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3

453

2024 and thereafter

450

—

450

Future minimum lease payments

\$

2,720

\$

272

\$

2,992

Total lease expense for the nine months ended September 30, 2018 and 2017 was \$472.9 thousand and \$614.3 thousand, respectively.

16

NOTE 4 – LEASE COMMITMENTS, Continued

Capital Leases:

On May 1, 2016, the Company entered into an amended agreement to lease three cranes (the "Crane Lease"). The Crane Lease expires April 30, 2021. Payments are \$14.5 thousand per month for the first twelve months following the amendment date, followed by monthly payments of \$31.3 thousand thereafter for the remainder of the lease term. There is no bargain purchase option associated with the Crane Lease. Based on the new lease terms, the Company classified the Crane Lease as a capital lease. At inception, the Company recorded a capital lease obligation of \$1.3 million. The Company used a weighted average cost of capital of 9.3% to calculate the capital lease obligation.

The Company entered into a capital lease, effective June 2017, to lease two pieces of equipment for use in the Company's operations. The lease is for a period of six years and the payments are \$1.4 thousand per month. The Company has the option to purchase the equipment for a purchase price of \$1.00 per item of equipment upon the expiration of the lease. At inception, the Company recorded a capital lease obligation of \$75.2 thousand. The Company used a weighted average cost of capital of 10.0% to calculate the capital lease obligation.

The Company entered into a capital lease, effective May 2018, to lease a piece of equipment for use in the Company's operations. The lease is for a period of four years and the payments are \$0.6 thousand per month with an interest rate of 5.8% per year. At inception, the Company recorded a capital lease obligation of \$24.7 thousand.

The Company entered into a capital lease, effective June 2018, to lease a piece of equipment for use in the Company's operations. The lease is for a period of four years and the payments are \$0.7 thousand per month with an interest rate of 5.8% per year. At inception, the Company recorded a capital lease obligation of \$29.0 thousand.

The Company entered into a capital lease, effective July 2018, to lease two pieces of equipment for use in the Company's operations. The lease is for a period of 6 years and 4 months and the payments are \$1.4 thousand per month. The Company has the option to purchase the equipment for a purchase price of \$1.00 per item of equipment upon the expiration of the lease. At inception, the Company recorded a capital lease obligation of \$79.9 thousand. The Company used a weighted average cost of capital of 10.0% to calculate the capital lease obligation.

Depreciation and interest expense for capital leases, in thousands, are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2018	2017	September 30, 2018	2017
Depreciation expense	\$ 74	\$ 67	\$ 210	\$ 197
Interest expense	26	29	76	87

Accumulated depreciation and net book value for capital leases, in thousands, are as follows:

	September 30, 2018	2017
Accumulated depreciation	\$ 645	\$ 368
Net book value	848	992

Future minimum lease payments for capital leases for the next five twelve-months periods ending September 30 of each year, in thousands, as of September 30, 2018 are as follows:

	Total	Principal	Interest	
2019	\$ 424	\$ 344	\$ 80	
2020	424	377	47	
2021	236	222	14	
2022	43	37	6	
2023	28		25	3
2024 and thereafter	20		19	1
	\$ 1,175	\$ 1,024	\$ 151	

NOTE 5 – PER SHARE DATA

The computation for basic and diluted income (loss) per share is as follows:

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017:

	2018	2017
	(in thousands, except per share information)	
Basic income (loss) per share		
Net income (loss)	\$ 356	\$ (825)
Weighted average shares outstanding	8,100	8,077
Basic income (loss) per share	\$ 0.04	\$ (0.10)
Diluted income (loss) per share		
Net income (loss)	\$ 356	\$ (825)
Weighted average shares outstanding	8,100	8,077
Add dilutive effect of assumed exercising of stock options, RSUs and warrants	66	—
Diluted weighted average shares outstanding	8,166	8,077
Diluted income (loss) per share	\$ 0.04	\$ (0.10)

Three months ended September 30, 2018 compared to three months ended September 30, 2017:

	2018	2017
	(in thousands, except per share information)	
Basic loss per share		
Net loss	\$ (477)	\$ (177)
Weighted average shares outstanding	8,108	8,082
Basic loss per share	\$ (0.06)	\$ (0.02)
Diluted loss per share		
Net loss	\$ (477)	\$ (177)
Weighted average shares outstanding	8,108	8,082
Add dilutive effect of assumed exercising of stock options, RSUs and warrants	—	—
Diluted weighted average shares outstanding	8,108	8,082
Diluted loss per share	\$ (0.06)	\$ (0.02)

NOTE 6 – RELATED PARTY TRANSACTIONS

During the periods ended September 30, 2018 and 2017, the Company was involved in various transactions with related parties. A summary of transactions and related balances are as follows. The table at the end of this note should be used in referencing all below paragraphs.

