LSI INDUSTRIES INC
Form 10-Q
April 29, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016.

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

Commission File No. 0-13375

LSI Industries Inc.

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

10000 Alliance Road

Cincinnati, Ohio 45242

(513) 793-3200

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

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

YES __X__ NO ____

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

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

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

As of April 26, 2016 there were 24,918,082 shares of the Registrant's common stock, no par value per share, outstanding.

LSI INDUSTRIES INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2016

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

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31		March 31	
(In thousands, except per share data)	2016	2015	2016	2015
Net sales	$70,740	$68,603	$241,352	$231,784
Cost of products and services sold	54,191	52,298	177,528	176,316
Gross profit	16,549	16,305	63,824	55,468
Loss on sale of subsidiary (see Note 13)	--	--	--	565
(Gain) on sale of building	--	--	--	(343)
Selling and administrative expenses	15,817	15,723	51,949	49,906
Operating income	732	582	11,875	5,340
Interest (income)	(28)	(8)	(54)	(17)
Interest expense	9	11	27	34
Income before income taxes	751	579	11,902	5,323
Income tax expense	229	186	3,848	1,815

Net income	$522	$393	$8,054	$3,508
Earnings per common share (see Note 4)				
Basic	$0.02	$0.02	$0.32	$0.14
Diluted	$0.02	$0.02	$0.32	$0.14
Weighted average common shares outstanding				
Basic	25,080	24,528	24,918	24,470
Diluted	25,700	24,643	25,494	24,550

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

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except shares)	March 31, 2016	June 30, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$33,779	$26,409
Accounts receivable, less allowance for doubtful accounts of $326 and $317, respectively	37,890	43,661
Inventories	46,193	43,083
Refundable income taxes	630	99
Other current assets	6,590	7,562
Total current assets	125,082	120,814
Property, Plant and Equipment, at cost		
Land	6,982	6,952
Buildings	38,614	37,706
Machinery and equipment	80,032	76,383
Construction in progress	3,108	588
	128,736	121,629
Less accumulated depreciation	(81,488)	(78,441)
Net property, plant and equipment	47,248	43,188
Goodwill	10,508	10,508
Other Intangible Assets, net	5,713	6,092
Other Long-Term Assets, net	1,711	1,777
Total assets	$190,262	$182,379

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

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except shares)	March 31, 2016	June 30, 2015
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$11,756	$14,721
Accrued expenses	21,687	22,126
Total current liabilities	33,443	36,847
Other Long-Term Liabilities	2,365	2,580
Commitments and Contingencies (Note 12)		
Shareholders' Equity		
Preferred shares, without par value; Authorized 1,000,000 shares, none issued		
Common shares, without par value; Authorized 40,000,000 shares; Outstanding 24,902,319 and 24,392,938 shares, respectively	112,768	106,353
Retained earnings	41,686	36,599
Total shareholders' equity	154,454	142,952
Total liabilities & shareholders' equity	$190,262	$182,379

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

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Nine Months Ended March 31 2016	2015
Cash Flows from Operating Activities		
Net income	$8,054	$3,508
Non-cash items included in net income		
Depreciation and amortization	4,903	4,728
Deferred income taxes	(126)	(584)
Deferred compensation plan	328	62
Stock option expense	2,542	1,153
Issuance of common shares as compensation	168	144
(Gain) on disposition of building	--	(343)
(Gain) on disposition of fixed assets	(87)	(2)
Loss on sale of subsidiary	--	565
Allowance for doubtful accounts	162	268
Inventory obsolescence reserve	1,351	1,093
Changes in certain assets and liabilities:		
Accounts receivable	5,588	6,579
Inventories	(4,440)	901
Refundable income taxes	(531)	1,885
Accounts payable	(3,176)	(1,884)
Accrued expenses and other	812	4,340
Customer prepayments	(310)	(625)
Net cash flows provided by operating activities	15,238	21,788
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(8,410)	(3,439)
Proceeds from sale of subsidiary, net of cash sold	--	1,494
Proceeds from sale of fixed assets	124	953
Net cash flows (used in) investing activities	(8,286)	(992)
Cash Flows from Financing Activities		

