLL	**$ 526**	$ 207	$ 500
American Engineering and Metal Working	**$ —**	$ 522	$ 300
3970957 Canada Inc.	**$ —**	$ —	$ 42
Synergy Electronic LTD	**$ —**	$ —	$ 7
Atlas Melbane Street Properties, LLC	$ **314**	$ —	$ —

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

(In thousands)	**2017**	2016	2015
Wesco International	**$ 2,121**	$ 2,450	$ 2,726
American Engineering and Metal Working	**$ —**	$ 27	$ 4

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

(In thousands)	**June 30, 2017**	June 30, 2016
Keating Muething & Klekamp PLL	**$ 28**	$ 12
American Engineering and Metal Working	**$ —**	$ 6

The law firm of Keating Muething & Klekamp PLL, of which the son of one of the Company's independent outside directors is a partner, is the Company's primary outside law firm providing legal services in most areas required other than patents and intellectual property. 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. 3970957 Canada Inc., which is owned by the former president and another executive of the Company's former LSI Saco Technologies subsidiary, owns the building that the former Canadian operation occupied and rented. Synergy Electronic LTD, which is owned and operated by the brother of an executive at the Company's former LSI Saco Technologies, manufactures molds and materials used in video screens and research and development projects. The Company leases its Burlington, North Carolina facility from Atlas Melbane Street Properties, LLC which is partially owned by an executive of the Company.

NOTE 19 — SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(In thousands except per share data)	Quarter Ended Sept. 30	Dec. 31	March 31	June 30	Fiscal Year
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	3,750	3,782	522	1,428	9,482
Earnings 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
2015					
Net sales	$ 78,466	$ 84,715	$ 68,603	$ 76,073	$ 307,857
Gross profit	18,608	20,555	16,305	18,981	74,449
Net income (loss)	1,527	1,588	393	1,643	5,151
Earnings (loss) per share					
Basic	$ 0.06	$ 0.06	$ 0.02	$ 0.07	$ 0.21
Diluted	$ 0.06	$ 0.06	$ 0.02	$ 0.07	$ 0.21
Range of share prices					
High	$ 8.49	$ 7.70	$ 9.17	$ 10.24	$ 10.24
Low	$ 6.00	$ 5.61	$ 5.84	$ 8.02	$ 5.61

(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, 2017, there were approximately 630 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:

	2017	2016	2015	2014	2013
Net sales	**$ 331,392**	$ 322,196	$ 307,857	$ 299,463	$ 280,790
Cost of products and services sold	**248,012**	238,525	233,408	234,165	220,380
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**	—	—	—	—
Restructuring costs (in SG&A)	**(1,091)**	—	—	—	—
Selling and administrative expenses	**77,272**	69,715	66,694	62,175	57,367
Goodwill and intangible asset impairment	**479**	—	—	805	2,413
Operating income	**3,609**	13,956	7,533	2,318	630
Interest (income)	**(91)**	(84)	(26)	(17)	(47)
Interest expense	**620**	36	45	68	62
Income before income taxes	**3,080**	14,004	7,514	2,267	615
Income taxes	**80**	4,522	2,363	1,337	738
Net income (loss)	**$ 3,000**	$ 9,482	$ 5,151	$ 930	$ (123)
Earnings (loss) per common share					
Basic	**$ 0.12**	$ 0.38	$ 0.21	$ 0.04	$ (0.01)
Diluted	**$ 0.12**	$ 0.37	$ 0.21	$ 0.04	$ (0.01)
Cash dividends paid per share	**$ 0.20**	$ 0.17	$ 0.12	$ 0.24	$ 0.36
Weighted average common shares					
Basic	**25,436**	24,988	24,496	24,388	24,313
Diluted	**25,988**	25,592	24,638	24,546	24,313

Balance Sheet Data:
(At June 30)

	2017	2016	2015	2014	2013
Working capital	**$ 61,704**	$ 88,510	$ 80,813	$ 74,349	$ 74,647
Total assets	**256,680**	195,560	180,690	168,688	169,179
Long-term debt	**49,698**	—	—	—	—
Shareholders' equity	**160,078**	155,520	142,952	138,412	141,690

LSI INDUSTRIES INC. AND SUBSIDIARIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2017, 2016, AND 2015
(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, 2017	$ 226	$ 339	$ 10	$ (69)	$ 506
Year Ended June 30, 2016	$ 317	$ 55	$ —	$ (146)	$ 226
Year Ended June 30, 2015	$ 294	$ 220	$ —	$ (197)	$ 317
Inventory Obsolescence Reserve:					
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
Year Ended June 30, 2015	$ 2,298	$ 1,493	$ (417)	$ (1,177)	$ 2,197
Deferred Tax Asset Valuation Reserve:					
Year Ended June 30, 2017	$ 6,150	$ —	$ (569)	$ (25)	$ 5,556
Year Ended June 30, 2016	$ 6,161	$ —	$ —	$ (11)	$ 6,150
Year Ended June 30, 2015	$ 6,450	$ —	$ (283)	$ (6)	$ 6,161

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

EXHIBIT 10.9

LSI INDUSTRIES INC.

401(k) RETIREMENT SAVINGS PLAN

(Restated as of July 1, 2017)

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ARTICLE 1

INTRODUCTION AND PURPOSE

1.1 Amendment and Restatement. LSI Industries Inc. hereby changes the name of the Plan to the LSI Industries Inc. 401(k) Retirement Savings Plan and restates the LSI Industries Inc. Retirement Plan in its entirety, effective as of July 1, 2017, in this document as the Plan and in the accompanying LSI Industries Inc. Retirement Trust; provided, however, such other effective dates as are specified in the Plan for particular provisions shall be applicable. This restatement incorporates all amendments made to the Plan prior to the date of the restatement.

1.2 Purpose of the Plan. The purpose of the Plan is to provide retirement and other benefits for Participants and their respective beneficiaries. Except as otherwise provided by Section 5.2 and by law, the assets of the Plan shall be held for the exclusive purpose of providing benefits to Participants and their beneficiaries and defraying reasonable expenses of administering the Plan, and it shall be impossible for any part of the assets or income of the Plan to be used for, or diverted to, purposes other than such exclusive purposes. In accordance with Section 401(a)(27) of the Code, the Plan is hereby designated as a profit sharing plan.

ARTICLE 2

DEFINITIONS

As used in the Plan, the following terms, when capitalized, shall have the following meanings, except when otherwise indicated by the context:

2.1 "Account" means a Participant's allocable share of the Plan Assets. A Participant's Account may include one or more of the following subaccounts: Annual Employer Contribution Account; Profit Sharing Contribution Account; Section 401(k) Contribution Account; Matching Contribution Account; and Rollover Account.

2.2 "Accounting Date" means each day that the New York Stock Exchange is open.

2.3 (a) "Actual Deferral Percentage" for a group of Participants for a Plan Year is the average of the ratios, calculated separately for each such Employee in such group, of:

(1) the amounts contributed on behalf of each such Employee to the Plan for such Plan Year under Section 4.1 to

(2) the Employee's Adjusted Compensation for such Plan Year.

(b) If the Plan satisfies the requirements of sections 401(k), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans, or if one or more other plans satisfy such requirements only if aggregated with this Plan, then such other plans shall be aggregated with this Plan for purposes of computing the Actual Deferral Percentages and for determining whether the nondiscrimination rules of Section 4.1(b) currently are satisfied. Plans may be aggregated hereunder only if they have the same plan year. If such aggregation applies, the other plans must use a testing method consistent with this Plan.

(c) For purposes of computing the separate ratio under (a) above for any Highly Compensated Employee, all cash or deferred arrangements under section 401(k) of the Code of the Employer (and other employers taken into account under section 414 of the Code) in which such Highly Compensated Employee is a participant, shall be treated as one cash or deferred arrangement under section 401(k) of the Code. If such arrangements have different plan years, this provision shall be applied by treating all such arrangements ending with or within the same calendar year as a single arrangement.

2.4 "Adjusted Compensation" means Section 415 Compensation (as defined in Section 5.1(g)) plus elective or salary reduction amounts which are excludable from gross income under sections 125, 402(a)(8), 402(h), 403(b) or 132(f) of the Code.

2.5 "Administrator" or "Plan Administrator" means the individual, committee or entity appointed as such by the Board, provided that if none is so appointed, then it means the Employer.

2.6 "Adoption Agreement" means the written instrument evidencing the adoption of the Plan by an Affiliate, pursuant to Article 13 of the Plan. The instrument shall be executed by the adopting Employer and the Company. The Adoption Agreement may specify provisions applicable to Employees of the adopting Employer which vary from the other provisions of the Plan. The Adoption Agreement shall be considered part of the Plan document.

2.7 "Affiliate" means each of the following for such period of time as is applicable under section 414 of the Code:

(a) a corporation which, together with the Employer, is a member of a controlled group of corporations within the meaning of section 414(b) of the Code (as modified by section 415(h) thereof for the purposes of Article 5) and the applicable regulations thereunder;

(b) a trade or business (whether or not incorporated) with which the Employer is under common control within the meaning of section 414(c) of the Code (as modified by section 415(h) thereof for the purposes of Article 5) and the applicable regulations thereunder;

(c) an organization which, together with the Employer, is a member of an affiliated service group (as defined in section 414(m) of the Code); and

(d) any other entity required to be aggregated with the Employer under section 414(o) of the Code.

2.8 "Annual Earnings" mean wages, salaries, other amounts received for personal services actually rendered (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits and bonuses), and earned income (within the meaning of section 401(c)(2) of the Code) from the Employer and all Affiliates. The term includes income from sources outside the United States (as defined in section 911(b) of the Code) and is determined without regard to the exclusions from gross income in sections 931 and 933 of the Code. Annual Earnings shall not include reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, deferred compensation, welfare benefits, automobile allowances, stock option gains and severance pay. Annual Earnings shall be taken into account in the Plan Year in which they are actually paid. Annual Earnings shall be taken into account only while an Employee is a Participant.

Annual Earnings shall include amounts that are contributed by an Employer pursuant to the provisions of a salary reduction agreement and that are not included in the gross income of the Participant but for section 402(e)(3) of the Code (relating to a salary reduction election under section 401(k) of the Code), section 125 of the Code (relating to the cafeteria or flexible benefit plans), section 402(h) of the Code (relating to SEPs), section 403(b) of the Code (relating to certain tax deferred annuities), section 457(b) of the Code (relating to deferred compensation plans of state and local governments and tax-exempt organizations), section 414(h)(2) of the Code (relating to certain picked-up employee contributions) or Section 132(f) of the Code (relating to qualified transportation fringes).

Solely for purposes of determining the Actual Deferral Percentage, the Administrator, in lieu of the definition of "Annual Earnings" set forth above, may use any definition that satisfies section 414(s) of the Code.

For any Plan Year beginning before June 30, 2002, only the first $170,000 (as adjusted by the Secretary of Treasury in accordance with section 401(a)(17) of the Code) of a Participant's Annual Earnings shall be taken into account.

The Annual Earnings of each Participant taken into account in determining allocations for any Plan Year beginning after June 30, 2002 shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to Annual Earnings for the determination period that begins with or within such calendar year.

2.9 "Annual Employer Contribution Account" means the separate portion of each Participant's Account which reflects the Annual Employer Contributions under Section 4.3 and forfeitures allocated thereto as adjusted in accordance with Article 7. Effective as of July 1, 2017, no further Annual Employer Contributions shall be made to the Plan.

2.10 "Beneficiary" means the person or persons who, under the provisions of Article 9 and Article 10, shall be entitled to receive a distribution, if any, payable under the Plan in the event such Participant or former Participant dies before his interest has been distributed to him in full.

2.11 "Board" or "Board of Directors" means the Board of Directors of the Company.

2.12 "Code" means the Internal Revenue Code of 1986, as amended at the particular time applicable. A reference to a section of the Code shall include said section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

2.13 "Committee" means the committee established in accordance with the provisions of Article 11, at the time designated, qualified, and acting hereunder.

2.14 "Company" means LSI Industries Inc., its successors and any entity into which it is merged or consolidated.

2.15 "Dependent" means any unmarried:

(a) natural child of the Employee, provided the child is principally dependent upon the Employee for support and/or resides with the Employee; or

(b) stepchild or legally adopted child (or legally placed child pending adoption) of the Employee, provided the child is principally dependent upon the Employee for support and resides with the Employee; or

(c) foster child provided that such child meets the dependency ruling by the IRS and has been a member of the Employee's household for the entire prior calendar year; or

(d) child for whom the Employee is the legal guardian, provided the child is principally dependent upon the Employee for support and resides with the Employee.

The dependent must also be one of the following:

(a) age 18 or younger;

(b) age 19 to 23, if the child is a full-time student; or

(c) a disabled dependent older than age 19.

Notwithstanding the foregoing, an adult who lives with the Employee at least 8 hours a day and who is physically or mentally unable to care for himself is also a dependent.

2.16 "Determination Date" with respect to any Plan Year for the Plan, means the last day of the preceding Plan Year.

2.17 "Determination Period" means, with respect to any Plan Year, the five Plan Years ending on the Determination Date with respect to such Plan Year.

2.18 "Disability" means, with respect to a Participant, a Participant who has been determined by the Plan Administrator to be receiving total and permanent disability benefits under the Social Security Act in effect at the date of disability.

2.19 "Effective Date" means, for purposes of any provisions of this Plan that are required to comply with the Uniformed Services Employment and Reemployment Rights Act of 1994, the Effective Date shall mean December 12, 1994. For purposes of any provisions of this Plan that are required to comply with the Small Business Job Protection Act of 1996 and the Taxpayer Relief Act of 1997, the Effective Date shall mean the dates as specified in the Plan for various provisions. For purposes of the Internal Revenue Service Restructuring and Reform Act of 1998 and the Community Renewal Relief Act of 2000, the Effective Date shall mean the dates specified in the applicable law. For purposes of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), the Effective Date shall mean July 1, 2002, unless otherwise specified. For purposes of the merger of the Pension Plan of LSI Industries Inc. (originally effective July 1, 1980 and amended and restated July 1, 1984) into the Profit Sharing Plan of LSI Industries Inc. (originally effective July 1, 1977 and amended and restated July 1, 1984), the Effective Date shall mean June 30, 1995. For all other purposes, the Effective Date of this amendment and restatement shall mean July 1, 2017 unless otherwise specified.

2.20 "Employee" means an individual who performs services for the Employer and who is considered by the Employer in its sole and absolute discretion to be an Employee for purposes of the Plan. The term shall include for all Plan purposes except participating in the Plan and sharing in contributions by the Employer, any "Leased Employee" as defined below. The term shall not include an individual who performs services for the Employer solely as a director or an independent contractor or any individual covered by a collective bargaining agreement, unless such agreement specifically provides for coverage under the Plan. A determination that an individual is an employee of the Employer for other purposes such as employment tax purposes, shall have no bearing whatsoever on the determination of whether the individual is an Employee under the Plan if the Employer does not consider the individual to be its Employee for purposes of the Plan.

2.21 "Employer" means the Company and any Affiliate which adopts the Plan, or any successor or assign of any of them. With respect to particular Employees and Participants, the term "Employer" means the entity by which they are or were employed.

2.22 "Employer-Approved Leave of Absence" means a temporary absence from work not exceeding 12 months resulting from illness, layoff or other cause if authorized in advance by an Employer or Affiliate pursuant to its uniform leave policy, if the individual's employment shall not otherwise be terminated during the period of such absence.

2.23 "Entry Date" means each January 1, April 1, July 1 and October 1, effective as of April 22, 2015.

2.24 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, at the particular time applicable. A reference to a section of ERISA shall include said section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

2.25 "Excess Earnings" means a Participant's Annual Earnings for a particular Plan Year in excess of the "Taxable Wage Base." "Taxable Wage Base" means for any Plan Year, the maximum amount of earnings for the calendar year which includes the beginning of such Plan Year which may be considered wages for such calendar year under section 3121(a)(1) of the Code (which pertains to FICA wages).

2.26 "Five-Percent Owner" means any person who owns (or is considered as owning within the meaning of sections 318 and 416 of the Code) more than 5 percent of the capital or profits interest in the Employer.

2.27 "Highly Compensated Employee" means as determined under section 414(q) of the Code and the Treasury Regulations thereunder, an individual who, at any time during the Plan Year is an Employee, and who:

(a) during the Plan Year or the preceding twelve month period was at any time a Five-Percent Owner; or

(b) received Adjusted Compensation from the Employer in excess of $80,000 (as adjusted pursuant to section 415(d) of the Code) during the 12 month period preceding the Plan Year and, if elected by the Employer, was in the group consisting of the top 20 percent of the Employees when ranked on the basis of Adjusted Compensation paid during such preceding 12 month period.

2.28 (a) "Hour of Service" means each of the following, determined from records of hours worked and hours for which payment is made or due, provided that the same hour shall not be counted more than once:

(1) each hour for which an individual is paid, or entitled to payment for work for the Employer, which hours shall be credited to such individual for the computation period or periods in which the duties are performed;

(2) each hour for which an individual is paid, or entitled to payment, by the Employer on account of a period of time during which no work is performed (irrespective of whether his employment relationship has terminated) due to vacation, holiday, illness, incapacity (including short-term disability, but excluding long-term disability), layoff, jury duty, military duty or leave of absence, but excluding any payments which solely reimburse him for medical or medically related expenses and excluding any payments made or due under a plan maintained solely for the purposes of complying with applicable workers' compensation or unemployment compensation or disability insurance laws; provided, however, no more than 501 Hours of Service shall be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period); and provided further that Hours of Service under this paragraph shall be calculated and credited pursuant to section 2530.200b-2 of the Department of Labor Regulations which are incorporated herein by this reference;

(3) each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer; provided, however, that the same Hours of Service shall not be credited both under paragraph (1) or paragraph (2), as the case may be, and under this paragraph (3); and provided further, that Hours of Service for back pay awarded or agreed to with respect to periods described in paragraph (2) shall be subject to the limitations set forth therein and shall be calculated pursuant to the regulations referred to therein; and provided further, that these Hours of Service shall be credited to such individual for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made; and

(4) each regularly scheduled hour of work for which an Employee would have been compensated during military service if his employment status immediately prior thereto had continued.

(b) For purposes of determining service under (a)(1), (2), (3), and (4) above, service (including service as a self-employed individual) for the following shall be treated as if it were service for the Employer:

(1) each Affiliate; and

(2) each predecessor employer within the meaning of, and to the extent required under, section 414(a) of the Code.