K&R, LLC ("K&R") and 7100 Grade Lane, LLC ("7100 LLC"):

The Company is involved in various transactions with K&R and 7100 LLC, which are wholly-owned by Kletter Holdings LLC, the sole member of which was Harry Kletter, the Company's founder and former Chief Executive Officer. After Mr. Kletter's passing in January 2014, Orson Oliver assumed the roles of executor of Mr. Kletter's estate and President of Kletter Holdings LLC. Mr. Oliver was the Company's Chairman of the Board and interim Chief Executive Officer from 2014 until his resignation on March 26, 2018. Mr. Oliver continues to be a member of the Company's Board of Directors. As of September 30, 2018, Mr. Kletter's estate, K&R and the Harry Kletter Family Limited Partnership, collectively, beneficially own in excess of 20% of the Company's issued and outstanding shares.

The Company leased a portion of the Louisville, Kentucky facility from 7100 LLC (previously from K&R) under an operating lease, the "7100 Prior Lease," expiring December 2017. Effective October 1, 2017, the Company entered into a new lease agreement with 7100 LLC for the same property (the "7100 Lease") that terminates and replaces the 7100 Prior Lease. See Note 4 – Lease Commitments for additional information relating to the rent and lease agreements with K&R.

During 2015 and continuing into 2017, the Company deferred a portion of these lease payments. A portion of this deferral was converted into a term note during 2016 as described below. The remaining portion of this deferral was converted into a promissory note effective October 1, 2017 as described below.

On September 13, 2013, K&R made a \$500.0 thousand refundable, non-interest bearing deposit with the Company related to K&R's potential purchase of the Company's formerly owned real property located at 1565 East 4th Street in Seymour, Indiana. The Company was permitted and used the deposited funds for general corporate purposes. K&R did not acquire the property. Under the Company's lending arrangements, a refund of the deposit to K&R would have to be approved by the Company's lenders. This amount was converted into a term note during 2016 as described below.

As of September 30, 2018 and 2017, the Company had balances related to K&R and 7100 LLC pertaining to refundable lease and property deposits due to and from the Company, rents payable from the Company, notes payable due from the Company, accrued interest due from the Company, interest expense, and rent expense.

On February 29, 2016, K&R assigned its interest in the 7100 Lease to another entity, 7100 LLC, also controlled by Mr. Kletter's estate. At that time, the total amount due to the estate's various entities, which amounted to approximately \$1.5 million and is inclusive of the \$500.0 thousand noted above, became a subordinated, unsecured debt (the "Kletter Notes") owed by the Company. A portion of the amount, approximately \$620.3 thousand, is owed to K&R, with the remaining amount, approximating \$883.8 thousand, owed to 7100 LLC. Interest will accrue monthly at a per annum rate of 5.0%. Interest accrued until April 30, 2017, at which time interest is paid as due. Until maturity on December 31, 2020, the Kletter Notes are subject to intercreditor agreements between the respective Note holder and MidCap. This amount of \$1.5 million represents all net amounts due to Kletter estate entities as of February 29, 2016 with the exception of a \$32.0 thousand deposit owed by K&R to the Company. If the Company sells property it owns at 7110 Grade Lane in Louisville, Kentucky, the Company shall make a principal payment to K&R of \$500.0 thousand. Otherwise, all remaining principal is due at maturity.

On June 23, 2017, the Company entered into two agreements (referred to as the "Handler Agreement" and the "Crane Agreement") with K&R, each for the purchase of equipment to be used in the operation of the Company's business.

Under the Handler Agreement, the Company purchased a hydraulic scrap handler from K&R for a purchase price of \$90.0, thousand, with a \$9.0 thousand down payment and a 24-month promissory note ("Handler Note") in the face principal amount of the remaining \$81.0 thousand. The Handler Note is interest free and provides for payments in equal monthly installments of \$3.4 thousand. Under the Handler Note, payments commenced on July 1, 2017. Upon a default, the Handler Note will bear interest at 1% per annum.