Cash dividends paid	(2,959)	(2,172)
Exercise of stock options	3,604	401
Purchase of treasury shares	(317)	(165)
Issuance of treasury shares	90	93
Net cash flows provided by (used in) financing activities	418	(1,843)
Increase in cash and cash equivalents	7,370	18,953
Cash and cash equivalents at beginning of period	26,409	9,013
Cash and cash equivalents at end of period	$33,779	$27,966

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

LSI INDUSTRIES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements are unaudited and are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, and rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the interim financial statements include all normal adjustments and disclosures necessary to present fairly the Company's financial position as of March 31, 2016, the results of its operations for the three and nine month periods ended March 31, 2016 and 2015, and its cash flows for the nine month periods ended March 31, 2016 and 2015. These statements should be read in conjunction with the financial statements and footnotes included in the fiscal 2015 Annual Report on Form 10-K. Financial information as of June 30, 2015 has been derived from the Company's audited consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

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

Revenue Recognition:

Revenue is recognized when title to goods and risk of loss have passed to the customer, there is persuasive evidence of a purchase arrangement, delivery has occurred or services have been rendered, and collectability is reasonably assured. Revenue is typically recognized at time of shipment. In certain arrangements with customers, as is the case with the sale of some of our solid-state LED video screens, revenue is recognized upon customer acceptance of the video screen at the job site. Sales are recorded net of estimated returns, rebates and discounts. Amounts received from customers prior to the recognition of revenue are accounted for as customer pre-payments and are included in accrued expenses.

The Company has 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; 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. However, 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 each 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.

Credit and Collections:

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

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

(In thousands)	March 31, 2016	June 30, 2015
Accounts receivable	$38,216	$43,978
Less: Allowance for doubtful accounts	(326)	(317)
Accounts receivable, net	$37,890	$43,661

Cash and Cash Equivalents:

The cash balance includes cash and cash equivalents which have original maturities of less than three months. The Company maintains balances at financial institutions in the United States. The FDIC limit for insurance coverage on non-interest bearing accounts is $250,000. As of March 31, 2016 and June 30, 2015, the Company had bank balances of $37,093,000 and $28,494,000, respectively, without insurance coverage.

Inventories:

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

Property, Plant and Equipment and Related Depreciation:

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

Buildings (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 in accordance with accounting guidance on internal use software. Leasehold improvements are amortized over the shorter of fifteen years or the remaining term of the lease.

The Company recorded $1,603,000 and $1,465,000 of depreciation expense in the third quarter of fiscal 2016 and 2015, respectively, and $4,524,000 and $4,328,000 of depreciation expense in the first nine months of fiscal 2016 and 2015, respectively.

Intangible Assets:

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

Fair Value:

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

Fair value measurements of nonfinancial assets and nonfinancial liabilities are primarily used in goodwill and other intangible asset impairment analyses, in the purchase price of acquired companies (if any), and in the valuation of the contingent earn-out. The accounting guidance 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 to cover unknown claims, as well as estimating the total amount to be incurred for known warranty issues. On a regular basis, the Company assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

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

(In thousands)	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015	Fiscal Year Ended June 30, 2015
Balance at beginning of the period	$3,408	$2,662	$2,662
Additions charged to expense	4,018	2,588	3,185
Deductions for repairs and replacements	(2,606)	(1,802)	(2,439)
Balance at end of the period	$4,820	$3,448	$3,408

Research and Development Costs:

Research and development expenses are costs directly attributable to new product development, including the development of new technology for both existing and new products, and consist of salaries, payroll taxes, employee benefits, materials, outside legal costs and filing fees related to obtaining patents, supplies, depreciation and other administrative costs. The Company expenses as research and development all costs associated with development of software used in solid-state LED products. All costs are expensed as incurred and are included in selling and administrative expenses. Research and development costs related to both product and software development totaled $1,562,000 and $1,096,000 for the three months ended March 31, 2016 and 2015, respectively, and $4,193,000 and $4,397,000 for the nine months ended March 31, 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 non-qualified deferred compensation plan. The computation of diluted earnings per share is based on the weighted average of common shares outstanding for the period and includes common share equivalents. Common share equivalents include the dilutive effect of stock options, restricted stock units, contingently issuable shares and common shares to be issued under a deferred compensation plan, all of which totaled 893,000 shares and 440,000 shares for the three months ended March 31, 2016 and 2015, respectively, and 846,000 shares and 401,000 shares for the nine months ended March 31, 2016 and 2015, respectively. See further discussion of earnings per common share in Note 4.