(c) Anything in the Plan to the contrary notwithstanding, in determining an Employee's service, he shall be entitled to such credit, if any, as is required by federal law.

2.29 "Key Employee" means any Participant who, at any time during the Plan Year, is described in section 416(i)(1) of the Code.

2.30 "Matching Contribution Account" means the separate portion of each Participant's Account which reflects the Matching Contribution, if any, made pursuant to Section 4.10.

2.31 "Leased Employee" means any person (other than an Employee of the Employer) who pursuant to an agreement between the Employer and any other person ("leasing organization") has performed services for the Employer (or for the Employer and related persons determined in accordance with section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year, and such services are performed under the primary direction or control of the Employer.

2.32 "Non-Highly Compensated Employee" means an individual who is not a Highly Compensated Employee and who, at any time during the Plan Year, is an Employee.

2.33 "Normal Retirement Age" means age 60.

2.34 "Participant" means an Employee who satisfies the eligibility requirements of Article 3 and also means a former Employee who has an Account under the Plan.

2.35 "Plan" means the LSI Industries Inc. 401(k) Retirement Savings Plan as set forth in this document and, if amended at any time, then as so amended.

2.36 "Plan Assets" means the assets of the Plan at the particular time applicable.

2.37 "Plan Year" means the 12 month period beginning on July 1 and ending on the following June 30.

2.38 "Present Value" means, with respect to a defined benefit plan, the present value based on the interest and mortality rates specified under the applicable defined benefit plan for purposes of computing the Top-Heavy Ratio. The actuarial assumptions used for all plans within the same aggregation group must be the same.

2.39 "Prior Plan" means the LSI Industries Inc. Retirement Plan and Trust as it existed prior to the Effective Date.

2.40 "Profit Sharing Contribution Account" means the separate portion of each Participant's Account which reflects the Employer's contributions under Section 4.2 and forfeitures allocated thereto as adjusted in accordance with Article 7.

2.41 "Rollover Account" means the separate portion of each Participant's Account which reflects the Participant's rollover contributions, if any, made pursuant to Section 4.8 as adjusted in accordance with Article 7.

2.42 “Section 401(k) Contribution Account” means the separate portion of each Participant’s Account which reflects contributions on behalf of such Participant under Section 4.1, if any, as adjusted in accordance with Article 7.

2.43 “Severance” means an absence from the employment of the Employer and all Affiliates beginning on the earliest of death, termination, discharge, retirement or the first anniversary of any other absence (with or without pay).

2.44 “Surviving Spouse” means a Participant’s surviving spouse (who, in the case of the Qualified Joint and Survivor Annuity, is the spouse to whom the Participant was married on the date on which his benefit payments commenced) except to the extent that a former spouse is treated as such, for purposes of the Plan, under a qualified domestic relations order as described in section 414(p) of the Code.

2.45 “Three Consecutive Months” means a 3 consecutive month period beginning on the Employee’s first day of employment during which the Employee has at least one Hour of Service during each month, effective as of July 1, 2015.

2.46 “Top-Heavy Plan” means the Plan, with respect to any Plan Year, if the Top-Heavy Ratio exceeds 60 percent.

2.47 “Top-Heavy Ratio” means, for the Plan or an Aggregation Group of which the Plan is a part, a fraction, the numerator of which is the sum of defined contribution account balances and the Present Values of defined benefit accrued benefits for all Key Employees and the denominator of which is the sum of defined contribution account balances and the Present Values of defined benefit accrued benefits for all participants. The Top-Heavy Ratio shall be determined in accordance with section 416 of the Code and the applicable regulations thereunder, including, without limitation, the provisions relating to rollovers and the following provisions:

(a) The value of account balances under the Plan will be determined as of the Determination Date with respect to the applicable Plan Year.

(b) The value of account balances and accrued benefits under plans aggregated with the Plan shall be calculated with reference to the determination dates under such plans that fall within the same calendar year as the applicable Determination Date under the Plan.

(c) The value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12 month period ending on the applicable determination date, except as provided in section 416 of the Code and the regulations thereunder for the first and second plan years of a defined benefit plan.

(d) A simplified employee pension shall be treated as a defined contribution plan; provided, however, at the election of the Employer, the Top-Heavy Ratio shall be computed by taking into account aggregate employer contributions in lieu of the aggregate of the accounts of employees.

(e) Distributions (including distributions under a terminated plan which had it not been terminated would have been included in the Aggregation Group) within the 5-year period ending on a determination date shall be taken into account.

(f) Defined contribution account balances shall be adjusted to reflect any contribution not actually made as of a determination date but required to be taken into account on that date under section 416 of the Code and the regulations thereunder.

(g) Deductible voluntary contributions shall not be included.

(h) There shall be disregarded the account balances and accrued benefits of a Participant:

(1) who is not a Key Employee but who was a Key Employee in a prior Plan Year, or

(2) with respect to a Plan Year beginning after 1984, who has not performed services for the Employer maintaining the Plan at any time during the 5-year period ending on the determination date.

(i) The accrued benefit of a Participant other than a Key Employee shall be determined (1) under the method, if any, which uniformly applies for accrual purposes under all defined benefit plans of the Employer, or (2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of section 411(b)(1)(C) of the Code.

2.48 "Trust" means the LSI Industries Inc. Retirement Trust as established pursuant to agreement between the Employer and Trustee, under which the Plan Assets are held, and, if amended at any time, then as so amended.

2.49 "Trustee" means the trustee under the Trust.

2.50 "Valuation Date" with respect to a Determination Date under the Plan, means the Accounting Date coinciding with such Determination Date.

2.51 "Vesting Years" mean the sum of the Plan Years (including Plan Years prior to the Effective Date) during which an individual completes 1,000 or more Hours of Service. If a Participant terminates employment and is reemployed by an Employer as an Employee, he shall receive credit for all years of service prior to his termination of employment, regardless of the years between his termination of employment and reemployment.

ARTICLE 3

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility and Participation. Effective as of July 1, 2015, each Employee who is not already a Participant shall become a Participant as of the Entry Date (January 1, April 1, July 1 or October 1) coinciding with or next following the date on which he meets the following requirements:

(a) he is at least 21 years old, and

(b) he has been an Employee for Three Consecutive Months.

3.2 Participants in the Prior Plan. Anything in Section 3.1 to the contrary notwithstanding, a person who was a participant in the Prior Plan on the day immediately prior to the Effective Date shall continue to be a Participant in the Plan on the Effective Date.

3.3 Absences and Severances of Less Than 12 Months.

(a) Absences. If, on the Entry Date determined under Section 3.1 (January 1, April 1, July 1 or October 1), an Employee is absent from employment for reasons other than termination, discharge, or retirement, and if the individual returns to employment within 12 months, then, upon the termination of such absence, and provided the individual is an Employee, he shall become a Participant retroactive to such Entry Date.

(b) Severances. If an Employee's Entry Date determined under Section 3.1, falls within a period of Severance of 12 months or less taken into account as Service under Section 2.28, then, provided the individual is an Employee, the individual shall become a Participant on the date on which such period of Severance ends.

3.4 Reemployment of Former Participant. If a former Participant is reemployed as an Employee, then, provided that he meets the requirements of Section 3.1, he shall become a Participant again as of the date of such reemployment.

ARTICLE 4

CONTRIBUTIONS AND ALLOCATION

4.1 Section 401(k) Contributions.

(a) Salary Deferral Contributions.

(1) (i) Salary Reduction. Each Participant who is an Employee may enter into a salary reduction agreement with the Employer whereby he authorizes the Employer to reduce his Annual Earnings, or any part thereof, by such percentage as he shall specify. Effective prior to February 1, 2002, the Participant may elect to defer not less than 1% of his Annual Earnings nor more than 15% of his Annual Earnings for any Plan Year. Such deferral percentage must be in whole percentage increments. Effective as of February 1, 2002, the Participant may elect to defer not less than 1% of his Annual Earnings nor more than 25% of his Annual Earnings for any Plan Year. Effective as of April 22, 2015, the Participant may elect to defer not less than 1% of his Annual Earnings nor more than 75% of his Annual Earnings for any Plan Year.

(ii) Effective with pay periods beginning on or after January 1, 2014, and thereafter, if a Participant fails to enter into a salary reduction agreement pursuant to Section 4.1(a)(1)(i) above (or has failed previously to enter into such an agreement), such Participant shall be deemed to elect to reduce the Participant's Annual Earnings by 2% (the "Default Percentage") of the Participant's Annual Earnings and to have such amount contributed on the Participant's behalf to the Participant's Section 401(k) Contribution Account pursuant to Section 4.1(a)(3) below (an "Automatic Contribution Arrangement"). Such Automatic Contribution Arrangement shall cease to apply as soon as administratively feasible after the Participant enters into a salary reduction agreement by either electing a Section 401(k) Contribution amount or affirmatively electing to make no Section 401(k) Contribution by opting out of the Automatic Contribution Arrangement. The Administrator shall provide a notice to the Participant as required by the Internal Revenue Code regarding the Automatic Contribution Arrangement and the Participant shall have a reasonable opportunity after receipt of the notice to enter into a salary reduction agreement to make an affirmative election to either have no Section 401(k) Contribution made or to have a specified percentage other than the Default Percentage of the Participant's Annual Earnings contributed. The Automatic Contribution Arrangement shall be treated in all respects the same as if the Participant has made an election pursuant to Section 4.1(a)(1)(i) above.

(iii) Effective with first pay period after October 1, 2015, and continuing with the first pay period after each October 1 thereafter, any Participant who is making a Section 401(k) Contribution (whether such Section 401(k) Contribution is a result of the Automatic Contribution Arrangement or affirmatively elected) that is less than 10% shall be deemed to elect to increase the reduction of the Participant's Annual Earnings by an additional 1% each year and to have said amount contributed on the Participant's behalf as a Section 401(k) Contribution to the Plan until the Participant is making a 10% contribution. Any Participant who does not want to have this automatic 1% increase may make such an election before the first payroll period beginning in October of each year to deactivate this automatic increase. The automatic 1% increase shall not apply to any Participant who has made an affirmative election not to be subject to the automatic increase. The Administrator shall provide a notice to the Participant as required by the Internal Revenue Code regarding increases to the Automatic Contribution Arrangement and providing the Participant a reasonable opportunity after receipt of the notice to make an election not to be subject to the automatic increase.

(2) Maximum Deferral Amount. In no event shall a Participant's Annual Earnings in any calendar year be reduced by a salary reduction agreement under (1) above (and under all other plans, contracts or arrangements of the Employer which allow elective deferrals within the meaning of section 402(g)(3) of the Code) in an amount greater than the maximum amount that may be contributed as an elective deferral for any calendar year under section 402(g) of the Code. This amount may be adjusted by the Secretary of Treasury under section 402(g)(5) of the Code for cost of living adjustments. The maximum amount that may be deferred for the calendar year beginning January 1, 2002 is $11,000.

(3) Contribution to the Plan. Subject to the limitations under Article 5, paragraph (2) above and paragraph (b) below, the Employer shall so reduce the Participant's Annual Earnings and shall contribute to the Plan on behalf of each such Participant an amount equal to the reduction in the Participant's Annual Earnings. Such contribution shall be credited to the Participant's Section 401(k) Contribution Account.

Such contributions shall be made as soon as the Employer can reasonably segregate such amounts, but not later than the 15th business day of the month following the month in which such amounts would have otherwise been payable to the Participant. Such contributions for a Plan Year which are made before the end of such Plan Year shall be credited as of the Accounting Date coinciding with or next following the Trustee's receipt thereof, and such contributions for a Plan Year which are received after the end of such Plan Year shall be credited as of the last Accounting Date of such Plan Year. Such contributions for a Plan Year which are received after the end of such Plan Year, although credited for such Plan Year, shall be posted to Participants' Accounts as of the Accounting Date coinciding with or next following the Trustee's receipt of the contributions. Accordingly, such contributions will not be invested and begin receiving earnings or losses until the date they are posted to the Accounts.

(4) Procedural Matters. A Participant may enter or change a salary reduction agreement under (1) above at any time by giving the Committee advance notice in a manner prescribed by the Committee. In no event may a salary reduction agreement be entered into retroactively. In addition, the Employer may require or allow a Highly Compensated Employee to reduce the percentage or amount specified in his salary reduction agreement to the extent that the Employer reasonably anticipates that without the reduction, the limits set forth in Sections 4.1(a)(2), 4.1(b), or Article 5 would be exceeded for the Plan Year.

A Participant may elect, in a manner specified by the Committee, to terminate a salary reduction agreement at any time once notice has been given. Any such election shall be effective as soon as administratively feasible. Such elections shall be effective only with respect to Annual Earnings not yet earned as of the effective date of such election.

(b) Limitation on Section 401(k) Contributions. The Actual Deferral Percentage for any Plan Year for Participants who are Highly Compensated Employees shall not exceed the greater of:

(1) 1.25 times the Actual Deferral Percentage for all the Participants who are Non-Highly Compensated Employees for the Plan Year, or

(2) the lesser of:

(A) Two times the Actual Deferral Percentage for all the Participants who are Non-Highly Compensated Employees for the preceding Plan Year, provided that the Actual Deferral Percentage for the Participants who are Highly Compensated Employees shall not exceed the Actual Deferral Percentage for Participants who are Non-Highly Compensated Employees for the Plan Year by more than 2 percentage points; or

(B) such amount as the Secretary of Treasury may prescribe to prevent multiple use of this alternative limitation with respect to any Highly Compensated Employee. Effective for Plan Years beginning after June 30, 2002, the multiple use shall not be applied.

(c) Return of Excess Elective Deferrals.

(1) Participant Election. If amounts are includable in a Participant's gross income under section 402(g) of the Code for a taxable year of the Participant, the Participant may elect to receive a distribution from his Section 401(k) Contribution Account in an amount up to the sum (or difference) of:

(A) the lesser of:

(i) the amount includable in his gross income under section 402(g) of the Code for the taxable year; or

(ii) the amount of his salary deferrals under Section 4.1(a) for the taxable year; plus (or minus)

(B) the income (or loss) allocable to the amount determined under (A) above determined by the Administrator in accordance with Treasury Regulations.

(2) Procedure. An election under (1) above shall be made in such manner as the Administrator shall direct and shall be effective only if received by the Administrator no later than the first March 1st following the close of the Participant's taxable year to which the election relates. A Participant who has exceeded the limits of Section 4.1(a)(2) shall be deemed to have made an election hereunder to the extent of such excess.

(3) Distribution. Any other provisions of the Plan to the contrary notwithstanding, the amount determined under (1) if properly elected under (2) shall be paid to the Participant as a lump sum no later than the first April 15th following the close of the Participant's taxable year to which the election relates.

(4) Effect on Other Provisions. Except to the extent provided by the Secretary of the Treasury or his delegate, distributions hereunder shall be taken into account under Section 4.1(b).

(d) Excess Section 401(k) Contributions.

(1) Excess Actual Deferral Percentage. If the Actual Deferral Percentage for a Plan Year for the Participants who are Highly Compensated Employees exceeds the maximum amount allowable under Section 4.1(b), then the Administrator shall determine the amount to be distributed and the Highly Compensated Employees subject to receiving a distribution in accordance with the Code and applicable Treasury Regulations.

(2) Distribution. Any other provisions of the Plan to the contrary notwithstanding, the Administrator shall distribute the amount determined under (1) above to each Highly Compensated Employee determined under (1) above as a lump sum no later than the last day of the following Plan Year; provided however, the Employer shall be subject to a 10% excise tax under section 4979 of the Code if the distributions are not made before the close of the first 2½ months of such following Plan Year.

(3) Effect on Other Provisions. If distributions are made in accordance with this Section 4.1(d) with respect to a Plan Year, then the limitations of Section 4.1(b) shall be deemed satisfied for the Plan Year. Except to the extent provided by the Secretary of Treasury, distributions hereunder shall be taken into account under Article 5.

With respect to excess contributions made in taxable year 2007, the Plan Administrator must calculate allocable income for the taxable year and also for the gap period (*i.e.*, the period after the close of the taxable year in which the excess contribution occurred and prior to the distribution); provided that the Plan Administrator will calculate and distribute the gap period allocable income only if the Plan Administrator in accordance with the Plan terms otherwise would allocate the gap period allocable income to the Participant's Account. With respect to excess contributions made in taxable years after 2007, gap period income may not be distributed.

4.2 Profit Sharing Contributions.

(a) General. Except as provided in an Adoption Agreement, for each Plan Year, each Employer shall contribute to the Plan such amount (if any) as the Board shall determine in its sole discretion by action specifying the amount of such contribution (such amount being hereinafter referred to as the Employer's "Profit Sharing Contribution"), subject to Article 5. The Company may establish separate discretionary "Contribution Pools" for separate business locations. Profit Sharing Contributions to each of the "Contribution Pools" are discretionary and determined separately each year by the Board.

(b) Participants Entitled to Receive an Allocation of Profit Sharing Contribution. A Participant shall be entitled to receive an allocation of the Profit Sharing Contribution under (a) above to the Plan for a Plan Year if he is:

(1) a Participant who is credited with 1,000 or more Hours of Service during such Plan Year, provided that he is in the employment of the Employer as an Employee on the last day of such Plan Year;

(2) a Participant who died during such Plan Year and prior to the termination of his employment as an Employee;

(3) a Participant who retired from his employment as an Employee on or after his reaching Normal Retirement Age during such Plan Year;

(4) a Participant who incurred a Disability and retired from his employment as an Employee as a result thereof during such Plan Year; or

(5) a Participant who is on an Employer-Approved Leave of Absence from his employment as an Employee at the close of such Plan Year, if he received compensation from the Employer during such Plan Year.

Notwithstanding the foregoing, Participants excluded from receiving a Profit Sharing Contribution pursuant to an Adoption Agreement shall not be included in an allocation pursuant to this Section 4.2.

(c) Allocation Formula. Subject to the limitations of Article 5, as of the last Accounting Date for a Plan Year, there shall be allocated to the Profit Sharing Contribution Account of each Participant qualified, under (b) above, to receive such an allocation, that portion of the Profit Sharing Contribution under (a) above for such Plan Year that bears the same ratio to the total amount of such Contribution as the Annual Earnings of such Participant for such Plan Year bears to the total amount of the Annual Earnings of all such Participants eligible to share in such allocation in the Contribution Pool for such Plan Year. Such contribution shall not be posted to Participants' Accounts until the Accounting Date coinciding with or next following the date it is actually received by the Trustee. Accordingly, such contributions will not be invested and begin receiving earnings or losses until the date they are posted to the Accounts.