Under the Crane Agreement, the Company purchased a 2011 Komatsu crane from K&R for a purchase price of \$60.0 thousand, with a \$12.0 thousand down payment and a 24-month promissory note ("Crane Note") in the face principal amount of the remaining \$48.0 thousand. The Crane Note is interest free and provides for payments in equal monthly installments of \$2.0 thousand. Under the Crane Note, payments commenced on July 1, 2017. Upon a default, the Crane Note will bear interest at 1% per annum.

The Crane Note and the Handler Note are each secured by a security interest in the subject equipment and proceeds the Company derives from the equipment.

The Company entered into an agreement and promissory note (the "Back Rent Agreement"), effective October 1, 2017, to pay 7100 LLC \$345.8 thousand for back rent past due and owed under the 7100 Prior Lease with an initial payment of \$100.0 thousand paid at the signing of the Back Rent Agreement with six consecutive monthly payments of \$41.0 thousand each, beginning November 1, 2017.

NOTE 6 – RELATED PARTY TRANSACTIONS, ContinuedBoard of Directors' fees:

The Company pays board and committee fees to non-employee directors. Effective October 1, 2017, the Company revised its Board compensation policy to provide an annual retainer of \$50.0 thousand per Board member, an additional \$10.0 thousand annual retainer to the chairman of the audit committee, and an additional \$5.0 thousand annual retainer to the chairman, if any, of other standing committees. Additional fees may be paid to directors for service on non-standing committees. Director fees are to be paid in quarterly installments, in advance upon the first day of each quarter. No additional fees are to be paid for individual meeting attendance. In addition, each director will receive an annual grant of RSUs equal to \$25.0 thousand that vest over one year.

LK Property Investments LLC ("LK Property"):

On April 30, 2015, the Company entered into a lease agreement with LK Property, for a portion of the 4.4 acre parcel of real estate located at 6709 Grade Lane, Louisville, Kentucky in the amount of \$3.0 thousand per month. The lease terminates on April 14, 2019, but the Company has the right to terminate the lease and vacate the leased premises upon 90 days notice. The Company is required to reimburse the lessor for 40% of the property taxes on the parcel during the term. LK Property is an entity principally owned by Daniel M. Rifkin, CEO of MetalX LLC ("MetalX"), a scrap metal recycling company headquartered in Waterloo, Indiana, and the principal owner of Recycling Capital Partners, LLC ("RCP").

MetalX:

During 2017, the Company held accounts receivables balances from MetalX related to scrap sales. For additional information regarding MetalX, see Note 9 – Financing and Related Matters.

Related party balances are as follows, in thousands:

		2018	2017
<u>K&R and 7100 LLC:</u>			
Deposit amounts owed to the Company by related parties	(1)	\$ 42	\$ 42
Prepaid expenses to related parties	(1)	—	43
Notes payable to related parties	(3)	1,552	1,600

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Accrued interest	(2)	6	—
Facility rent payable to related parties	(2)	—	123
Facility rent expense to related parties	(4)	338	484
Interest expense to related parties	(4)	56	56

Board of Directors: *

Accounts payable to the Board of Directors for fees	(2)	\$ 6	\$ 50
Board of director fee expense	(4)	171	160
Board of director share-based compensation expense	(4)	25	—

LK Property:

Lease deposit to LK Property	(1)	\$ 3	\$ 3
Prepaid expenses to related parties	(1)	3	3
Accounts payable to LK Property	(2)	1	—
Rent expense to LK Property**	(4)	27	27

MetalX:

Accounts receivable from MetalX	(1)	\$ —	\$ 1
Revenue from product sales to MetalX	(4)	—	188

* Excludes insignificant amount of travel reimbursement.

**Excludes amounts reimbursed to LK Property for utilities and property tax.

(1) Included in receivable and other assets from related parties on the Condensed Consolidated Balance Sheets; balances are as of September 30, 2018 and December 31, 2017.

(2) Included in payable and accrued expenses to related parties on the Condensed Consolidated Balance Sheets; balances are as of September 30, 2018 and December 31, 2017.

(3) Included in current maturities of long-term debt, related parties and long-term debt, related parties on the Condensed Consolidated Balance Sheets; balance is as of September 30, 2018 and December 31, 2017.