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 over a point in time, provides new and more detailed guidance on specific revenue topics, and expands and improves disclosures about revenue. The amended guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2017, or the Company’s fiscal year 2019. The Company has 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. The functional currency of the Company's former Canadian operation was the U.S. dollar.

Subsequent Events:

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

Use of Estimates:

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

NOTE 3 - SEGMENT REPORTING INFORMATION

The accounting guidance on segment reporting establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in financial statements. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker (the Company's Chief Executive Officer or "CODM") in making decisions on how to allocate resources and assess performance. In the third quarter of fiscal 2015, the Company realigned its operating segments to be in alignment with the financial information received by the then new Chief Executive Officer. 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. An All Other Category as well as Corporate and Eliminations will also be reported in the segment information. As a result of the realignment of the Company's operating segments in the third quarter of fiscal 2015, all prior period segment information has been revised so as to be comparable with the new segment reporting structure.

The changes made and realignment of the Company's operating segments involved the following:

1) The segment formerly known as the Electronic Components Segment was renamed as the Technology Segment.
2) The LED Video Screen product line was moved out of the Lighting Segment and into the Technology Segment.
3) The Company's installation management business (LSI Adapt) and the menu board business (LSI Images) were moved out of the All Other Category and into the Graphics Segment.

The Lighting Segment includes outdoor, indoor, and landscape lighting utilizing both traditional and LED light sources, that have been fabricated and assembled for several markets including the commercial, industrial and multi-site retail lighting markets, the Company's primary niche markets (petroleum / convenience store market, automotive dealership market, and quick service restaurant market).

The Graphics Segment designs, manufactures and installs exterior and interior visual image elements related to traditional graphics, active digital signage along with the management of media content related to digital signage, and menu board systems that are either digital or traditional by design. These products are used in visual image programs in several markets, including the petroleum / convenience store market, multi-site retail operations, banking, and restaurants. The Graphics Segment implements, installs and provides program management services related to products sold by the Graphics Segment and by the Lighting Segment.

The Technology Segment designs and manufactures electronic circuit boards, assemblies and sub-assemblies, various control system products used in other applications (including the control of solid-state LED lighting and metal halide lighting), and solid state LED video screens, scoreboards and advertising ribbon boards. This operating segment sells its products directly to customers (primarily in the transportation, original equipment manufacturers and medical markets) and also has significant inter-segment sales to the Lighting Segment.

The All Other Category includes only the Company’s former subsidiary that designed and produced high-performance light engines, large format video screens using solid-state LED technology, and certain specialty LED lighting. This subsidiary was sold on September 30, 2014 (See Note 13).

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

There was no concentration of consolidated net sales in the three or nine months ended March 31, 2016 or in the three and nine months ended March 31, 2015. There was no concentration of accounts receivable at March 31, 2016 or June 30, 2015.

Summarized financial information for the Company’s operating segments is provided for the indicated periods and as of March 31, 2016 and June 30, 2015:

(In thousands)	Three Months Ended		Nine Months Ended	
	March 31		March 31	
	2016	2015	2016	2015
Net Sales:				
Lighting Segment	$49,331	$48,865	$168,007	$164,382
Graphics Segment	17,162	13,363	59,949	49,656
Technology Segment	4,247	6,375	13,396	17,705
All Other Category	--	--	--	41
	$70,740	$68,603	$241,352	$231,784
Operating Income (Loss):				
Lighting Segment	$1,106	$2,913	$11,970	$11,230