4.3 Annual Employer Contributions.

(a) General. Except as provided in an Adoption Agreement, each Employer shall contribute for each Plan Year beginning on or after July 1, 1994, an amount equal to the sum of 4% of Annual Earnings plus 4% of Excess Earnings (hereinafter the "Annual Employer Contribution") for such Plan Year paid by such Employer to each Participant who satisfies the requirements of Section 4.3(b). Except as provided in an Adoption Agreement, each Employer shall contribute for each Plan Year beginning on or after July 1, 2009, an amount equal to the sum of 2% of Annual Earnings plus 2% of Excess Earnings (hereinafter the "Annual Employer Contribution") for such Plan Year paid by such Employer to each Participant who satisfies the requirements of Section 4.3(b). Except as provided in an Adoption Agreement, each Employer shall contribute for each Plan Year beginning on or after July 1, 2012, an amount equal to the sum of 4% of Annual Earnings plus 4% of Excess Earnings (hereinafter the "Annual Employer Contribution") for such Plan Year paid by such Employer to each Participant who satisfies the requirements of Section 4.3(b). Effective as of July 1, 2017, there shall be no further Annual Employer Contribution paid by any Employer for any Plan Year.

(b) Participants Entitled to Receive an Allocation of Annual Employer Contribution. A Participant shall be entitled to receive an allocation of the Annual Employer Contribution under (a) above to the Plan for a Plan Year if he is:

(1) a Participant who is credited with 1,000 or more Hours of Service during such Plan Year, provided that he is in the employment of the Employer as an Employee on the last day of such Plan Year;

(2) a Participant who died during such Plan Year and prior to the termination of his employment as an Employee;

(3) a Participant who retired from his employment as an Employee on or after his reaching Normal Retirement Age during such Plan Year;

(4) a Participant who incurred a Disability and retired from his employment as an Employee as a result thereof during such Plan Year; or

(5) a Participant who is on an Employer-Approved Leave of Absence from his employment as an Employee at the close of such Plan Year, if he received compensation from the Employer during such Plan Year.

Notwithstanding the foregoing, Participants excluded from receiving an Annual Employer Contribution pursuant to an Adoption Agreement shall not be included in an allocation pursuant to this Section 4.3.

(c) Allocation Formula. Subject to the limitation of Article 5, as of the last Accounting Date for a Plan Year, there shall be allocated to the Annual Employer Contribution Account of each Participant qualified under (b) above to receive such an allocation, an amount determined as follows:

(1) an amount equal to 4% multiplied by each Participant's Annual Earnings for that Plan Year shall be allocated to the Annual Employer Contribution Account of each Participant, plus

(2) an amount equal to 4% multiplied by each Participant's Excess Earnings for that Plan Year shall be allocated to the Annual Employer Contribution Account of each Participant with Excess Earnings.

Such contribution shall not be posted to Participants' Accounts until the Accounting Date coinciding with or next following the date it is actually received by the Trustee. Accordingly, such contributions will not be invested and begin receiving earnings or losses until the date they are posted to the Accounts.

4.4 Minimum Contribution for Top-Heavy Years.

(a) General. Anything in Sections 4.1, 4.2 or 4.3 to the contrary notwithstanding, for any Plan Year for which the Plan is a Top-Heavy Plan, the amount of Employer contributions and forfeitures (excluding contributions under Section 4.1(a)) allocated on behalf of any Participant who is not a Key Employee and who is an Employee on the last day of the Plan Year shall not be less than such Participant's Section 415 Compensation times the lesser of (1) 3% or (2) the largest percentage of such contributions and forfeitures (including contributions under Section 4.1(a)),expressed as a percentage of Section 415 Compensation, allocated on behalf of any Key Employee for that Plan Year. For these purposes, "Section 415 Compensation" shall mean the first $170,000 (as adjusted by the Secretary of Treasury at the same time and in the same manner as under section 415(d) of the Code) of a Participant's Section 415 Compensation (as defined in Section 5.1(g)) for Plan Years beginning before July 1, 2002. For Plan Years beginning after June 30, 2002, "Section 415 Compensation" shall mean the first $200,000 as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. The minimum allocation is determined without regard to any Social Security contribution.

This minimum allocation shall be made even though, under other Plan provisions, the Participant would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the year because of the Participant's failure to complete 1,000 Hours of Service.

(b) Participants Also Covered Under Defined Benefit Plan. If a Participant who is not a Key Employee and who is an Employee on the last day of the Plan Year also participates in one or more defined benefit plans which are part of the same Aggregation Group as the Plan, and if such defined benefit plan or plans do not satisfy the minimum benefit requirements of section 416 of the Code with respect to such Participant, then, with respect to such Participant, "5%" shall be substituted for "the lesser of (1) 3% or (2) the largest percentage of such contributions and forfeitures (including contributions under Section 4.1(a)), expressed as a percentage of Section 415 Compensation) allocated on behalf of any Key Employee for that Plan Year" in (a) above.

4.5 Return of Contributions by the Employer.

(a) Mistake of Fact. If a contribution by the Employer to the Plan is made by reason of a mistake of fact, then, subject to (d) below, such contribution may be returned to the Employer within 1 year after the payment of such contribution.

(b) Qualification. Contributions by the Employer to the Plan are conditioned upon the initial qualification of the Plan under section 401 of the Code. If the Plan receives an adverse determination with respect to its initial qualification under the Code, then the entire assets attributable to the Employer's contributions may be returned to the Employer within 1 year after such determination.

(c) Deductibility. Contributions by the Employer to the Plan are conditioned upon the deductibility of such contributions under section 404 of the Code, and, subject to (d) below, such contributions (to the extent disallowed) may be returned to the Employer within 1 year after the disallowance of the deduction.

(d) Limitation on Return. The amount of the contribution which may be returned to the Employer under paragraph (a) or (c) above shall be limited to the excess of the amount contributed over the amount that would have been contributed had there not occurred a mistake of fact or a mistake in determining the deduction. Earnings attributable to such excess may not be returned to the Employer, but losses attributable thereto must reduce the amount to be so returned. Furthermore, the amount of the contribution which may be returned shall be limited so as not to cause the balance to the credit of a Participant's Account to be reduced to less than the balance which would have been credited to his Account had such contribution not been made.

4.6 Catch-up Contributions. Effective as soon as administratively possible after February 1, 2006, all Participants who enter into a salary reduction agreement under this Plan and who will attain age 50 or more before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of Section 414(v) of the Code, as determined by the Administrator. Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitation of Sections 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Sections 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

4.7 Participant After-Tax Contributions. After-tax contributions by Participants shall neither be required nor permitted.

4.8 Rollover Contributions. A Participant while an Employee may contribute to the Plan money that qualifies for such a rollover under the provisions of sections 402(c)(5) or 403(a)(4) or (5) of the Code or that qualifies as a rollover contribution under section 408(d)(3) of the Code; provided however, no amounts constituting accumulated deductible employee contributions, as defined in section 72(o)(5) of the Code, may be so contributed. Effective May 1, 2004, the Plan will accept rollovers in any amount. Any rollover contribution shall be credited to such Participant's Rollover Account as of the Accounting Date coinciding with or next following the Trustee's receipt thereof.

The Plan will accept Participant rollover contributions and/or direct rollovers of distributions made after June 30, 2002, from (a) a qualified plan described in sections 401(a) or 403(a) of the Code, excluding after-tax employee contributions; (b) an annuity contract described in section 403(b) of the Code, excluding after-tax employee contributions; and (c) an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. The Plan will not accept a Participant rollover contribution of the portion of a distribution from an individual retirement account or annuity described in sections 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income (including an after-tax contribution).

If any amount received as a rollover contribution is determined not to qualify for a rollover, then such amount (adjusted for any gain or loss) shall be returned to the Participant as soon as practical.

4.9 Reemployment of Veterans. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Code.

4.10 Matching Contribution.

(a) Contribution to Plan. Effective as July 1, 2017, in the discretion of the Board, each Employer shall contribute to the Plan such amount (if any) as the Board shall determine in its sole discretion (such amount being hereinafter referred to as the Employer's "Matching Contribution"), subject to Article 5. The Matching Contribution shall be allocated to the Matching Contribution Account of each Participant who makes Section 401(k) Contributions for any pay period during the Plan Year. The Matching Contribution, if any, shall be allocated on a pro rata basis to the Participants eligible to receive the Matching Contribution as described above based on the amount of Section 401(k) Contributions made by each such Participant for the period of the contribution. The Matching Contribution, if any, may be contributed to the Trust as soon as practicable after the end of every payroll period or on such additional dates as may be determined by the Plan Administrator; provided they shall be paid to the Trust not later than the time prescribed by law for such Employer to obtain a federal income tax deduction for the Plan Year for which such contribution is made. The value of any Matching Contribution shall be determined as of the date such contribution is deemed to be paid to the Trust and the Matching Contribution is calculated. The Plan Administrator shall review the total Matching Contribution allocated to each Participant at the end of the Plan Year to determine that each Participant has received the greatest amount the Participant is eligible to receive based on the Participant's total Section 401(k) Contributions for the Plan Year.

(b) Actual Contribution Percentage Test.

(1) Maximum Annual Allocation. For each Plan Year, the annual allocation derived from Matching Contributions to a Participant's Matching Contribution Account shall satisfy the following test:

(A) The Actual Contribution Percentage for Highly Compensated Employees shall not be more than the Actual Contribution Percentage of Nonhighly Compensated Employees multiplied by 1.25, or

(B) The excess of the Actual Contribution Percentage for Highly Compensated Employees over the Actual Contribution Percentage for Nonhighly Compensated Employees shall not be more than two percentage points. Additionally, the Actual Contribution Percentage for Highly Compensated Employees shall not exceed the Actual Contribution Percentage for Nonhighly Compensated Employees multiplied by two. The provisions of Section 401(m)(2) of the Code and Treasury Regulation Section 1.401(m)-1(b) are incorporated herein by reference.

(2) Actual Contribution Percentage. For purposes of this Section 4.10, the Actual Contribution Percentage for a Plan Year or the prior Plan Year as determined by the Plan Administrator in accordance with the Code and Treasury Regulations means, with respect to all Highly Compensated Employees and all Nonhighly Compensated Employees who were eligible to contribute Section 401(k) Contributions, and all who would be eligible to receive an allocation of a Matching Contribution pursuant to Section 4.10, whether or not such Employee elected to make Section 401(k) Contributions pursuant to Section 4.10, the average of the ratios, calculated separately for each Participant in each group, of Matching Contributions and forfeitures allocated to the Participant's Matching Contribution Account for such Plan Year to such Participant's 415 Compensation for such Plan Year. Matching Contributions that are forfeited due to either the return of Section 401(k) Contributions in excess of the maximum deferral Amount or the distribution of Section 401(k) Contributions in accordance with Section 4.1 shall not be included when calculating the ratio for each Nonhighly Compensated Employee. Matching Contributions that are forfeited shall not be included when calculating the ratio for each Highly Compensated Employee. Matching Contributions that are forfeited due to the return of Section 401(k) Contributions in excess of the maximum deferral amount or due to amounts returned pursuant to Section 4.1 shall not be included when calculating the ratio for each Highly Compensated Employee.

(A) If the Plan satisfies the requirements of Sections 401(m), 401(a)(4) or 410(b) of the Code only if aggregated with one or more other plans, or if one or more plans satisfy such requirements only if aggregated with this Plan, then such other plans shall be aggregated with this Plan for purposes of computing the Actual Contribution Percentages and for determining whether the nondiscrimination rules of this Section 4.1 are satisfied. Plans may be aggregated hereunder only if they have the same plan year. Plans that apply inconsistent Actual Contribution Percentage testing methods may not be aggregated hereunder.

(B) For purposes of computing the separate ratio for any Highly Compensated Employee, all plans described in Section 401(a) of the Code or arrangements described in Section 401(k) of the Code of the Employer (and other employers taken into account under Section 414 of the Code) in which such Highly Compensated Employee is a participant shall be treated as one such plan or arrangement. In accordance with applicable Treasury Regulations, only those contributions that are made within the same Plan Year being tested shall be aggregated for purposes of this Section 4.10.

(3) Other Restrictions. For purposes of determining the Actual Contribution Percentage and the amount of Excess Aggregate Contributions, the Plan Administrator may elect to take into account, with respect to Employees eligible to have Matching Contributions pursuant to Section 4.10, Section 401(k) Contributions (as defined in Treasury Regulation Section 1.402(g)-1(b)) and qualified non-elective contributions (as defined in Section 401(m)(4)(C) of the Code) contributed to any plan maintained by the Employer. Such Section 401(k) Contributions and qualified non-elective contributions shall be treated as Matching Contributions subject to Treasury Regulation Section 1.401(m)-1(b)(2), the provisions of which are incorporated herein by reference. However, the Plan Year must be the same as the plan year of the plan to which the Section 401(k) Contributions and the qualified non-elective contributions are made. Such qualified non-elective contributions and/or Matching Contributions shall be treated as Section 401(k) Contributions subject to Treasury Regulations Section 1.401(k)-1(b)(5), the provisions of which are incorporated herein by reference.

(4) Operation of Tests. The current year testing method will be used. The determination and treatment of the Actual Contribution Percentage Test shall be in accordance with the requirements as may be prescribed by the Secretary of Treasury and may be performed in any manner consistent with such requirements.

(5) Adjustment to Actual Contribution Percentage Test.

In the event that the initial allocations of the Matching Contributions and the reallocation of forfeitures to the Employees' Matching Contribution Accounts do not satisfy one of the tests set forth in Section 4.10, the Plan Administrator shall adjust the Matching Contributions and reallocated forfeitures in excess of the limits ("Excess Aggregate Contributions") pursuant to this Section.

(A) Distribution of Excess Aggregate Contributions. On or before the 15th day of the 3rd month following the end of each Plan Year, but in no event later than the close of the Plan Year following the Plan Year in which such Excess Aggregate Contributions occurred, the Plan Administrator shall distribute Excess Aggregate Contributions to Highly Compensated Employees in accordance with such rulings and regulations as are issued by the Secretary of the Treasury under Section 401(m) of the Code. Excess Aggregate Contributions are allocated to Highly Compensated Employees with the largest amounts of contributions taken into account in calculating the Actual Contribution Percentage Test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such contributions and continuing in descending order until all the Excess Aggregate Contributions have been allocated. For purposes of the preceding sentence, the "largest amount" is determined after distribution of any Excess Aggregate Contributions.

(i) With respect to the distribution of Excess Aggregate Contributions pursuant to (a) above, such distributions:

(a) Shall be made first from Matching Contributions allocated to the Participant's Matching Contribution Account and thereafter from forfeitures reallocated to the Participant's Matching Contribution Account.

(b) Shall include income (or loss) allocable to the Excess Aggregate Contributions determined by the Plan Administrator in accordance with applicable Treasury Regulations under any reasonable method used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year.

(c) Shall be designated by the Employer as a distribution of Excess Aggregate Contributions and related income.

(ii) Any distribution of less than the entire amount of Excess Aggregate Contributions (and allocable income) shall be treated as a pro rata distribution of Excess Aggregate Contributions and allocable income.

(iii) This Section 4.10 applies to Excess Contributions (as defined in Section 401(k)(8)(B) of the Code) and Excess Aggregate Contributions (as defined in Section 401(m)(6)(B) of the Code) made with respect to all Plan Years. The Plan Administrator will calculate and distribute income allocable to such contributions through the end of the Plan Year in which such contributions occurred. The Plan Administrator will not calculate and distribute allocable income for the gap period (i.e., the period after the close of the Plan Year in which such contributions occurred and prior to the distribution of such contributions).

(B) Qualified Non-Elective Contributions. Notwithstanding the above, within 12 months after the end of the Plan Year, the Employer may make a special Qualified Non-Elective Contribution on behalf of Nonhighly Compensated Employees in an amount sufficient to satisfy the test set forth in Section 4.10. Such contribution shall be allocated to the Section 401(k) Contribution Account of each Nonhighly Compensated Employee who is a Participant and who is included in the Actual Contribution Percentage Test in the same proportion that the Section 415 Compensation of each Nonhighly Compensated Employee who is a Participant and who is included in the Actual Contribution Percentage Test for the Plan Year bears to the total Section 415 Compensation of all Nonhighly Compensated Employees who are Participants and who are included in the Actual Contribution Percentage Test.

ARTICLE 5

LIMITATIONS ON ANNUAL ADDITIONS

5.1 Definitions. For purposes of this Article 5, the following terms shall have the following meanings:

(a) "Annual Addition" means, with respect to the Plan, any other Defined Contribution Plan in which a Participant participates or has participated, and any account described in (4) or (5) below, the sum, for the Limitation Year, of:

(1) all employer contributions (other than amounts restored in accordance with section 411(a)(3)(D) or 411(a)(7)(C) of the Code) allocated to his Account (excluding restorative payments resulting from a fiduciary's actions for which there is a reasonable risk of liability);

(2) all forfeitures allocated to his Account;

(3) (A) for Limitation Years beginning before January 1, 1987, the lesser of:

(i) one-half of his own contributions (other than rollover contributions, repayments of loans or of amounts described in section 411(a)(7)(B) of the Code in accordance with the provisions of section 411(a)(7)(C) of the Code, repayments of amounts described in section 411(a)(3)(D) of the Code, direct transfers between qualified plans, and, for Limitation Years after December 31, 1981, deductible employee contributions within the meaning of section 72(o)(5) of the Code), or

(ii) the amount of his own such contributions in excess of 6% of his Section 415 Compensation for the Limitation Year; and

(B) for Limitation Years beginning after December 31, 1986, 100% of his own such contributions for the Limitation Year.

(4) amounts allocated, in years beginning after March 31, 1984, to an individual medical benefit account, as defined in section 415(l)(2) of the Code, which is part of a pension or annuity plan maintained by the Employer or an Affiliate; and

(5) amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key employee, as defined in section 419A(d)(3) of the Code, under a welfare benefits fund, as defined in section 419(e) of the Code, maintained by the Employer or an Affiliate.

A Participant's Annual Addition shall include such other amounts as the Commissioner of Internal Revenue properly determines. An Annual Addition shall be deemed credited to a Participant's Account with respect to an applicable Limitation Year if it is allocated to his Account under the terms of such plan as of any date within such applicable Limitation Year; provided however, such amount must be actually contributed within the time limit prescribed by applicable Treasury Regulations.