(4) Included in the Condensed Consolidated Statements of Operations; amounts are for the nine months ended September 30, 2018 and September 30, 2017.

NOTE 7 – SHARE-BASED COMPENSATION AND OTHER COMPENSATION AGREEMENTS

Following is a summary of stock option activity and number of shares reserved for outstanding options:

Options	Number of shares (in thousands)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2016	502	\$ 4.78	2.07 years	\$ 2.43
Cancelled	(30)	5.40	—	2.85
Expired	(90)	4.94	—	1.71
Outstanding at December 31, 2017	382	\$ 4.70	1.41 years	\$ 2.57
Issued	31	2.46	4.50 years	1.61
Outstanding at September 30, 2018	413	\$ 4.53	0.95 years	\$ 2.49
Exercisable at September 30, 2018	382	\$ 4.70	0.66 years	\$ 2.57
Securities available for grant at September 30, 2018*	1,645			

*Securities available for grant include securities available for stock option grants and RSUs.

Option Grants:

On March 28, 2018, the Company awarded options to purchase 31.0 thousand shares of the Company's common stock to its Chief Executive Officer. These options are scheduled to vest over a three year period, with 1/3 vesting on the first anniversary of the grant date and 1/3 every twelve months thereafter until the three year anniversary of the grant date. The exercise price per share of the options is \$2.46, the fair value of the underlying common stock as of the grant date. The options expire March 26, 2023.

The weighted average assumptions relating to the valuation of the Company's stock options awarded in 2018 are shown below.

Weighted average grant-date fair value of grants per option	\$	2018 1.61	
Volatility		80.40	%
Risk-free interest rate		2.59	%
Expected life (in years)		5.00	
Expected dividend yield		—	%

Restricted Stock Unit Grants:

On March 29, 2016, the Compensation Committee granted 11.4 thousand RSUs to an employee under the LTIP pursuant to an RSU agreement. The grant date fair value is based on the Company's closing common stock price on the day immediately prior to the date of grant. The grant date fair value was \$32.0 thousand and the expense was recognized beginning in the second quarter of 2016. Each RSU vested on March 29, 2018 and represented the right to receive one share of the Company's common stock upon the vesting of the RSU, subject to the terms and conditions set forth in the RSU Agreement and the Plan.

On June 15, 2016, at the Company's annual meeting, the Company's shareholders approved a one-time stock option exchange for the CFO as an alternative to a direct repricing of options previously granted to the CFO. The stock option exchange allowed the Company to cancel 170.0 thousand stock options, including 20.0 thousand granted in January 2015, previously granted to the CFO in exchange for the grant of 90.0 thousand RSUs to the CFO. The RSUs vested over a period ending June 15, 2018. Each RSU represents the right to receive one share of the Company's common stock upon the vesting of the RSU, subject to the terms and conditions set forth in the RSU Agreement and the Plan. The CFO continued his employment with the Company through the end of the agreement and the related 90.0 thousand RSUs vested and became nonforfeitable.

NOTE 7 – SHARE-BASED COMPENSATION AND OTHER COMPENSATION AGREEMENTS, Continued

On March 28, 2018, the Company granted an aggregate of 18.0 thousand RSUs to six employees under the LTIP pursuant to RSU agreements. The grant date fair value is based on the Company's closing common stock price on the date one day prior to grant. The grant date fair value was \$44.3 thousand and was recognized as expensed beginning in the second quarter of 2018. Each RSU vests on March 26, 2021 and represents the right to receive one share of the Company's common stock upon the vesting of the RSU, subject to the terms and conditions set forth in the RSU agreements and the LTIP.

On March 28, 2018, the Company granted 40.6 thousand RSUs to the CEO under the LTIP pursuant to an RSU agreement. The grant date fair value is based on the Company's closing common stock price on the date one day prior to grant. The grant date fair value was \$100.0 thousand and was recognized as expensed beginning in the second quarter of 2018. Each RSU vests on March 26, 2021 and represents the right to receive one share of the Company's common stock upon the vesting of the RSU, subject to the terms and conditions set forth in the RSU agreement and the LTIP.