Graphics Segment	1,174	(320)	5,370	798
Technology Segment	888	855	3,221	1,986
All Other Category	--	--	--	(183)
Corporate and Eliminations	(2,436)	(2,866)	(8,686)	(8,491)
	$732	$582	$11,875	$5,340
Capital Expenditures:				
Lighting Segment	$1,074	$319	$2,923	$1,529
Graphics Segment	2,145	29	3,254	935
Technology Segment	1,626	97	1,850	448
All Other Category	--	--	--	4
Corporate and Eliminations	181	437	383	523
	$5,026	$882	$8,410	$3,439
Depreciation and Amortization:				
Lighting Segment	$730	$778	$2,152	$2,229
Graphics Segment	293	262	721	768
Technology Segment	392	281	1,111	944
All Other Category	--	--	--	31
Corporate and Eliminations	314	269	919	756
	$1,729	$1,590	$4,903	$4,728

	March 31, 2016	June 30, 2015
Identifiable Assets:		
Lighting Segment	$87,654	$90,713
Graphics Segment	33,060	29,477
Technology Segment	30,140	28,423
All Other Category	--	--
Corporate and Eliminations	39,408	33,766
	$190,262	$182,379

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:

	Three Months Ended March 31		Nine Months Ended March 31	
(In thousands)	2016	2015	2016	2015
Lighting Segment inter-segment net sales	$715	$533	$2,143	$2,030
Graphics Segment inter-segment net sales	$275	$132	$1,281	$388
Technology inter-segment net sales	$8,920	$6,788	$27,236	$21,735
All Other Category inter-segment net sales	$--	$--	$--	$308

The Company considers its geographic areas to be: 1) the United States, and 2) Canada. The Company's operations are in the United States, with one operation previously in Canada. As a result of the sale of a subsidiary on September 30, 2014, the Company no longer has a presence in Canada (See Note 13). The geographic distribution of the Company's net sales and long-lived assets are as follows:

(*In thousands*)	Three Months Ended March 31		Nine Months Ended March 31	
	2016	2015	2016	2015
Net Sales (a):				
United States	$70,740	$68,603	$241,352	$231,743
Canada	--	--	--	41
	$70,740	$68,603	$241,352	$231,784

	March 31, 2016	June 30, 2015
Long-lived Assets (b):		
United States	$48,959	$44,965
Canada	--	--
	$48,959	$44,965

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

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

NOTE 4 - EARNINGS PER COMMON SHARE

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

	Three Months Ended		Nine Months Ended	
	March 31		March 31	
	2016	2015	2016	2015
BASIC EARNINGS PER SHARE				
Net income	$522	$393	$8,054	$3,508
Weighted average shares outstanding during the period, net of treasury shares (a)	24,807	24,203	24,648	24,149
Weighted average vested restricted stock units outstanding	22	--	25	--
Weighted average shares outstanding in the Deferred Compensation Plan during the period	251	325	245	321
Weighted average shares outstanding	25,080	24,528	24,918	24,470
Basic earnings per share	$0.02	$0.02	$0.32	$0.14
DILUTED EARNINGS PER SHARE				
Net income	$522	$393	$8,054	$3,508
Weighted average shares outstanding				
Basic	25,080	24,528	24,918	24,470
Effect of dilutive securities (b):				
Impact of common shares to be issued under stock option plans, and contingently issuable shares, if any	620	115	576	80
Weighted average shares outstanding (c)	25,700	24,643	25,494	24,550
Diluted earnings per share	$0.02	$0.02	$0.32	$0.14

(a) Includes shares accounted for as treasury stock according to accounting standards.

(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 1,032,250 common shares and 1,729,273 common shares at March 31, 2016 and 2015, respectively, and options to purchase 1,391,300 common shares and 2,272,823 common shares at March 31, 2016 and 2015, respectively, were not included in the computation of the three month and nine month periods for diluted earnings per share, respectively, because the exercise price was greater than the average fair market value of the common shares.

NOTE 5 – INVENTORIES

The following information is provided as of the dates indicated:

(In thousands)	March 31, 2016	June 30, 2015