(b) "Defined Benefit Plan" means a plan (whether or not terminated) of the Employer or an Affiliate that is not a Defined Contribution Plan and that either qualifies under section 401 of the Code or meets the requirements of section 404(a)(2) of the Code.

(c) "Defined Benefit Plan Fraction," with respect to a Participant, means, subject to section 2004(d)(2) of ERISA, a fraction:

(1) the numerator of which is the sum, for all Defined Benefit Plans in which he participates or has participated, of the annual benefit (as determined under section 415(b)(2) of the Code as of the close of the Limitation Year), provided by the Employer and all Affiliates, to which the Participant would be entitled if he continued employment until reaching normal retirement age (or current age, if later) and if his compensation for the Limitation Year and all other relevant factors used to determine such benefit remained constant until normal retirement age (or current age, if later), and

(2) the denominator of which is the lesser of:

(A) 1.25 times the dollar limitation, under section 415(b)(1)(A) of the Code, in effect for the Limitation Year, or

(B) 1.4 times the Participant's average Section 415 Compensation for his highest 3 consecutive Limitation Years.

Notwithstanding the above, if the Participant was a participant as of the first day of the first Limitation Year beginning after December 31, 1986 in 1 or more Defined Benefit Plans which were in existence on May 6, 1986, the denominator of this fraction will not be less than 125 percent of the sum of the annual benefits under such plans which the Participant had accrued as of the end of the last Limitation Year beginning before January 1, 1987, disregarding any changes in the terms and conditions of the plan after May 5, 1986. The preceding sentence applies only if the Defined Benefit Plans individually and in the aggregate satisfied the requirements of section 415 of the Code for all Limitation Years beginning before January 1, 1987.

(d) (1) "Defined Contribution Plan" means each of the following (whether or not terminated) maintained by the Employer or an Affiliate:

(A) a plan that is qualified under section 401 of the Code and that provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to such participant's account;

(B) a Participant's contributions to a Defined Benefit Plan; and

(C) contributions by the Employer or an Affiliate to a simplified employee pension (as defined in section 408(k) of the Code).

(2) With respect to any Participant who is in control of the Employer within the meaning of section 414(b) or (c) of the Code, as modified by section 415(h) of the Code, the term "Defined Contribution Plan" includes an annuity contract described in section 403(b) of the Code and, with respect to Limitation Years before January 1, 1982, an individual retirement plan (as described in section 7701(a)(37) of the Code).

(e) "Defined Contribution Plan Fraction," with respect to a Participant, means, subject to the transition rules under section 415(e) of the Code and subject to the special rules provided by Treasury regulations for special situations (including situations in which past records are not available), a fraction:

(1) the numerator of which is the sum of the Annual Additions to the Participant's account for the current Limitation Year and all prior Limitation Years, and

(2) the denominator of which is the sum of the lesser of the following amounts determined for the current Limitation Year and each prior Limitation Year of the Participant's service:

(A) 1.25 times the dollar limitation in effect under section 415(c)(1)(A) (without regard to paragraph (6) thereof) of the Code for such Limitation Year, or

(B) 1.4 times the amount which may be taken into account for such Limitation Year under section 415(c)(1)(B) of the Code.

If the Participant was a participant as of the end of the first day of the first Limitation Year beginning after December 31, 1986, in one or more Defined Contribution Plans which were in existence on May 6, 1986, the numerator of this fraction will be adjusted if the sum of this fraction and the Defined Benefit Plan Fraction would otherwise exceed 1.0 under the terms of this Plan. Under the adjustment, an amount equal to the product of the excess of the sum of the fractions over 1.0 times the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of the end of the last Limitation Year beginning before January 1, 1987 and disregarding any changes in the terms and conditions of the plan made after May 5, 1986, but using the section 415 limitation applicable to the first Limitation Year beginning on or after January 1, 1987. The Annual Addition for any Limitation Year shall not be recomputed to treat all nondeductible employee contributions as Annual Additions.

(f) "Limitation Year" means the calendar year or any other 12-consecutive-month period adopted pursuant to written resolution.

(g) "Section 415 Compensation" means wages, salaries, other amounts received for personal services actually rendered (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits and reimbursements or other expense allowances under a nonaccountable plan), and earned income (within the meaning of section 401(c)(2) of the Code) from the Employer and all Affiliates and (to the extent provided by applicable Treasury Regulations) from an employer purchasing a section 403(b) annuity. The term includes income from sources outside the United States (as defined in section 911(b) of the Code); but, to the extent provided by applicable Treasury Regulations, the term excludes amounts which receive special tax benefit. The term also includes differential wage payments (as defined in section 3401(h)(2) of the Code). Section 415 Compensation is determined without regard to the exclusions from gross income in sections 931 and 933 of the Code. Deferred compensation is included only with respect to amounts received pursuant to an unfunded non-qualified plan and only in the Limitation Year such amounts are included in the Employee's gross income. Section 415 Compensation actually paid or made available to a Participant within a Limitation Year (including, at the election of the Employer, amounts earned but not paid in a Limitation Year because of the timing of pay periods and pay days if these amounts are paid during the first few weeks of the next Limitation Year, the amounts are included on a uniform and consistent basis with respect to all similarly situated Employees and no amount is included in more than one Limitation Year) shall be used unless, for Limitation Years beginning before December 31, 1991 (or such later date as may be prescribed by Treasury Regulations), the Employer and each Affiliate maintaining a qualified plan elect, by the adoption of a written resolution, to use the Section 415 Compensation accrued for an entire Limitation Year. The term includes amounts that are includible in gross income of an Employee under the rules of section 409A or 457(f)(1)(A) of the Code or because the amounts are constructively received by the Employee. Except as follows, in order to be taken into account for a Limitation Year, Section 415 Compensation must be paid or treated as paid to an Employee prior to the Employee's severance from employment with the Employer. Section 415 Compensation described below does not fail to constitute Section 415 Compensation merely because it is paid after the Employee's severance from employment with the Employer provided it is paid by the later of 2½ months after the severance or the end of the Limitation Year that includes the date of the severance. Section 415 Compensation is subject to this rule if (A) it is regular compensation for services during the Employee's regular work hours or for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and (B) the payment would have been paid to the Employee prior to a severance from employment if the Employee had continued in employment with the Employer.

5.2 Limitation on Annual Additions.

(a) Limitation Before July 1, 2002. Effective for Limitation Years beginning before July 1, 2002, subject to Section 5.3, and subject to Treasury Regulations covering the aggregation during a Limitation Year of previously unaggregated plans, the Annual Addition with respect to a Participant for any Limitation Year to which section 415 of the Code applies shall not exceed the lesser of:

(1) $30,000 (or, if greater, one-fourth of the Defined Benefit Plan dollar limitation set forth in section 415(b)(1)(A) of the Code (as adjusted under section 415(d) of the Code), determined as of the last day of the applicable Limitation Year), or

(2) 25% of such Participant's Section 415 Compensation for such Limitation Year.

The limitation in (2) above shall not apply with respect to any contributions for medical benefits (within the meaning of section 401(h) or 419A(f)(2) of the Code) which are otherwise treated as an Annual Addition under section 415(l) or 419A(d)(2) of the Code.

(b) Limitations after June 30, 2002.

(1) Effective Date. This Section shall be effective for Limitation Years beginning after June 30, 2002.

(2) Maximum Annual Addition. Except to the extent permitted under any provision that permits catch-up contributions under EGTRRA section 631 and section 414(v) of the Code, if applicable, the Annual Addition that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year shall not exceed the lesser of:

(A) $40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code, or

(B) 100% of the Participant's Section 415 Compensation for the Limitation Year. The compensation limit shall not apply to any contribution for medical benefits after severance from employment (within the meaning of section 401(h) or section 419A(f)(2) of the Code) which is otherwise treated as an Annual Addition.

(c) Treatment of Excess Annual Additions.

(1) General. If, as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's Section 415 Compensation, a reasonable error in determining the amount of elective deferrals (within the meaning of section 402(g)(3) of the Code) that may be made within the limits of section 415 of the Code, or under other facts and circumstances which the Commissioner of Internal Revenue finds justify the availability of the rules set forth herein, the Annual Addition under the Plan for a particular Participant would cause the limitations of (a) or (b) above applicable to that Participant for the Limitation Year to be exceeded, then:

(A) a Participant's or former Participant's 401(k) deferrals together with any gains allocated thereto shall be returned to the extent that the return would reduce the excess amount (and in such a case the contributions shall be disregarded under the Plan's provisions relative to sections 402(g), 401(k)(3) and 401(m)(2) of the Code);

(B) any excess amount remaining after the application of (A) above shall be deemed a forfeiture for such Plan Year and shall be used to reduce Employer contributions for the next Limitation Year (and succeeding Limitation Years, as necessary) for all of the Participants in the Plan, and shall be allocated and reallocated among Participants' accounts, pursuant to the Plan's formula for allocating Employer contributions, in the next Limitation Year (and succeeding Limitation Years, as necessary); and

(C) if there is any excess amount remaining after the application of (B) above, a Participant or former Participant's 401(k) deferrals to be made on behalf of a Participant or former Participant together with any gains allocated thereto shall be returned to the extent the return would reduce the excess amount (and in such a case the contributions shall be disregarded under the Plan's provisions relative to sections 402(g), 401(k)(3) and 401(m)(2) of the Code);

(2) Allocation of Excess Among Plans. If amounts are allocated to a Participant's account under more than one Defined Contribution Plan, then any excess shall be deemed to consist of the amounts last allocated, except that Annual Additions attributable to a welfare benefits fund as defined in section 419(e) of the Code will be deemed to have been allocated first regardless of the actual allocation date. If amounts are allocated under more than one Defined Contribution Plan as of the same date, then the excess attributed to each such plan shall be the same proportion of the total excess as the ratio of the amount allocated to the Participant as of such date under such plan divided by the total amount allocated as of such date (determined without regard to the limitations under section 415 of the Code); provided however, no excess shall be attributed to an employee stock ownership plan within the meaning of section 4975(e)(7) of the Code, until the Annual Additions under all other Defined Contribution Plans (other than a tax credit employee stock ownership plan, or "TCESOP," within the meaning of section 409 of the Code) have been reduced to zero, and no excess shall be attributed to a TCESOP until the Annual Additions under all other Defined Contribution Plans have been reduced to zero.

(3) Excess Annual Additions Corrections. Effective as of the first Limitation Year commencing on or after July 1, 2007, the correction methods for handling excess Annual Additions specified above no longer apply. However, similar correction methods may be available under the IRS Employee Plans Compliance Resolution System.

5.3 Limitation in Case of Defined Benefit Plan and Defined Contribution Plan for the Same Employee.

(a) General. In any case in which a Participant has at any time participated in one or more Defined Benefit Plans, the sum of the Defined Benefit Plan Fraction and the Defined Contribution Plan Fraction, for any Limitation Year to which section 415 of the Code applies, may not exceed 1.0, subject to Treasury Regulations covering the aggregation during a Limitation Year of previously unaggregated plans. If such sum would exceed 1.0, then the Annual Additions to the Plan shall be reduced only to the extent that such excess is not eliminated by reductions in the accrual of Defined Benefit Plan benefits. Effective for Plan Years beginning after June 30, 2000, this combined limit shall no longer apply.

(b) Top-Heavy Rule. If a Limitation Year contains any portion of a Plan Year for which the Plan is a Top-Heavy Plan, then "1.0" shall be substituted for "1.25" in Sections 5.1(c)(2)(A) and 5.1(e)(2)(A); provided however, any limitation which results from the application of this sentence may be exceeded so long as there are no Defined Benefit Plan accruals for the individual and no employer contributions, forfeitures, or voluntary nondeductible contributions allocated to the individual; and provided further, this sentence shall not apply if the sum, for any Aggregation Group of which the Plan is a part, of the Key Employees' benefits from all Defined Benefit Plans and Defined Contribution Plans does not exceed 90% of the total of all Participants' benefits and if the Employer contribution would satisfy the requirements of Section 4.4(b) if "4%" were substituted for "3%" and "7½%" were substituted for "5%."

ARTICLE 6

VESTING AND FORFEITURES

6.1 Vesting Provisions.

(a) Rollover Account. A Participant's rights to his Rollover Account shall be nonforfeitable at all times.

(b) Section 401(k) Contribution Account. A Participant's rights to his Section 401(k) Contribution Account shall be nonforfeitable at all times.

(c) Matching Contribution Account, Annual Employer Contribution Account and Profit Sharing Contribution Account.

(1) At Normal Retirement Age. Upon and after a Participant's attainment of Normal Retirement Age, if he is then in the service of the Employer or an Affiliate, he shall have a nonforfeitable right to his Matching Contribution Account, Annual Employer Contribution Account and Profit Sharing Contribution Account.

(2) Prior to Normal Retirement Age.

(A) Vesting Schedule. A Participant shall have a nonforfeitable right to a percentage of his Annual Employer Contribution Account and his Profit Sharing Contribution Account on the basis of the number of Vesting Years with which he is credited, pursuant to the following vesting schedule:

Vesting Years	Nonforfeitable Percentage
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Notwithstanding the above, effective as of July 1, 2017, an active Participant who is not 100% vested as of July 1, 2017, shall have a nonforfeitable right to a percentage of his Matching Contribution Account, Annual Employer Contribution Account and his Profit Sharing Contribution Account on the basis of the number of Vesting Years with which he is credited, pursuant to the following vesting schedule:

Vesting Years	Nonforfeitable Percentage
Less than 2	25%
2	50%
3	75%
4 or more	100%

(B) Death or Disability. Anything in (A) above to the contrary notwithstanding, but subject to (C) below, if a Participant's employment by the Employer terminates because of his death or incurrence of a Disability, then his Matching Contribution Account, his Annual Employer Contribution Account and his Profit Sharing Contribution Account shall be fully vested.

If a Participant is reemployed after incurring a forfeiture, any balance remaining in his Matching Contribution Account, Annual Employer Contribution Account or Profit Sharing Contribution Account at the time of such reemployment shall be separately accounted for, shall be nonforfeitable, and shall not be subject to the above vesting schedule.

(C) Vested Percentage Under the Old Plan. Anything in (A) above to the contrary notwithstanding, a Participant shall have a nonforfeitable right to a percentage of his Employer Contribution Account and his Profit Sharing Contribution Account that is no less than the vested percentage in his account derived from Employer Contributions and Profit Sharing Contributions computed under the Old Plan on the date immediately prior to the later of the effective date of this restatement of the Plan or the date on which this restatement of the Plan is adopted.

(3) Forfeiture for Break in Service. If a Participant has not been an Employee for 5 consecutive Plan Years, then his forfeitable interest (at such time) in his Matching Contribution Account, his Annual Employer Contribution Account and his Profit Sharing Contribution Account shall be forfeited.

(4) Effect of Cash-Out Distributions.

(A) Forfeiture. If a Participant, who is not fully vested in his Matching Contribution Account, his Annual Employer Contribution Account or his Profit Sharing Contribution Account, terminates service and receives a distribution of the present value of his entire nonforfeitable interest, then his forfeitable interest therein shall be forfeited immediately. If the present value of the portion of the Participant's vested Account balance attributable to his Matching Contribution Account, Annual Employer Contribution Account, Profit Sharing Contribution Account, and Section 401(k) Contribution Account exceeds $5,000, then there shall be no forfeiture hereunder unless the Participant has voluntarily requested to receive a distribution.

(B) Restoration. Any amount that a Participant forfeited under (A) above shall be restored, unadjusted for any gains or losses, if such Participant resumes employment with the Employer covered by the Plan and if he repays to the Plan the full amount of such distribution before the earlier of:

(i) five consecutive Plan Years from the date he was last an Employee, or

(ii) the end of the 5 year period beginning with his resumption of employment with the Employer.

(C) Source of Restoration. Any restoration under (B) above shall be made from available forfeitures before any other allocation thereof, and, if such forfeitures are insufficient, then the Employer shall contribute the difference.

(D) Special Rule. A Participant, who has no vested interest in his Matching Contribution Account, his Annual Employer Contribution Account or his Profit Sharing Contribution Account and no Section 401(k) Contribution Account or Rollover Account and who terminates service, shall be treated for purposes of (A) above as if he had received a distribution of the present value of his entire nonforfeitable interest as of the date of his termination of service.

Such a Participant who resumes employment with the Employer before the expiration of 5 consecutive Plan Years since he was last an Employee, shall be treated under (B) above as if he had repaid to the Plan the full amount of that distribution as of the date of his resumption of employment.

(5) Forfeiture for Death After Severance from Employment. If a Participant dies after his severance from employment with the Employer and if the Administrator has notice thereof, then any forfeitable portion of his Account shall be forfeited.

(d) Marcole Participants Fully Vested. Effective as of March 1, 2010, all Marcole Employees (as defined in the Adoption Agreement dated as of January 25, 2005) who are Participants on March 1, 2010 and who have a severance from employment because of the closing of the Marcole location shall have a fully vested and nonforfeitable right to their Annual Employer Contribution Accounts and their Profit Sharing Contribution Accounts.

6.2 Allocation of Forfeitures. Forfeitures occurring during a Plan Year, first shall be applied, under Section 6.1(c)(4)(B) to the restoration of forfeitures and, then, shall be used to reduce future Annual Employer Contributions due under Section 4.3 or Profit Sharing Contributions due under Section 4.2.

6.3 Vesting Upon Termination or Partial Termination of the Plan or Discontinuance of Contributions. Notwithstanding the provisions of Section 6.1, upon the termination or partial termination of the Plan or the complete discontinuance of contributions under the Plan, the amounts then credited to all affected Participants' Accounts shall become fully vested.

6.4 Unclaimed Account Procedure. Neither the Trustee nor the Plan Administrator shall be obliged to search for, or ascertain the whereabouts of, any Participant or Beneficiary. The Plan Administrator shall notify any Participant or Beneficiary that he is entitled to a distribution under this Plan by certified or registered mail addressed to his last known address of record with the Plan Administrator or the Employer. The notice shall quote the provisions of this Section. If the Participant fails to claim his benefits or make his whereabouts known in writing to the Plan Administrator within a reasonable period of time and the Plan Administrator does not know the whereabouts of the Participant or his Beneficiary, the Plan Administrator shall make reasonable efforts to locate the Participant (or Beneficiary). These efforts may include, but are not limited to, requesting the Social Security Administration to notify the Participant (or Beneficiary) pursuant to the procedures it has established for this purpose, requesting the Internal Revenue Service to forward such notification pursuant to the procedures it has established for this purpose, or taking any other reasonable means to locate the Participant (or Beneficiary). If the Participant or Beneficiary fails to claim his benefits or make his whereabouts known in writing to the Plan Administrator within 2 calendar years after the date of notification, the benefits under the Plan of the Participant or Beneficiary will disposed of as follows:

(a) If the whereabouts of the Participant are unknown but the whereabouts of the Participant's Beneficiary then are known to the Plan Administrator, distribution will be made to the Beneficiary.