On July 9, 2018, the Compensation Committee of the Board of Directors of the Company granted each of the four non-employee directors 13,228 RSUs in accordance with a RSU Grant Agreement pursuant to the Company's 2009 LTIP, as amended. The grants followed the election of the non-employee directors at the annual meeting of shareholders of the Company on July 9, 2018. The grant date fair value is based on the Company's closing common stock price on the date one day prior to grant. The grant date fair value was \$100.0 thousand and was recognized as expense beginning in the third quarter of 2018. Each RSU vests on July 9, 2019 and represents the right to receive one share of the Company's common stock upon the vesting of the RSU, subject to the terms and conditions set forth in the RSU agreement and the LTIP.

Following is a summary of RSU activity:

Restricted Stock Units	Number of shares (in thousands)	Weighted Average Remaining Contractual Term	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	22.6	0.35 years	\$ 2.37
Granted	111.6	1.68 years	2.19
Vested	(22.6)	—	2.37
Outstanding at September 30, 2018	111.6	1.68 years	\$ 2.19

Non-Equity Transactions:

Under a retention agreement with the Company's CFO dated March 25, 2016, the Company agreed to pay the CFO bonuses of \$100.0 thousand and \$125.0 thousand on each of December 31, 2016 and December 31, 2017, respectively, as long as he remained employed with the Company on those dates. The December 31, 2016 bonus of \$100.0 thousand was paid during the three month period ended March 31, 2017. The December 31, 2017 bonus of \$125.0 thousand was paid during the three month period ended March 31, 2018.

On September 30, 2016, the Company entered into retention agreements ("Retention Agreements") with certain management employees (individually "Staff Member"). Under the Retention Agreements, if the Staff Member remained continuously employed by the Company through and including the date which is the first to occur of: (a) the date of a change in control of the Company; (b) the date the Staff Member is terminated without cause; and (c) December 31, 2017, the Company agreed to pay the Staff Member a bonus in an amount equal to 25% of the Staff Member's then-current annual base salary. The Company paid the retention amounts of \$135.9 thousand during the three month period ended March 31, 2018.

On March 26, 2018, the Board appointed Todd L. Phillips as CEO of the Company. In connection with Mr. Phillips' appointment as CEO, the Company entered into an Amended and Restated Employment Agreement with Mr. Phillips on March 26, 2018 (the "Employment Agreement"). The Employment Agreement is effective as of January 1, 2018, with the one year initial term ending on December 31, 2018. After expiration of the initial term, the term will be automatically extended for additional 12-month periods thereafter if neither party gives written notice to the other within 30 days before expiration of the original 12-month period or any renewal period thereafter of that party's desire to terminate the Employment Agreement. Pursuant to the Employment Agreement, Mr. Phillips will earn an annual base salary of \$300,000, subject to adjustment by the Board. Mr. Phillips will be eligible to receive an annual performance-based bonus that provides him an opportunity to earn a target bonus equal to 50% of his then-current base salary. Pursuant to the Employment Agreement, Mr. Phillips is also entitled to receive annual equity compensation awards, consisting of RSUs and Options. Each award will consist of (A) that number of RSUs equal in Value (as defined in the Employment Agreement) on the date of the grant to 33.33% of Mr. Phillips' base salary, and (B) that number of Options equal in Value (as defined in the Employment Agreement) on the date of the grant to 16.67% of Mr. Phillips' base salary. The RSUs will be subject to three year cliff vesting, with the entire award vesting 36 months from the grant date. The Options will vest over a three year period, with 1/3 vesting on each annual anniversary of the grant date. The exercise price per share of the Options will be equal to the fair market value of the Company's common stock on the grant date.

NOTE 8 – LEGAL PROCEEDINGS

The Company has litigation from time to time, including employment-related claims, none of which the Company currently believes to be material.

Our operations are subject to various environmental statutes and regulations, including laws and regulations addressing materials used in the processing of our products. In addition, certain of our operations are subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. Failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in substantial operating costs and capital expenditures, in addition to fines and civil or criminal sanctions, third party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations. Certain of the Company's facilities have been in operation for many years and, over time, the Company and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Environmental liabilities in material amounts could exist, including cleanup obligations at these facilities or at off-site locations where the Company disposed of materials from its operations, which could result in future expenditures that the Company cannot currently estimate and which could reduce its profits. The Company records liabilities for remediation and restoration costs related to past activities when its obligation is probable and the costs can be reasonably estimated. Costs of future expenditures for environmental remediation are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. Costs of ongoing compliance activities related to current operations are expensed as incurred. Such compliance has not historically constituted a material expense to the Company.