(b) If the Trustee is unable to distribute the Participant's benefits under Subsection (a), the benefits of the Participant or Beneficiary shall be forfeited in accordance with Section 6.1 of the Plan. In the event a Participant makes a claim for a benefit forfeited pursuant to this Subsection, the Plan Administrator shall direct the Trustee to reinstate the forfeited benefit, without adjustment for interim gains or losses experienced by the Investment Funds.

While payment is pending, the Plan Administrator shall direct the Trustee to hold the Participant's benefits as previously directed in accordance with Article 7. The segregated account shall be entitled to all income it earns and shall bear all expense or loss it incurs. Any payment made pursuant to the power herein conferred upon the Plan Administrator shall operate as a complete discharge of all obligations of the Trustee and the Plan Administrator, to the extent of the distributions so made.

ARTICLE 7

INVESTMENT OF ACCOUNTS

7.1 Funding Policy and Method. The Plan Assets shall be held under and the benefits under the Plan shall be funded through such trusts as the Board, in its sole discretion, may establish or cause to be established for the purposes of carrying out the Plan. The Board shall determine the form and terms of any such trust, from time to time, consistent with the objectives of the Plan, ERISA and any other applicable legal requirements, and may remove any trustee and select a successor trustee or trustees or may terminate any such trust. Any such trust so established and maintained is and shall be a part of the Plan.

7.2 Funding Policy. The funding policy for the Plan shall be as set forth in Section 7.3.

7.3 Investment Elections. Each Participant shall elect the manner in which his Account and any future contributions thereto are to be invested from among such funds as the Administrator directs the person or entity holding the Plan Assets to make available and any other legally permissible investment which the person or entity holding the Plan Assets agrees to hold.

Such an election shall be effective as soon thereafter upon receipt of the election as is practicable. An investment election must be made in the manner specified by the Committee. If a Participant fails to make an election, then his Account shall be invested as provided by the Committee.

7.4 Investment Adjustment. Any earnings or losses on Plan Assets shall be credited solely to the Account to which such Plan Assets are allocated.

7.5 Insurance. No Plan Assets may be invested in life insurance contracts.

7.6 Loans.

(a) Eligibility. Upon proper application with the Trustee by an Employee or a Participant who is a party in interest within the meaning of section 3(14) of ERISA (the “borrower”), the Committee may authorize and direct the Trustee to grant a loan to such borrower, subject to the conditions set forth below.

(b) Conditions. The terms, conditions, and procedures governing or otherwise relating to any loan shall be as set forth herein, as well as those specified by the Committee in the form of Loan Application and Promissory Note and Pledge of Security, which are hereby incorporated by reference into the Plan as the same are from time to time in effect, that are consistent with the requirements of section 4975(d)(1) of the Code. Loans under (a) above shall meet all of the following requirements:

(1) Loans shall be made available to all Employees and Participants who are a party in interest within the meaning of section 3(14) of ERISA on a reasonably equivalent basis.

(2) Loans shall be made available only for the following reasons:

(A) medical expenses previously incurred by the borrower, the borrower's spouse, or any Dependents of the borrower or the need for any such person to obtain such medical care;

(B) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the borrower;

(C) payment of tuition and related educational fees for the education for the borrower, his spouse, children, or other Dependents;

(D) payments necessary to prevent the eviction of the borrower from his principal residence or foreclosure on the mortgage on the borrower's principal residence;

(E) expenses for the rehabilitation or remodeling of the principal residence of the borrower;

(F) expenses for the funeral of a member of the immediate family of the borrower; or

(G) expenses for bona fide and extraordinary legal expenses incurred by the borrower or the borrower's immediate family.

(H) a demonstrated financial hardship previously incurred by the borrower or reasonably anticipated to occur for the borrower which has created or will create the inability of the borrower to repay a debt.

(3) In determining whether to grant a loan to a borrower and the amount of any such loan, the Committee shall give consideration to:

(A) whether the borrower has a sufficient level of income to amortize the loan according to its terms;

(B) whether the loan meets the requirements of this Section 7.6; and

(C) the basic purpose of the Plan.

(4) Loans shall bear a reasonable rate of interest as determined from time to time by the Committee and shall be a reasonable interest rate commensurate with correct interest rates charged by persons in the business of lending money.

(5) Loans shall be adequately secured, which security shall, notwithstanding Section 15.2, consist of an assignment of 50% of a borrower's nonforfeitable benefit under the Plan determined as of the date as of which the loan is made.

(6) Loans shall be repaid only by payroll withholding properly authorized by the borrower; provided that the Committee may allow prepayment through other means. In the event a borrower is no longer on the payroll of an Employer or an Affiliate, the loan payments shall be made directly to the Plan by the borrower without payroll withholding.

(7) If the Qualified Joint and Survivor Annuity would be the automatic form of benefit to the Participant under Section 9.2 of the Plan at the time such accrued nonforfeitable benefit is used as security, then, such loan and the possible reduction in the Participant's benefit must, within the 90-day period prior to making the loan, be consented to by the Participant and (if he is married) his spouse. A new consent is required if the Participant's Account balance is used for any increase in the amount of security. The consent shall comply with the requirements of Section 9.2(c)(4) but shall be deemed to meet any requirements contained therein even though the Participant is married to a different spouse at the time of any setoff.

(8) No Participant loan shall exceed the limitations under (c) and (d) below.

(9) In the event of default, foreclosure on the Participant's accrued nonforfeitable benefit, to the extent used as security for the loan, will occur. Events constituting default shall be specified in the promissory note or security agreement to be executed by the Participant.

(c) Limitation on Amount.

(1) The original principal amount of any loan shall not be less than $1,000 and the Committee may limit the frequency of loans made to a borrower in accordance with uniform rules and procedures. No more than 2 loans to a borrower may be outstanding at any time.

(2) The principal amount of any loan hereunder to a borrower shall not exceed, when aggregated with the outstanding balance of all loans to the borrower from other plans maintained by an Employer or a Affiliate, an amount equal to the lesser of:

(A) $50,000 (reduced by the highest outstanding balance of any other loan to the borrower from the Plan or another plan of an Employer or an Affiliate during the preceding 12-month period); or

(B) 50% of the aggregate amount of the borrower's nonforfeitable interest under the Plan and his nonforfeitable interest under all other plans maintained by an Employer or an Affiliate.

(d) Repayment Period. Each loan, by its terms, shall be required to be repaid within 5 years except in the case of a loan used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as the principal residence of the Participant which shall be required to be repaid within 15 years. Loan repayments may be suspended under this Plan during a Participant's Employer-Approved Leave of Absence for military service as permitted under section 414(u)(4) of the Code.

(e) Level Amortization. Each loan shall be subject to substantially level amortization, with payments of principal and interest not less frequently than in equal monthly installments, over the term of the loan. A borrower may, however, prepay the entire balance of his loan in one single lump sum without the imposition of the prepayment penalty.

(f) Accounting for Loans. Any loan granted to the borrower shall be deemed an earmarked investment made solely for the borrower's benefit and shall be evidenced by a separate loan account of the borrower. A borrower's separate loan amount shall be established as of the date on which the loan is made and shall be funded with an amount equal to the principal amount of the loan that is transferred to such account from first the borrower's Section 401(k) Contribution Account; next from the borrower's Rollover Account; next from the borrower's Matching Contribution Account; next from the borrower's Annual Employer Contribution Account, and finally from the borrower's Profit Sharing Contribution Account. Transfers to a loan account shall be made from such of the investment elections in which such Accounts are invested as the borrower shall direct and shall be subject to any restrictions and limitations applicable under the terms of any instrument in which the borrower's other Plan Accounts are invested. All principal and interest payments made on a loan granted hereunder shall be allocated upon receipt to the borrower's other Plan Accounts in the proportion that such Accounts were debited to fund the borrower's separate loan account, but based upon his election then in effect pursuant to Section 7.3. The balance of borrower's separate loan account shall be decreased by the amount of principal payments and the loan account shall be closed when the loan has been repaid in full. Any expenses of the Trustee which are directly attributable to its administration of a borrower's separate loan account, as determined by the Trustee, shall be charged to and paid from the borrower's Plan Accounts in the proportion that such Accounts were debited to from the borrower's separate loan account.

(g) Effect of Default on Benefits. For purposes of determining the amount of the Qualified Joint and Survivor Annuity or Preretirement Survivor Annuity otherwise payable under Sections 9.2 or 10.1, a Participant's Account shall be reduced by that part of his Account held as security for the loan and treated as payment in satisfaction of the loan (including accrued interest).

Upon a Participant's death, if less than 100% of his Account is payable to his Surviving Spouse, then, in determining the amount payable to the Surviving Spouse, the amount treated as payment in satisfaction of any loan (including accrued interest) shall first be treated as reducing the Account.

In the event of failure on the part of a borrower to make, or cause to be made, any payment required under the terms of the loan within 60 days following the date on which such payment shall become due or in the event the Employee revokes a payroll withholding for loan repayment, the Committee may declare the loan to be in default, and the entire unpaid balance of such loan, together with accrued interest, shall be immediately due and payable. In any such event, if such balance and interest thereon is not then paid, the Trustee shall charge the account of the borrower with the amount of such balance and the accrued interest as of the earliest date a distribution may be made from the Plan to the borrower without adversely affecting the tax qualification of the Plan.

(h) Administration. The Committee is authorized to administer the loan program. Loans will be approved if the proper forms and documentation are completed and delivered to the Trustee, the amount of the loan requested does not exceed the limits specified in this Section, adequate security authorized in this Section is delivered to the Trustee, and the other provisions of this Section are satisfied.

ARTICLE 8

WITHDRAWALS AND DISTRIBUTIONS

8 . 1 Withdrawals from Section 401(k) Contribution Account, Matching Contribution Account, Annual Employer Contribution Account and Profit Sharing Contribution Account.

(a) Election. After attainment of age 59½, a Participant may make withdrawals from his Section 401(k) Contribution Account, Rollover Account, Matching Contribution Account, Annual Employer Contribution Account and Profit Sharing Contribution Account, except to the extent that a loan is secured thereby, during his employment with the Employer. Any request for a withdrawal shall be made on such forms or in such manner as the Committee shall direct and shall be subject to such time and other limitations as the Administrator shall prescribe.

(b) Qualified Reservist Distribution. A Participant who is a Qualified Reservist as defined herein may request a Qualified Reservist Distribution, as defined by Section 72(t)(2)(G)(iii) of the Code from the vested portion of his Section 401(k) Contribution Account, except to the extent that a loan is secured thereby. A Participant is eligible to receive a Qualified Reservist Distribution if such Participant is an individual who is ordered or called to active duty after September 11, 2001, and if (i) the distribution is from the Participant's Section 401(k) Contribution Account; (ii) the individual was (by reason of being a member of a reserve component, as defined in Section 101 of Title 37 of the United States Code) ordered or called to active duty for a period in excess of 179 days or for an indefinite period; and (iii) the Plan makes the distribution during the period beginning on the date of such order or call, and ending at the close of the active duty period.

(c) Deemed Severance Distribution. A Participant who is performing service in the uniformed services as defined herein may request a Deemed Severance Distribution from any or all of his vested Accounts under the Plan, except to the extent that a loan is secured thereby. If a Participant performs service in the uniformed services (as defined in Section 414(u)(12(B) of the Code) on active duty for a period of more than 30 days, such Participant will be deemed to have a Severance from employment solely for purposes of distribution of amounts from his Accounts under the Plan. If a Participant elects to receive a distribution on account of his deemed Severance, and the distribution includes any amounts from the Participant's Section 401(k) Contribution Account, then the individual may not make additional Section 401(k) Contributions pursuant to Section 4.1 of the Plan during the six-month period beginning on the date of the distribution. If a Participant would be entitled to a distribution on account of a deemed Severance, and a distribution on account of another Plan provision (such as a Qualified Reservist Distribution under paragraph (b) above), then the other Plan provision will control and the six-month suspension will not apply.

(d) Time of Payment. Any withdrawal requested shall be payable as soon as administratively feasible after the Trustee receives notice of such withdrawal.

8.2 Withdrawals from Rollover Account.

(a) Election. A Participant shall have the right to make withdrawals from his Rollover Account, except to the extent that a loan is secured thereby. The Participant's exercise of his rights of withdrawal shall be made on such forms or in such manner as the Committee shall direct and shall be subject to such time and other limitations as the Administrator shall prescribe.

(b) Time of Payment. Any withdrawal pursuant to this Section shall be payable as soon as administratively feasible after the Trustee receives notice of such withdrawal.

8.3 Events of Distribution to Participants. A Participant's benefit shall become distributable to him on account of:

(a) retirement at or after Normal Retirement Age;

(b) retirement for Disability;

(c) other termination of employment; or

(d) subject to Section 9.7, the date required under Section 9.5.

8.4 Amount of Payment. The amount of any payment under the Plan shall be based on the nonforfeitable percentage of the Participant's Account, valued as of the Accounting Date coinciding with or last preceding the payment, increased by any nonforfeitable contributions made by or on behalf of such Participant after such Accounting Date but not yet credited to his Account and reduced by any payments and/or withdrawals after such Accounting Date.

8.5 Time of Payment to a Participant.

(a) General. Subject to (b) and (c) below, distribution to a Participant whose benefit has become distributable shall commence as soon as administratively feasible after the Participant elects commencement of his benefit (valued in accordance with Section 8.4), but in no event later than 60 days after the close of the Plan Year in which the Participant ceases to be a Participant or, if earlier, the Plan Year in which the former Participant terminated employment after having attained age 60.

(b) Participant Consent.

(1) General. If the value of a former Participant's nonforfeitable benefit under the Plan exceeds $5,000, then no part of such benefit may be distributed to him prior to Normal Retirement unless he consents in writing to the distribution.

(2) Written Explanation. The Administrator shall provide to each Participant whose consent is required under (1) above, no less than 30 days and no more than 180 days prior to the commencement of benefit payments, a written explanation of the material features and relative values of the optional forms of benefit under the Plan, and his right (if any) to defer receipt of the distribution. A Participant may elect to commence his distribution in less than 30 days from the date he is provided with the explanation provided he is informed of his right to the 30-day period.

(3) Time of Consent. A Participant's consent to a distribution must not be made before he receives the written explanation under (2) above and must not be made more than 180 days before benefit payments commence.

This Section 8.5(b) shall be deemed to have been satisfied with respect to any setoff of a Participant loan against the Participant's Account if the Participant agreed to use his Account as security for the loan.

(c) Rollovers Disregarded in Involuntary Cash-Outs. For purposes of Section 10.1 of the Plan, the value of a Participant's nonforfeitable account balance shall be determined including that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code effective on and after March 28, 2005. If the value of the Participant's nonforfeitable account balance as so determined is $5,000 or less, the Plan shall immediately distribute the Participant's entire nonforfeitable account balance in accordance with Section 9.1(c). The election shall apply with respect to distributions made after June 30, 2002.

(d) Latest Date of Payment. Notwithstanding any of the preceding provisions of this Article, the distribution of a Participant's benefits shall be made in accordance with the following requirements and shall otherwise comply with section 401(a)(9) of the Code and the Regulations thereunder (including section 1.401(a)(9)-2 of the Treasury Regulations), the provisions of which are incorporated herein by reference.

Benefit distributions to a Participant who is over the age of 70½ and who is no longer an Employee must commence no later than April 1st of the calendar year following the end of the calendar year in which the Participant attains age 70½. A Participant who is over the age of 70½ and who is still an Employee is not required to take distributions until April 1st of the calendar year following the calendar year in which his employment has terminated. Notwithstanding the foregoing, benefit distributions to a Participant who is a "5% owner" at any time during the Plan Year ending within the calendar year in which the Participant attained age 70½ must commence no later than April 1st of the calendar year following the end of the calendar year in which the Participant attains age 70½.

8.6 New Minimum Distribution Requirements.

(a) General Rules.

(1) Effective Date. The provisions of this Section will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

(2) Precedence. The requirements of this Section will take precedence over any inconsistent provisions of the Plan.

(3) Requirements of Treasury Regulations Incorporated. All distributions required under this Section will be determined and made in accordance with the Treasury Regulations under section 401(a)(9) of the Code.

(4) TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this Section, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

(b) Time and Manner of Distribution.

(1) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.

(2) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant's surviving spouse is the Participant's sole designated beneficiary, then, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.

(B) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, then distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(D) If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 8.6(b)(2), other than Section 8.6(b)(2)(A), will apply as if the surviving spouse were the Participant.

For purposes of this Section 8.6(b)(2) and Section 8.6(d), unless Section 8.6(b)(2)(D) applies, distributions are considered to begin on the Participant's required beginning date. If Section 8.6(b)(2)(D) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 8.6(b)(2)(A). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 8.6(b)(2)(A)), the date distributions are considered to begin is the date distributions actually commence.

(3) Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 8.6(c) and (d). If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of section 401(a)(9) of the Code and the Treasury Regulations.

(c) Required Minimum Distributions During Participant's Lifetime.

(1) Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(A) the quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(B) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

(2) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 8.6(c) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

(d) Required Minimum Distributions After Participant's Death.

(1) Death On or After Date Distributions Begin.

(A) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(i) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) If the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(iii) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(B) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) Death Before Date Distributions Begin.

(A) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in Section 8.6(d)(1).

(B) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(C) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 8.6(b)(2)(A), this Section 8.6(d)(2) will apply as if the surviving spouse were the Participant.

(e) Definitions.

(1) Designated Beneficiary. The individual who is designated as a Beneficiary and is the designated beneficiary under section 401 (a)(9) of the Code and section 1.401 (a)(9)- 1, Q&A-4, of the Treasury Regulations.

(2) Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 8.6(b)(2). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

(3) Life Expectancy. Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury Regulations.

(4) Participant's Account Balance. The Account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The Account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(5) Required Beginning Date. The date specified in Section 8.5(d) of the Plan.

8.7 Restrictions on Section 401(k) Withdrawals and Distributions. Notwithstanding any other provisions to the contrary, a Participant's Section 401(k) Contribution Account shall not be withdrawn or distributed earlier than one of the following:

(a) the Participant's death;

(b) the Participant's incurrence of a Disability;

(c) the termination of the Plan without the establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in Section 4975(e)(7) or 409(a) of the Code, a simplified employee pension as defined in Section 408(k) of the Code, a SIMPLE IRA plan as defined in Section 408(p) of the Code, a plan or contract that satisfies the requirements of Section 403(b) of the Code, or a plan that is described in Section 457(b) of the Code);

(d) to the extent provided in Section 8.5, attainment of age 70½; or

(e) the Participant's separation from service, provided, however, the Participant's elective deferrals, qualified nonelective contributions (if any), qualified matching contributions (if any), and earnings attributable to these contributions shall be distributed on account of the Participant's severance from employment occurring after June 30, 2002. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.

An event described in (c) shall qualify as an event allowing a withdrawal or distribution only if the payment is in a lump sum.

ARTICLE 9

FORM OF PAYMENT TO PARTICIPANTS

9.1 General.

(a) Withdrawals. Any withdrawal made pursuant to Sections 8.1 or 8.2 shall be paid in a single sum in cash.

(b) Distributions. The distribution to which a Participant is entitled shall, subject to (c) below, be paid in such of the following forms as the Participant elects:

(1) a single sum in cash;

(2) in a series of installments over a period not in excess of the normal life expectancy of the distributee, such installments to be equal in amount except as necessary to adjust for any net earnings of and changes in the market value of the Accounts as the case may be, or by any other method reasonably calculated to provide a more rapid distribution of his interest.

(3) an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover; or

(4) a Qualified Joint and Survivor Annuity, as defined in Section 9.2, for married participants and a single life annuity for unmarried participants.

(5) A partial distribution in cash, provided the minimum partial distribution that is permitted is $5,000.

(c) Cash-Out Distributions. Any other provisions of the Plan to the contrary notwithstanding, any amount payable to a Participant under the Plan shall be paid in a lump sum cash distribution, provided that the value of the Participant's nonforfeitable benefit under the Plan, determined as of the date of distribution, does not exceed $5,000 determined pursuant to Section 8.5(c), effective as of July 1, 1998 ($3,500 prior to July 1, 1998), and such payment is made before payment otherwise begins. Such lump sum shall be paid as soon as administratively feasible following the Participant's termination of employment (but not later than the date required under Section 8.5(a)). Effective on and after March 28, 2005, in the event of a mandatory distribution greater than $1,000 in accordance with the provisions of this section, if the Participant does not elect to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly in accordance with this section, then the distribution shall be paid in a direct rollover to an individual retirement plan designated by the Plan Administrator.

9.2 Qualified Joint and Survivor Annuity.

(a) Automatic Form of Payment. The form of payment to a Participant shall be a Qualified Joint and Survivor Annuity (defined in (b) below) if:

(1) the value of his vested Account balance exceeds $5,000; and

(2) the Participant has not waived such Annuity pursuant to (c) below.

(b) Definition of Qualified Joint and Survivor Annuity.

(1) Married Participant. For a Participant who is married (including a Participant who is subject to an applicable qualified domestic relations order as described in section 414(p) of the Code), "Qualified Joint and Survivor Annuity" means an immediate annuity for the life of the Participant with a survivor annuity for the life of the Participant's Surviving Spouse which is equal to ½ or 75% of the annuity payable during the joint lives of the Participant and such spouse.

(2) Single Participant. For a Participant who is not married, "Qualified Joint and Survivor Annuity" means an annuity for the life of the Participant.

(3) Amount. The Qualified Joint and Survivor Annuity will be the amount of benefit which can be purchased with the Participant's nonforfeitable Account balance.

(c) Waiver.

(1) Election Period. A Participant may waive the Qualified Joint and Survivor Annuity form of benefit at any time during a 180-day election period ending on the date as of which his benefit payments begin. Such a waiver must be in writing and must specify the optional form of benefit elected and the specific Beneficiary or Beneficiaries, if any, to whom any death benefits under the Plan will be payable.

(2) Revocation. A Participant may also revoke any waiver under (1) above during the election period thereunder. There shall be no limitation on the number of such elections and revocations permitted during such election period.

(3) Written Explanation. The Administrator shall provide to each Participant, no less than 30 days and no more than 180 days, prior to the commencement of his benefit payments (to the extent permitted by Treasury Regulations or pronouncement of the Internal Revenue Service, the Company may permit the Participant to waive the 30-day limit), a written explanation of:

(A) the terms and conditions of the Qualified Joint and Survivor Annuity,

(B) the Participant's right to make, and the effect of, an election under (1) above to waive the Qualified Joint and Survivor Annuity form of benefit,

(C) the rights of the Participant's spouse under (4) below,

(D) the right to make, and the effect of, a revocation of an election under (1) above, and

(E) the eligibility requirements, material features and relative values of any optional forms of benefit under the Plan.

(4) Spousal Consent. A waiver of the Qualified Joint and Survivor Annuity shall not take effect with respect to a spouse of a Participant unless:

(A) such spouse consents in writing to such election, and such spouse's consent:

(i) acknowledges the effect of such election,

(ii) acknowledges the specific Beneficiary or Beneficiaries, if any, to whom any death benefits under the Plan will be payable, which may not be changed without spousal consent (or the consent of the spouse expressly permits designations by the Participant without any requirement of further consent by the spouse),

(iii) acknowledges the specific optional form of benefit elected which may not be changed without spousal consent (except back to the Qualified Joint and Survivor Annuity) (or the consent of the spouse expressly permits changes by the Participant without any requirement of further consent by the spouse), and

(iv) is witnessed by a Plan representative or a notary public; or

(B) it is established to the satisfaction of a Plan representative that the consent required under (A) above may not be obtained because there is no spouse, because the spouse cannot be located, or because of such other circumstances as may be provided in regulations of the Internal Revenue Service.

General consents referred to in the parentheticals under (A)(ii) and (iii) above must acknowledge that the spouse has the right to limit consent to a specific Beneficiary or Beneficiaries and a specific optional form or forms of benefit and that the spouse voluntarily elects to relinquish the rights so relinquished.

9.3 Incidental Benefits. In determining the minimum distributions during the Participant's lifetime for years in which minimum distributions are required under Section 9.5, if the Participant's benefit is distributed other than as a single life annuity and if the Participant has a Beneficiary other than his spouse, in no event shall the divisor specified in Section 9.5(a) exceed the divisor specified in Treasury Regulations under section 401(a)(9) of the Code applicable for the incidental benefit requirement.

If the Participant's Account is used to purchase an annuity contract (other than a single life annuity) from an insurance company in order to provide the Participant's benefit, the maximum period certain and the maximum survivor annuity permissible in the case of a non-spouse Beneficiary, shall be determined in accordance with Treasury Regulations under section 401(a)(9) of the Code.

In the case of a change in Beneficiaries the minimum distributions required shall be determined in accordance with applicable Treasury Regulations under section 401(a)(9) of the Code.

9.4 Distribution Periods.

(a) General. Except to the extent that distribution is made in the form of a lump sum, and subject to the provisions of Section 9.2 (relating to the Qualified Joint and Survivor Annuity), distribution to a Participant must be made over any of the following periods (or any combination thereof):

(1) the life of the Participant;

(2) the lives of the Participant and his Beneficiary (if the Beneficiary is an individual);

(3) a period certain not extending beyond the life expectancy of the Participant; or

(4) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and his Beneficiary (if the Beneficiary is an individual).

(b) Determination of Distribution Periods. For purposes of determining minimum distributions under Section 9.5, the determination of distribution periods under (a) above shall be made in accordance with section 401(a)(9) of the Code, the Treasury Regulations thereunder and the following:

(1) the Beneficiary as of the date benefits are required to commence under Section 8.5, shall be determinative; provided that if annuity payments commence to a Participant on or before the date benefits are required to commence, the Beneficiary determined as of any date during the 90 days before the commencement of annuity payments shall be determinative;

(2) if more than one individual would be a Participant's Beneficiary as of the date benefits are required to commence under Section 8.5, the individual Beneficiary with the shortest life expectancy shall be determinative; provided that if the Participant's spouse is a Beneficiary and the spouse's life expectancy is recalculated pursuant to Section 9.6, that recalculated life expectancy shall be compared annually to the remaining life expectancies of the other Beneficiaries, not recalculated, and the shortest life expectancy shall be used for determining the minimum distribution for that calendar year;

(3) if, as of the date benefits are required to commence under Section 8.5, at least one of the Participant's Beneficiaries would be other than an individual (other than a trust satisfying the requirements of (5) below), the distribution periods specified in (a)(2) and (4) above shall not be available;

(4) any Beneficiary whose entitlement, as of that date, is contingent on the death of a prior Beneficiary shall be disregarded;

(5) if a trust is a Participant's Beneficiary, the beneficiaries of that trust (and not the trust itself) shall be treated as the Participant's Beneficiaries if all of the following requirements are met:

(A) the trust is valid under state law (or would be but for the fact that there is no corpus);

(B) the trust is irrevocable;

(C) the trust's beneficiaries are identifiable from the trust instrument; and

(D) a copy of the trust instrument is provided to the Plan.

(c) Change in Beneficiaries. If, after the date benefits are required to commence under Section 8.5, there is a new or additional Beneficiary or other change in Beneficiaries, the distribution periods under (a) shall be affected as provided in section 401(a)(9) of the Code, the Treasury Regulations thereunder and the following:

(1) if the new Beneficiary is an individual with a life expectancy shorter than the life expectancy of the Beneficiary whose life expectancy was used for determining the maximum distribution periods under (a) above, the maximum distribution period shall be recalculated as of the date benefits were required to commence under Section 8.5, effective for calendar years subsequent to the year of the Beneficiary change; provided that if one of the beneficiaries involved is the Participant's spouse and the spouse's life expectancy is recalculated pursuant to Section 9.6, that recalculated life expectancy shall be compared annually to the remaining life expectancies of the other Beneficiaries, not recalculated, and the shortest life expectancy shall be used for determining the minimum distribution for that year and each succeeding year.

(2) if the new Beneficiary is an individual with a life expectancy longer than the life expectancy of the Beneficiary whose life expectancy was being used, there shall be no effect on the maximum distribution periods even though the old beneficiary is no longer a Beneficiary; provided that if one of the beneficiaries involved is the Participant's spouse and the spouse's life expectancy is recalculated pursuant to Section 9.6, that recalculated life expectancy shall be compared annually to the remaining life expectancies of the other Beneficiaries, not recalculated, and the shortest life expectancy shall be used for determining the minimum distribution for that year and each succeeding year;

(3) if the change results in the Participant having a Beneficiary which is not an individual (other than a trust meeting the requirements of (b)(5) above), or, if a trust satisfying the requirements of (b)(5) above as of the date benefits were required to commence under Section 8.5 later fails to satisfy those requirements, the distribution periods specified in (a)(2) and (4) above shall no longer be available and the maximum distribution periods under (a) shall be recalculated as of the date benefits were required to commence under Section 8.5, effective for the calendar years subsequent to the year of the Beneficiary change, or trust change, as the case may be;

(4) if the Beneficiary whose life expectancy was used for determining the maximum distribution periods under (a) dies, such Beneficiary's remaining life expectancy (deemed to be zero in the case of a Participant's spouse if life expectancies had been recalculated pursuant to Section 9.6) shall continue to apply whether or not a Beneficiary with a shorter life expectancy receives the benefits.

9.5 Minimum Distribution.

(a) General. Subject to Section 9.7, if the Participant's entire interest is to be distributed in a form other than a lump sum or a Qualified Joint and Survivor Annuity, then the minimum amount to be distributed beginning with the first calendar year for which distributions are required and for each succeeding calendar year, will, to the extent of his Account balance, be the amount equal to the quotient obtained by dividing his Account balance by the life expectancy of the Participant or the joint life and last survivor expectancy of the Participant and his Beneficiary. The first calendar year for which distributions are required is the calendar year in which the Participant attains age 70½, retires or becomes a Five-Percent Owner (whichever is determinative of the latest commencement date under Section 8.5).

(b) Time for Distributions. The distribution for the first calendar year for which distributions are required shall be made on or before the applicable April 1 determined under Section 8.5. The minimum distribution for succeeding calendar years (including the calendar year in which such applicable April 1 falls) shall be made on or before December 31 of each such year.

(c) Account Balance. For purposes of determining required minimum distributions, the relevant Account balance shall be the Account balance as of the last Accounting Date in the calendar year immediately preceding the calendar year for which the required distributions are being determined, increased by the amount of any contributions and forfeitures made by or on behalf of the Participant as of dates in such immediately preceding calendar year after such last Accounting Date, reduced by any payments or withdrawals in such immediately preceding calendar year after such last Accounting Date, and, in the case of minimum distributions for the second calendar year for which distributions are required, reduced by distributions made in such second calendar year on or before the required benefit commencement date (under Section 8.5) that are not in excess (when added to amounts distributed in the first calendar year) of the amount required to meet the minimum distribution for the first calendar year; provided that, in no event shall an amount greater than the Participant's nonforfeitable percentage be distributed.

(d) Survivor Benefits. Any survivor benefits under this Article 9 shall be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death; provided that if the Participant dies before the latest commencement date for benefits under Section 8.5 and has been receiving benefits in a form other than an annuity, the remaining survivor benefits must also be distributed as rapidly as provided in Section 10.2.

9.6 Life Expectancy.

(a) General. For purposes of Sections 9.4 and 9.5, life expectancy and joint life and last survivor expectancy will be computed in accordance with applicable Treasury Regulations under section 401(a)(9) of the Code and by the use of the return multiples contained in Tables V and VI of Treasury Regulation 1.72-9 and, except as provided in (b) and (c) below, will be determined as of the Participant's (and Beneficiary's) birthday in the calendar year in which the Participant attains age 70½, retires or becomes a Five-Percent Owner (whichever is determinative of the latest commencement date under Section 8.5, and such multiple shall be reduced by one for each subsequent taxable year.

(b) Recalculation. If the Participant so elects, the life expectancy of a Participant and/or his spouse may be recalculated no more frequently than annually if such election is irrevocable, is made no later than the date benefits must commence under Section 8.5, and is applicable to all subsequent years. If recalculation is applicable, the life expectancy of the participant or spouse shall be determined using his or her age as of his or her birthday in each succeeding calendar year.

(c) Annuity Contracts. If annuity payments commence to a Participant before the latest commencement date under Section 8.5, life expectancies of the Participant and Beneficiary shall be determined as of their birthdays in the calendar year in which payments commence.

9.7 Transitional Rule.

(a) General. Anything in the Plan (other than the provisions relating to the Qualified Joint and Survivor Annuity and the Preretirement Survivor Annuity) to the contrary notwithstanding, distribution on behalf of any Participant may be made in accordance with the following requirements (regardless of when such distribution commences):

(1) the distribution is one which would not have disqualified the Plan under section 401(a)(9) of the Code as in effect prior to amendment by the Deficit Reduction Act of 1984;

(2) the distribution is in accordance with a method of distribution designated by the Participant whose interest is being distributed or, if the Participant is deceased, by a Beneficiary of such Participant;

(3) such designation was in writing, and was signed by the Participant or Beneficiary;

(4) the Participant had accrued a benefit under the Plan as of December 31, 1983; and

(5) the method of distribution designated by the Participant or the Beneficiary specifies the form of the distribution, the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Participant's death, the Beneficiaries of the Participant listed in order of priority.

(b) Distributions Upon Death. A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Participant.

(c) Distributions Commencing Before January 1, 1984. For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the Participant, or the Beneficiary, to whom such distribution is being made, will be presumed to have designated the method under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in paragraphs (1) and (5) of (a) above.

(d) Effect of Revocation. If a designation of a method of distribution is revoked, any subsequent distribution must satisfy the requirements of section 401(a)(9) of the Code as in effect at the time and the Treasury Regulations thereunder. If a designation is revoked, the Plan shall distribute by the end of the calendar year following the calendar year in which the revocation occurs, the total amount not yet distributed which would have been required under section 401(a)(9) of the Code (including, for calendar years after 1988, the minimum distribution incidental benefit requirement), had the designation not been in effect. Any changes in the designation will be considered to be a revocation of the designation; provided however, the mere substitution or addition of another beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation so long as such substitution or addition does not alter the designation, directly or indirectly (for example, by altering the relevant measuring life).

9.8 Direct Rollover.

(a) General. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, but subject to such exceptions permitted by the Internal Revenue Service, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

(1) Eligible Rollover Distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not Includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(2) Eligible Retirement Plan. An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, including a Roth IRA described in section 408A of the Code effective for distributions after December 31, 2007, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(3) Distributee. A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(4) Direct Rollover. A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(c) Direct Rollovers of Plan Distributions.

(1) Effective Date. This Section shall apply to distributions made after June 30, 2002.

(2) Modification of Definition of Eligible Retirement Plan. For purposes of the direct rollover provisions in Section 9.8 of the Plan, an eligible retirement plan shall also mean an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in section 414(p) of the Code.

(d) PPA Change for Nonspouse Beneficiary. This Section 9.8(d) shall apply to distributions made after December 31, 2006. An individual who is a designated beneficiary of a Participant and who is not the surviving spouse may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an individual retirement plan specified by such beneficiary in a direct rollover. For purposes of this Section 9.8(d), an individual retirement plan is an individual retirement account described in section 408(a) of the Code or an individual retirement annuity (other than an endowment contract) described in section 408(b) of the Code. To the extent a beneficiary elects to make such a direct rollover, the individual retirement plan shall be treated as an inherited individual retirement account or individual retirement annuity (within the meaning of section 408(d)(3)(C) of the Code), and section 401(a)(9)(B) of the Code (other than clause (iv) thereof) shall apply to such plan. For purposes of the direct rollover provisions of this Section 9.8(d), an eligible rollover distribution is any distribution that satisfies all of the requirements of Section 9.8(b) other than the requirement that the distribution be made to a distributee. For purposes of this Section 9.8(d), to the extent provided in rules prescribed by the Secretary of Treasury, a trust maintained for the benefit of one or more designated beneficiaries shall be treated in the same manner as an individual who is a designated beneficiary of a Participant.

ARTICLE 10

DEATH BENEFITS

10.1 Preretirement Survivor Annuity.

(a) General. A Participant's Surviving Spouse, if any, shall be entitled to a Preretirement Survivor Annuity if:

(1) the Participant dies before the commencement of benefit payments;

(2) prior to his death, the Participant had not waived the Preretirement Survivor Annuity pursuant to Section 10.1(c); and

(3) the Participant and such Surviving Spouse were married throughout the 1-year period ending on the date of the Participant's death or, if such Surviving Spouse is a former spouse treated as a Surviving Spouse pursuant to a qualified domestic relations order as described in section 414(p) of the Code, the Participant and such Surviving Spouse were married for at least 1 year.

(b) Definition of Preretirement Survivor Annuity. The "Preretirement Survivor Annuity" is an annuity which is for the life of a Participant's Surviving Spouse, which is the actuarial equivalent of 50% of the Participant's nonforfeitable Account balance as of the date of his death, whether vested before or upon death and including the proceeds of any insurance contracts, and under which annuity payments commence as of a date (not later than December 31 of the calendar year in which the Participant would have attained age 70½) elected by such Surviving Spouse.

(c) Waiver of Preretirement Survivor Annuity.

(1) General. A Participant may waive coverage of the Preretirement Survivor Annuity at any time during his election period under (3) below. Such a waiver must be in writing and must specify the specific Beneficiary or Beneficiaries, if any, to whom any death benefits under the Plan will be payable.

(2) Revocation. Any waiver under (1) above may be revoked at any time during the Participant's election period under (3) below. There shall be no limitation on the number of such elections and revocations permitted during such election period.

(3) Election Period. For purposes of (1) and (2) above, the election period shall be the period:

(A) beginning on the earlier of:

(i) the first day of the Plan Year in which the Participant attains age 35, or

(ii) the date of the Participant's severance from employment; provided however, if the Participant returns to service, then any election made prior to the first day of the Plan Year in which he attains age 35 shall be voided; and

(B) ending on the Participant's date of death.

(4) Written Explanation.

(A) The Administrator shall provide to each Participant, within the Applicable Period (defined below), and consistent with such regulations as the Secretary of Treasury may prescribe, a written explanation of:

(i) the terms and conditions of the Preretirement Survivor Annuity;

(ii) the Participant's right to make, and the effect of, an election under (1) above to waive the coverage of the Preretirement Survivor Annuity;

(iii) the rights of the Participant's spouse under (5) below;

(iv) the right to make, and the effect of, a revocation of an election under (2) above; and

(v) the eligibility conditions, material features and relative values of any optional forms of benefit under the Plan.

(B) "Applicable Period" means, with respect to a Participant, whichever of the following periods ends last:

(i) the period beginning with the first day of the Plan Year in which the Participant attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age 35;

(ii) the period beginning one year prior to, and ending one year after, the date the individual becomes a Participant, or

(iii) the period beginning one year before, and ending one year after, section 401(a)(11) of the Code first applies to the Participant.

In the case of a Participant who separates from service before attaining age 35, the "Applicable Period" means in all events the period beginning one year before the severance from employment and ending one year after such separation; provided that if such a Participant returns to service, the provisions of (i), (ii) and (iii) above shall again apply.

(5) Spousal Consent. A waiver under (1) above shall not be effective with respect to a spouse of a Participant unless:

(A) such spouse consents in writing to such election, and such spouse's consent:

(i) acknowledges the effect of such election,

(ii) acknowledges the specific Beneficiary or Beneficiaries to whom any death benefits under the Plan will be payable which may not be changed without spousal consent (or the consent of the spouse expressly permits designations by the Participant without any requirement of further consent by the spouse), and

(iii) is witnessed by a Plan representative or a notary public; or

(B) it is established to the satisfaction of a Plan representative that the consent required under (A) above may not be obtained because there is no spouse, because the spouse cannot be located, or because of such other circumstances as may be provided in regulations of the Internal Revenue Service.

General consents referred to in the parenthetical of (A)(ii) above must acknowledge that the spouse has the right to limit consent to a specific Beneficiary or Beneficiaries and that the spouse voluntarily elects to relinquish such right.

(d) Cash-Out Distributions. Any other provisions of the Plan to the contrary notwithstanding, any amount otherwise payable under the Plan as a Preretirement Survivor Annuity to a Surviving Spouse shall be paid in a lump sum cash distribution provided that:

(1) the value (determined as of the date of distribution) of such Preretirement Survivor Annuity does not exceed $5,000 and such payment is made before payment otherwise begins; or

(2) the Surviving Spouse elects in writing to receive the lump sum cash distribution, such election acknowledges its effect, and the election is witnessed by a Plan representative or a notary public.

Such lump sum shall be paid as soon as administratively feasible after the Participant's death.

10.2 Balance of Death Benefit.

(a) Entitlement. Upon the death of a Participant, prior to the application of his Account for his benefit, his Beneficiary shall be entitled to a benefit equal to:

(1) the nonforfeitable balance to the credit of such Participant's Account, valued as of the Accounting Date coinciding with or last preceding the date on which such benefit payments begin; plus

(2) any nonforfeitable contributions made by or on behalf of such Participant after such Accounting Date but not yet credited to his Account; minus

(3) any amount applied for the benefit of the Participant's Surviving Spouse pursuant to Section 10.1.

(b) Payment of Death Benefits.

(1) General. Death benefits under (a) above shall, subject to the subsections below, be payable to a Participant's Beneficiary in such of the following forms as the Participant or Beneficiary elects:

(A) a single sum cash distribution,

(B) a series of installments over a period not in excess of the normal life expectancy of the distributee, such installments to be equal in amount except as necessary to adjust for any net earnings of and changes in the market value of the Accounts as invested, as the case may be, or by any other method reasonably calculated to provide a more rapid distribution of his interest, or

(C) in the case of Beneficiary to whom benefits commence in accordance with (c)(2)(A) below, periodic installments sufficient in size to satisfy the minimum distribution requirements of (e) below, with a lump sum distribution of the remaining Account balance (otherwise payable to that Beneficiary) upon the Beneficiary's death, or

(D) a single life annuity.

Subject to (c) below, distribution of death benefits under (a) above shall commence at such time as the Participant or Beneficiary elects and, unless administratively impractical, shall first be available for distribution within 90 days after the Participant's death.

(2) Election. An election by a Participant or Beneficiary under (1) above must be made no later than the earliest date specified in (c)(1) and (2) below for the commencement of death benefits. As of such date, the election must be irrevocable with respect to the Beneficiary (and all subsequent Beneficiaries) and must apply to all subsequent years. In the absence of a valid election by the required date, the death benefits under (a) shall be distributed as soon as administratively feasible after the date by which the election would have been required in a single sum.

(c) Distribution Periods. Subject to Section 9.7, death benefits under (a) above shall be distributed to a Participant's Beneficiary:

(1) no later than December 31 of the calendar year containing the fifth anniversary of the Participant's death; or

(2) if the Beneficiary is an individual:

(A) beginning not later than December 31 of the calendar year immediately following the calendar year of the Participant's death (or, if later, and if the Beneficiary is the Participant's spouse, not later than December 31 of the calendar year in which the Participant would have attained age 70½, and if such spouse dies before payments are required to commence, then the distribution period hereunder shall be determined as if such spouse were the Participant); and

(B) (i) over the life of such Beneficiary (if the Beneficiary is an individual) or

(ii) over a period not extending beyond the life expectancy of such Beneficiary (if the Beneficiary is an individual).

(d) Determination of Distribution Periods. The determination of distribution periods under (c)(2) above shall be made in accordance with section 401(a)(9) of the Code, the Treasury Regulations thereunder and the following:

(1) the Beneficiary as of the date of the Participant's death (or, if applicable, the surviving spouse's death) shall be determinative;

(2) if more than one individual would be a Participant's (or Surviving Spouse's) Beneficiary as of the date of the Participant's death (or, if applicable, the surviving spouse's death) the individual Beneficiary with the shortest life expectancy shall be determinative; provided that if the Participant's spouse is a Beneficiary and the spouse's life expectancy is recalculated pursuant to (f) below, that recalculated life expectancy shall be compared annually to the remaining life expectancies of the other Beneficiaries, not recalculated, and the shortest life expectancy shall be used for determining the minimum distribution for that calendar year;

(3) if, as of the date of the Participant's death, at least one of the Participant's Beneficiaries is other than an individual (other than a trust satisfying the requirements of (5) below), the distribution periods specified in (c)(2) above shall not be available;

(4) any Beneficiary whose entitlement, as of the date of the Participant's death, is contingent on the death of a prior Beneficiary shall be disregarded;

(5) if a trust is a Participant's Beneficiary as of the date of the Participant's death, the beneficiaries of that trust (and not the trust itself) shall be treated as the Participant's Beneficiaries if all of the following requirements are met:

(A) the trust is valid under state law (or would be but for the fact that there is no corpus);

(B) the trust is irrevocable;

(C) the trust's beneficiaries are identifiable from the trust instrument; and

(D) a copy of the trust instrument is provided to the Plan.

(e) Minimum Distribution.

(1) General. For Plan Years beginning after December 31, 1984, subject to such transitional rules as may be provided in Treasury Regulations for the purposes of (c)(2)(B) above and subject to Section 9.7, the minimum amount to be distributed beginning with the first calendar year for which distributions are required and for each succeeding calendar year, will, to the extent of the Participant's Account balance, be the amount equal to the quotient obtained by dividing his Account balance by the life expectancy of the Beneficiary. The first calendar year for which distributions are required is the calendar year in which the Participant dies or a spouse dies (whichever is applicable).

(2) Time for Distributions. Distributions which are required shall be made on or before December 31 each year commencing with the calendar year specified in (c)(2)(A) above.

(3) Account Balance. For purposes of determining required minimum distributions, the relevant Account balance shall be the Account balance as of the last Accounting Date in the calendar year immediately preceding the calendar year for which the required distributions are being determined, increased by the amount of any contributions and forfeitures made by or on behalf of the Participant as of dates in such immediately preceding calendar year after such last Accounting Date, reduced by any payments or withdrawals in such immediately preceding calendar year after such last Accounting Date; provided that, in no event shall an amount greater than the Participant's nonforfeitable percentage be distributed.

(4) Annuity Contracts. If a Participant's Account is used to purchase an annuity contract from an insurance company in order to provide the Beneficiary's benefit hereunder, notwithstanding the foregoing, the minimum distribution requirements will be satisfied if the annuity provides for periodic payments at intervals not longer than one year, commencing on or before the date a minimum distribution would otherwise be required over a period not exceeding the maximum period described in (c)(2)(B) above remaining (without recalculation of life expectancies after the annuity purchase). Any such annuity contract must satisfy the requirements of the applicable Treasury Regulations under section 401(a)(9) of the Code.

(f) Life Expectancy.

(1) General. For purposes of Sections (c), (d) and (e) above, life expectancy will be computed in accordance with applicable Treasury Regulations under section 401(a)(9) of the Code and by the use of the return multiples contained in Tables V and VI of Treasury Regulation 1.72-9 and, except as provided in (2) and (3) below, will be determined as of the Beneficiary's birthday in the calendar year in which distributions are required to commence under (c)(2) above, and such multiple shall be reduced by one for each subsequent taxable year.

(2) Recalculation. If a Beneficiary who was the Participant's spouse so elects, the life expectancy of such spouse may be recalculated no more frequently than annually if such election is irrevocable, is made no later than the date benefits must commence under (c)(2) above, and is applicable to all subsequent years. If recalculation is applicable, the life expectancy of the spouse shall be determined using his or her age as of his or her birthday in each succeeding calendar year.

(3) Annuity Contracts. If annuity payments commence irrevocably to a Beneficiary before the latest commencement date under (c)(2) above, the Beneficiary's life expectancy shall be determined as of his birthday in the calendar year in which payments commence.

ARTICLE 11

THE COMMITTEE

11.1 Committee.

(a) Named Fiduciary. The Committee, each Employer and the Trustee shall be "Named Fiduciaries" for the Plan.

(b) Responsibilities. The Committee shall discharge its responsibilities with respect to the Plan in accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.

11.2 Membership.

(a) Delegations. The Company, by action of its Board, shall appoint a Committee of at least three individuals to administer the Plan as hereinafter set forth. Upon his appointment to the Committee by the Company, each such appointee shall become a member of the Committee by accepting his appointment in a writing signed by him and delivered to the Company.

(b) Removal, Resignation, and Vacancies. A Committee member may be removed therefrom at any time and without cause by action of the Board and may resign at any time upon prior written notice to the Board. Vacancies in any such positions created by removal, resignation, death or other cause may be filled by the Board or the fiduciary responsibilities for such position may be retained and/or re-delegated by such person or entity.

11.3 Rules and Regulations. The Committee may from time to time formulate such rules and regulations for its organization and the transaction of its business as it deems suitable and as are consistent with the provisions of the Plan.

11.4 Powers. In addition to the powers which are expressly provided in the Plan, the Committee shall have the power and authority in its sole, absolute and uncontrolled discretion to control and manage the operation and administration of the Plan and shall have all powers necessary to accomplish these purposes including, but not limited to the following:

(a) the power to determine who is a Participant;

(b) the power to determine allocations, balances, and nonforfeitable percentages with respect to Participants' Accounts;

(c) the power to determine when, to whom, in what amount, and in what form distributions are to be made; and

(d) such powers as are necessary, appropriate or desirable to enable it to perform its responsibilities, including the power to establish rules, regulations and forms with respect thereto.

11.5 Action of the Committee. Any act authorized, permitted or required to be taken by the Committee under the Plan may be taken by a majority of the members of the Committee at the time acting hereunder, either by vote at a meeting, or in writing without a meeting. All notices, advices, directions, certifications, approvals, and instructions required or authorized to be given by the Committee under the Plan shall be in writing and signed by a majority of the members of the Committee, or by such member or members as may be designated by an instrument in writing, signed by all members thereof and filed with the Trustee, as having authority to execute such documents on its behalf. Subject to the provisions of Section 11.7, any action taken by the Committee which is authorized, permitted or required under the Plan shall be final and binding upon all persons who have or who claim an interest under the Plan, and all third parties dealing with a Employer, the Committee, or the Trustee.

11.6 Miscellaneous Administration Provisions.

(a) Administrative Expenses. The Employer may pay the reasonable expenses of administering the Plan, including any expenses incident to the functioning of the Committee and the professional fees of any consultants or advisors with respect to the Plan; provided however, any expenses not so paid by the Employer shall be paid from the Plan Assets; and provided further, no person who already receives full-time pay from the Employer shall receive any compensation from the Plan, except for reimbursement of expenses properly and actually incurred.

(b) Indemnification. The Employer may indemnify, through insurance or otherwise, some or all of the fiduciaries with respect to the Plan against claims, losses, damages, expenses and liabilities arising from their performance of their responsibilities under the Plan.

(c) Interpretations. All interpretations of the Plan and questions concerning its administration and application as determined by the Committee in its sole, absolute and uncontrolled discretion shall be binding on all persons having an interest under the Plan.

(d) Uniform and Non-Discriminatory Application. All determinations and actions under the Plan shall be uniformly and consistently applied in a non-discriminatory manner to all persons under similar circumstances.

(e) Qualified Domestic Relations Order Procedures. The Committee shall establish reasonable procedures to determine the qualified status, under section 414(p) of the Code, of domestic relations orders and to administer distributions under such qualified orders. Notwithstanding anything to the contrary continued in the Plan, the Committee shall direct the Trustee to make immediate distribution to or for the benefit of an alternate payee under a domestic relations order that has been determined to be a qualified order of the alternate payee's benefit under the Plan in any form which such benefit may be paid under the Plan to the Participant or former Participant with respect to whom such qualified order applies, but only if the qualified order provides for the immediate distribution.

(f) Effectiveness of Elections, etc. An election, designation, request or revocation provided for in the Plan shall be made in such manner as prescribed by the Administrator.

(g) Written Records. The Committee shall also maintain records of all meetings, proceedings, and actions held, undertaken, or performed by it, and shall furnish to the Company such reports as it may from time to time request. All such books of account and other records and data as are necessary for the proper performance of its responsibilities under the Plan.

(h) Administration Consistent with ERISA and the Code. The Plan is intended to comply with the provisions of ERISA and of the Code, and the Plan shall be interpreted and administered consistently with such provisions and with the applicable regulations and rulings thereunder.

(i) Service in More Than One Fiduciary Capacity. Any person or entity may serve in more than one fiduciary capacity for the Plan, including service both as Administrator and as trustee.

11.7 Initial Claims Procedure.

(a) Claim.

(1) Filing. In order to present a complaint regarding the nonpayment of a Plan benefit or a portion thereof (a "Claim"), a Participant or Beneficiary under the Plan (a "Claimant") or his duly authorized representative must file such Claim by mailing or delivering a writing stating such Claim to the corporate office of LSI Industries Inc.

(2) Acknowledgment. Upon such receipt of a Claim, the Committee shall furnish to the Claimant a written acknowledgment which shall inform such Claimant of the time limit set forth in (b)(1) below and of the effect, pursuant to (b)(3) below, of failure to decide the Claim within such time limit.

(b) Initial Decision.

(1) Time Limit. The Committee shall decide upon a Claim within a reasonable period of time after receipt of such Claim; provided however, that such period shall in no event exceed 90 days, unless special circumstances require an extension of time for processing. If such an extension of time for processing is required, then the Claimant shall, prior to the termination of the initial 90-day period, be furnished a written notice indicating such special circumstances and the date by which the Administrator expects to render a decision. In no event shall an extension exceed a period of 90 days from the end of the initial period.

(2) Notice of Denial. If the Claim is wholly or partially denied, then the Administrator shall furnish to the Claimant, within the time limit applicable under (1) above, a written notice setting forth in a manner calculated to be understood by the Claimant:

(A) the specific reason or reasons for such denial;

(B) specific reference to the pertinent Plan provisions on which such denial is based;

(C) a description of any additional material or information necessary for such Claimant to perfect his Claim and an explanation of why such material or information is necessary; and

(D) appropriate information as to the steps to be taken if such Claimant wishes to submit his Claim for review pursuant to Section 11.8, including notice of the time limits set forth in Section 11.8(b)(2).

(3) Deemed Denial for Purposes of Review. If a Claim is not granted and if, despite the provisions of (1) and (2) above, notice of the denial of a Claim is not furnished within the time limit applicable under (1) above, then the Claimant may deem such Claim denied and may request a review of such deemed denial pursuant to the provisions of Section 11.7.

11.8 Claim Review Procedure.

(a) Claimant's Rights. If a Claim is wholly or partially denied under Section 11.7, then the Claimant or his duly authorized representative shall have the following rights, within 60 days of the date on which he receives the notice:

(1) to obtain, subject to (b) below, a full and fair review by the Committee;

(2) to review pertinent documents; and

(3) to submit issues and comments in writing.

(b) Request for Review.

(1) Filing. To obtain a review pursuant to (a) above, a Claimant entitled to such a review or his duly authorized representative shall, subject to (2) below, mail or deliver a written request for such a review (a "Request for Review") to the corporate office of LSI Industries Inc.

(2) Limits for Requesting a Review. A Request for Review must be mailed or delivered within 60 days after receipt by the Claimant of written notice of the denial of the Claim.

(3) Acknowledgment. Upon such receipt of a Request for Review, the Committee shall furnish to the Claimant a written acknowledgment which shall inform such Claimant of the time limit set forth in (c)(1) below and of the effect, pursuant to (c)(3) below, of failure to furnish a decision on review within such time limit.

(c) Decision on Review.

(1) Time Limit. If, pursuant to (b) above, a review is requested, then, except as otherwise provided in (B) below, the Committee or its delegate (but only if such delegate has been given the authority to make a final decision on the Claim) shall make a decision promptly and no later than 60 days after receipt of the Request for Review; except that, if special circumstances require an extension of time for processing, then the decision shall be made as soon as possible but not later than 120 days after receipt of the Request for Review. The Committee must furnish the Claimant written notice of any extension prior to its commencement.

(2) Notice of Decision. The Committee or its delegate shall furnish to the Claimant, within the time limit applicable under (1) above, a written notice setting forth in a manner calculated to be understood by the Claimant:

(A) the specific reason or reasons for the decision on review; and

(B) specific reference to the pertinent Plan provisions on which the decision on review is based.

(3) Deemed Denial. If, despite the provisions of (1) and (2) above, the decision on review is not furnished within the time limit applicable under (1) above, then the Claimant shall be deemed to have exhausted his remedies under the Plan and he may deem the Claim to have been denied on review.

ARTICLE 12

AMENDMENT AND TERMINATION

12.1 Amendment and Termination.

(a) Right to Amend or Terminate. The Company expects the Plan to be permanent, but since future conditions cannot be anticipated or foreseen, it must necessarily and hereby does reserve the right to amend or terminate the Plan at any time by action of the Board, in a writing signed by an officer of the Company, provided that no amendment of the Plan that affects the rights, duties or responsibilities of any Trustee shall be adopted without such Trustee's written consent and acceptance thereof. The Company shall have the right to amend the Plan on behalf of all Employers.

(b) Corporate Reorganization. The merger, consolidation, or liquidation of the Company, any Employer or any Affiliate with or into the Company any other Employer, or any Affiliate shall not constitute a termination of the Plan as to the Company or such Employer.

(c) Conditions on Amendments and Termination.

(1) Duration of Collective Bargaining Agreement. No action under (a) above shall alter the Plan or its operation, except as may be required by the Internal Revenue Service for the purposes of meeting the conditions for qualification and tax deduction under sections 401(a) and 404(a) of the Code, in respect of employees who are represented under a collective bargaining agreement in contravention of the provisions of any such agreement pertaining to pension benefits as long as any such agreement is in effect.

(2) Accrued Benefit.

(A) General. No amendment to the Plan shall be effective to the extent that it has the effect of reducing a Participant's accrued benefit, except as permitted under section 412(c)(8) of the Code.

(B) Treatment of Certain Amendments. For purposes of (A) above, an amendment which has the effect, with respect to benefits attributable to service before the amendment, of

(i) eliminating or reducing an early retirement benefit or a retirement-type subsidy, or

(ii) (except as otherwise provided by Treasury Regulations) eliminating an optional form of benefit shall be treated as reducing accrued benefits. In the case of a retirement-type subsidy, the preceding sentence shall apply only with respect to a Participant who satisfies (either before or after the amendment) the preamendment conditions for the subsidy.

(3) Changes in Vesting Schedule. No amendment shall reduce the nonforfeitable percentage of a Participant's accrued benefit (determined as of the later of the date such amendment is adopted or the date such amendment becomes effective). Further, if the Plan's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the computation of the Participant's nonforfeitable percentage, each Participant with at least 3 Vesting Years may elect, within a reasonable period after the adoption of the amendment, to have the nonforfeitable percentage computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of:

(A) 60 days after the amendment is adopted;

(B) 60 days after the amendment becomes effective; or

(C) 60 days after the Participant is issued written notice of the amendment by the Employer or Administrator.

12.2 Distribution of Plan Assets Upon Termination of the Plan. If the Plan is terminated, then distributions and withdrawals shall continue to be made as provided in the Plan; provided however, subject to Article 8, the Administrator may cause Participants' Accounts to be paid to them, pursuant to the provisions of Article 9, on account of such termination of the Plan.

ARTICLE 13

EXTENSION OF PLAN

13.1 Adoption by Affiliate. An Affiliate may, by action of its board of directors or other governing body and with the consent of the Board of the Company, adopt the Plan as of a specified dated and become an Employer hereunder by causing an Adoption Agreement to be executed pursuant to the authority of its board of directors or other governing body and filed with the Company, the Committee, and the Trustee; and notice of such adoption shall be given by the adopting Employer to its Employees. With the approval of the Company, the Adoption Agreement may specify varying provisions, notwithstanding any provisions in the Plan to the contrary, which shall be applicable to the adopting Employer's Employees.

ARTICLE 14

TOP-HEAVY RULES

14.1 Definitions. For purposes of this Article 14, the following terms shall have the following meanings:

(a) "Aggregation Group" means:

(1) each qualified plan or simplified employee pension of the Employer or an Affiliate in which a Key Employee is a participant,

(2) each other plan of the Employer or an Affiliate which enables any plan described in (1) above to meet the requirements of section 401(a)(4) or 410 of the Code,

(3) any other plan or plans which the Employer elects to include provided that the group would continue to meet the requirements of sections 401(a)(4) and 410 of the Code with such plan or plans being taken into account, and

(4) any other plan which would have been included in the foregoing had it not terminated.

(b) "Key Employee," with respect to any Plan Year, means, as determined under section 416(i) of the Code, any person who, at any time during the Determination Period with respect to such Plan Year, is:

(1) an officer of the Employer or an Affiliate who:

(A) has Adjusted Compensation greater than 50 percent of the dollar limitation in effect under section 415(b)(1)(A) of the Code for any such Plan Year, and

(B) is taken into account under section 416(i) of the Code;

(2) one of the 10 employees who:

(A) owns (or is considered as owning within the meaning of sections 318 and 416(i) of the Code) both more than a ½ percent ownership interest in value and one of the 10 largest percentage ownership interests in value of the Employer; and

(B) has (during the Plan Year of ownership) Adjusted Compensation from the Employer and any Affiliates of more than the limitation in effect under section 415(c)(1)(A) of the Code for the calendar year in which such Plan Year ends;

(3) a 5% owner (as defined in section 416(i) of the Code) of the Employer; or

(4) a 1% owner (as defined in section 416(i) of the Code) of the Employer having Adjusted Compensation (Section 415 Compensation as defined in Section 5.1(g) for years beginning before January 1, 1990) from the Employer and any Affiliates of more than $150,000.

(c) "Present Value" means, with respect to a defined benefit plan, the present value based on the interest and mortality rates specified under the applicable defined benefit plan for purposes of computing the Top-Heavy Ratio. The actuarial assumptions used for all plans within the same Aggregation Group must be the same.

(d) "Top-Heavy Plan" means the Plan, with respect to any Plan Year after 1983, if the Top-Heavy Ratio exceeds 60%.

(e) "Top-Heavy Ratio" means, for the Plan or an Aggregation Group of which the Plan is a part, a fraction, the numerator of which is the sum of defined contribution account balances and the Present Values of defined benefit accrued benefits for all Key Employees and the denominator of which is the sum of defined contribution account balances and the Present Values of defined benefit accrued benefits for all participants. The Top-Heavy Ratio shall be determined in accordance with section 416 of the Code and the applicable regulations thereunder, including, without limitation, the provisions relating to rollovers and the following provisions:

(1) The value of account balances under the Plan will be determined as of the Determination Date with respect to the applicable Plan Year.

(2) The value of account balances and accrued benefits under plans aggregated with the Plan shall be calculated with reference to the determination dates under such plans that fall within the same calendar year as the applicable Determination Date under the Plan.

(3) The value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the applicable determination date, except as provided in section 416 of the Code and the regulations thereunder for the first and second plan years of a defined benefit plan.

(4) A simplified employee pension shall be treated as a defined contribution plan; provided however, at the election of the Employer, the Top-Heavy Ratio shall be computed by taking into account aggregate employer contributions in lieu of the aggregate of the accounts of employees.

(5) Distributions (including distributions under a terminated plan which had it not been terminated would have been included in the Aggregation Group) within the 5-year period ending on a determination date shall be taken into account.

(6) Defined contribution account balances shall be adjusted to reflect any contribution not actually made as of a determination date but required to be taken into account on that date under section 416 of the Code and the regulations thereunder.

(7) Deductible voluntary contributions shall not be included.

(8) There shall be disregarded the account balances and accrued benefits of a Participant

(A) who is not a Key Employee but who was a Key Employee in a prior Plan Year; or

(B) with respect to a plan year beginning after 1984, who has not performed services for the employer maintaining the plan at any time during the 5-year period ending on the determination date.

(9) Effective for Plan Years beginning after December 31, 1986, the accrued benefit of a Participant other than a Key Employee shall be determined (A) under the method, if any, which uniformly applies for accrual purposes under all defined benefit plans of the Employer, or (B) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of section 411(b)(1)(C) of the Code.

14.2 Limitation on Earnings. In any Plan Year beginning prior to 1989 for which the Plan is a Top-Heavy Plan, the Annual Earnings taken into account under the Plan shall not exceed $200,000. This amount shall be adjusted as provided by the Secretary of Treasury and in accordance with section 401(a)(17)(B) of the Code.

14.3 Minimum Contribution.

(a) General. For any Plan Year for which the Plan is a Top-Heavy Plan, the contribution made by the Employer and forfeitures (excluding, for any Plan Year beginning after 1988, contributions under Section 4.1(a)) allocated on behalf of any Participant who is not a Key Employee and who is an Employee on the last day of the Plan Year shall not be less than such Participant's Compensation times the lesser of (1) 3% or (2) the largest percentage of such contributions and forfeitures (including, for any Plan Year beginning after 1988, contributions under Section 4.1(a)), expressed as a percentage of Compensation, allocated on behalf of any Key Employee for that Plan Year. The minimum allocation is determined without regard to any Social Security contribution and without regard to profits.

This minimum allocation shall be made even though, under other Plan provisions, the Participant would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the year because of (1) the Participant's failure to complete 1,000 Hours of Service, (2) the Participant's failure to make contributions to the Plan, or (3) Compensation of less than a stated amount.

(b) Participants Also Covered Under Defined Benefit Plan. If a Participant who is not a Key Employee and who is an Employee on the last day of the Plan Year also participates in one or more defined benefit plans which are part of the same Aggregation Group as the Plan, and if such defined benefit plan or plans do not satisfy the minimum benefit requirements of section 416 of the Code with respect to such Participant, then, with respect to such Participant, "5%" shall be substituted for "the lesser of (1) 3% or (2) the largest percentage of such contributions and forfeitures (including, for any Plan Year beginning after 1988, contributions under Section 4.1(a)), expressed as a percentage of Section 415 Compensation, allocated on behalf of any Key Employee for that Plan Year" in (a) above.

14.4 Limitations on Benefits. If a Limitation Year contains any portion of a Plan Year for which the Plan is a Top-Heavy Plan, then, for purposes of the computation of the Defined Benefit Plan Fraction and the Defined Contribution Plan Fraction under Article 5, "1.0" shall be substituted for "1.25"; provided however, any limitation which results from the application of this sentence may be exceeded so long as there are no Defined Benefit Plan accruals for the individual and no employer contributions, forfeitures, or voluntary nondeductible contributions allocated to the individual; and provided further, this sentence shall not apply if the sum of the Key Employees' benefits from all Defined Benefit Plans and Defined Contribution Plans does not exceed 90 percent of the total of all Participants' benefits and if the Plan would satisfy the requirements of Section 14.3 if "4%" were substituted for "3%" and "7½%" were substituted for "5%".

14.5 Modification of Top-Heavy Rules.

(a) Effective Date. This Section shall apply for purposes of determining whether the Plan is a Top-Heavy Plan under section 416(g) of the Code for Plan Years beginning after June 30, 2002, and whether the Plan satisfies the minimum benefits requirements of section 416(c) of the Code for such years. This Section amends Article 14 of the Plan.

(b) Determination of Top-Heavy Status.

(1) Key Employee. Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Employer having Annual Earnings greater than $130,000 (as adjusted under section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a 5% owner of the Employer, or a 1% owner of the Employer having Annual Earnings of more than $150,000. For this purpose, Annual Earnings means compensation within the meaning of section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

(2) Determination of Present Values and Amounts. This Section 14.5(b)(2) shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of Employees as of the Determination Date.

(3) Distributions During Year Ending on the Determination Date. The present values of accrued benefits and the amounts of Account balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under section 416(g)(2) of the Code during the 1-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

(4) Employees not Performing Services During Year Ending on the Determination Date. The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the Determination Date shall not be taken into account.

ARTICLE 15

MISCELLANEOUS

15.1 Construction.

(a) Article and Section References. Except as otherwise indicated by the context, all references to Articles or Sections in the Plan refer to Articles or Sections of the Plan. The titles thereto are for convenience of reference only and the Plan shall not be construed by reference thereto.

(b) Gender and Number. As used in the Plan, except when otherwise indicated by the context, the genders of pronouns and the singular and plural numbers of terms shall be interchangeable.

15.2 Assignment or Alienation of Benefits. Benefits provided under the Plan may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process; provided however, benefits shall be paid in accordance with the applicable requirements of any domestic relations order which is a qualified domestic relations order (as defined in section 206(d) of ERISA or section 414(p) of the Code); and provided further that benefits shall be paid pursuant to any domestic relations order entered before January 1, 1985 if either the Plan is paying benefits pursuant to such order on such date or the Administrator elects to treat such order as a qualified domestic relations order. Except as provided in the foregoing, if any attempt shall be made to reach the beneficial interest of any Participant or beneficiary by legal process not preempted by ERISA, the Administrator may suspend any rights of distribution which any Participant or beneficiary may have, and may direct that such person's beneficial interest hereunder be paid over or applied for the benefit of such person, or for the benefit of dependents of such person, as the Administrator shall determine.

15.3 Data.

(a) Obligation to Furnish. Each person who participates or claims benefits under the Plan shall furnish to the Administrator, any trustee, or any insurance company involved in the funding of the benefits under the Plan, such signatures, documents, evidence, or information as the Administrator, such trustee, or such insurance company shall consider necessary or desirable for the purpose of administering the Plan.

(b) Mistakes or Misstatements. In the event of a mistake or a misstatement as to any item of such information, as is furnished pursuant to (a) above, which has an effect on the amount of benefits to be paid under the Plan, or in the event of a mistake or misstatement as to the amount of payments to be made to a person entitled to receive a benefit under the Plan, the Administrator shall cause such amounts to be withheld or accelerated, as shall in its judgment accord to such person the payment to which he is properly entitled under the Plan.

15.4 Employment Relationship.

(a) No Enlargement of Rights. Except as otherwise provided by law or legally enforceable contract, the establishment of the Plan or of any fund or any insurance contract thereunder, any amendment of the Plan, participation in the Plan, or the payment of any benefits under the Plan, shall not be construed as giving any person whomsoever any legal or equitable claims or rights against the Employer, or its officers, directors, or shareholders, as such, or as giving any person the right to be retained in the employment of the Employer.

(b) Employer's Rights. The right of the Employer to discipline or discharge an employee shall not be affected by reason of any of the provisions of the Plan.

15.5 Merger or Transfer of Plan Assets. In the case of any merger or consolidation of the Plan with, or transfer of assets or liabilities of the Plan to, any other plan, each Participant in the Plan shall (if the surviving plan terminated immediately after the merger, consolidation, or transfer) be entitled to receive a benefit which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated). In the case of a transfer to another plan of any Section 401(k) Account, such a transfer may take place only if it is reasonably concluded that the transferred amounts may not be distributed before the times specified under applicable Treasury Regulations.

15.6 Incompetency or Disability. Each person to whom a distribution is payable under the Plan shall be conclusively presumed to be mentally competent and not under a disability that renders him unable to care for his affairs, until the date on which the Administrator receives a written notice, in a form and manner acceptable to the Administrator, indicating that a guardian, conservator, or other party legally vested with the care of the person or the estate of such person has been appointed by a court of competent jurisdiction, and any payment of a distribution due thereafter shall be made to the same, provided that proper proof of his appointment and continuing qualification is furnished in a form and manner acceptable to the Administrator. The Administrator shall not be required to look to the application of any such payment so made.

15.7 Nontransferability of Annuities. Any annuity contract distributed from the Plan must be nontransferable.

15.8 Governing Law. The Plan and all rights and duties under the Plan shall be governed, construed and administered in accordance with the laws of Ohio, except as governed separately by or preempted by federal law.

15.9 Severability. In case any provision of this Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Plan, and this Plan shall be construed and interpreted as if such illegal or invalid provision had never been a part of it.

15.10 Death Benefits Under USERRA-Qualified Active Military Service. Notwithstanding any provision of this Plan to the contrary, in the case of a Participant who dies on or after January 1, 2007 while performing qualified military service (as defined in section 414(u) of the Code), the survivors of the Participant shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan had the Participant resumed employment and then terminated employment on account of death.

IN WITNESS WHEREOF, LSI INDUSTRIES INC. has caused this Plan to be executed as of this _____ day of _________________, 2017.

LSI INDUSTRIES INC.

By: ____________________________________

Title: ____________________________________

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
LSLSI 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

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

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated September 8, 2017, with respect to the consolidated financial statements, schedule, 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, 2017. 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 8, 2017

EXHIBIT 31.1

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

I, Dennis W. Wells, 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 8, 2017

/s/ Dennis W. Wells
Dennis W. Wells
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 8, 2017

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

EXHIBIT 32.1

CERTIFICATION OF DENNIS W. WELLS

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, 2017 (the "Report"), I, Dennis W. Wells, 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/ Dennis W. Wells
Dennis W. Wells
Principal Executive Officer

September 8, 2017

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, 2017 (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 8, 2017

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.