NOTE 9 – FINANCING AND RELATED MATTERS

Securities Purchase Agreement

On June 13, 2014, the Company issued 857,143 shares of the Company's common stock pursuant to a Securities Purchase Agreement (the "Securities Purchase Agreement") to RCP, an investment entity principally owned by Daniel M. Rifkin, the founder and CEO of MetalX, for an aggregate purchase price of \$3.0 million. Pursuant to the Securities Purchase Agreement, the Company also issued to RCP a five year warrant to purchase 857,143 additional shares of the Company's common stock, exercisable 6 months after the date of the Securities Purchase Agreement for an exercise price of \$5.00 per share and expiring June 13, 2019. The net proceeds were allocated between common stock and warrants based on the relative fair value of the common stock and the warrants. The Securities Purchase Agreement provides RCP with preemptive rights and a right of first refusal with respect to future securities offerings by the Company. The Company used the proceeds from the Securities Purchase Agreement for general corporate purposes including debt reduction, growth initiatives, capital expenditures, and review of potential acquisitions.

On June 13, 2014, in connection with the Securities Purchase Agreement, the Company and the Investor entered into a Registration Rights Agreement (the "Registration Rights Agreement"), under which the Company (a) prepared and filed a registration statement no later than December 12, 2014 and (b) caused the registration statement to be declared effective by the Securities and Exchange Commission no later than February 1, 2015 for (i) agreed to resales of the common stock issued to the Investor under the Securities Purchase Agreement, and (ii) agreed to resales of any shares of common stock issuable upon exercise of the warrant.

The Registration Rights Agreement requires the Company to pay the Investor a loss of liquidity fee for certain periods after February 1, 2015 when the registration statement is not effective or its use is suspended. The Registration Rights Agreement contains customary representations, warranties and covenants, and customary provisions regarding rights of indemnification between the parties with respect to certain applicable securities law liabilities.

Director Designation Agreement

On June 13, 2014, in connection with the Securities Purchase Agreement, the Company and RCP entered into a Director Designation Agreement (the "Director Designation Agreement") pursuant to which RCP will have the right to designate, and require the Company's Board to appoint, up to two directors (each, a "Designated Director"). As of the date of this report, RCP had the right to designate one director. A Designated Director will hold office until (i) his or her term expires and such Designated Director's successor designated by RCP has been appointed or (ii) such Designated Director's earlier death, disability, disqualification, resignation or removal, and RCP shall have the right to appoint any successor to such Designated Director. RCP's designation rights terminate at such time that RCP and its affiliates collectively hold less than 5% of the Company's outstanding common stock. Pursuant to the Director Designation Agreement, the Company and RCP agreed that the designation and appointment of the Designated Director nominees will not violate applicable law and will not cause the Company to become delisted from any securities exchange or other trading market.

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

The following discussion and analysis should be read in conjunction with our unaudited Condensed Consolidated Financial Statements and the accompanying notes thereto included elsewhere in this report.

Cautionary Statement Regarding Forward-Looking Statements

The following discussion and analysis contains certain financial predictions, forecasts and projections which constitute “forward-looking statements” within the meaning of the federal securities laws. Actual results could differ materially from those financial predictions, forecasts and projections and there can be no assurance that we will achieve such financial predictions, forecasts and projections. Factors that could affect financial predictions, forecasts and projections include availability of liquidity, fluctuations in commodity prices and any conditions internal to our major customers, including loss of their accounts and other factors as listed in our Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission.

General

Industrial Services of America, Inc. (herein “ISA,” the “Company,” “we,” “us,” “our,” or other similar terms) is a Louisville, Kentucky-based company that buys, processes and markets ferrous and non-ferrous metals and other recyclable commodities and buys used autos in order to sell used auto parts. We purchase, process and sell ferrous and non-ferrous scrap metal to steel mini-mills, integrated steel makers, foundries, refineries and processors. We purchase ferrous and non-ferrous scrap metal primarily from industrial and commercial generators of steel, aluminum, copper, brass, stainless steel and other metals as well as from scrap dealers and retail customers who deliver these materials directly to our facilities. We process scrap metal through our sorting, cutting, baling, and shredding operations. The shredding operations, which had previously been idled in May 2015, were restarted in May 2017. We operate the auto shredder in the normal course of business subject to market conditions and operating needs. Our non-ferrous scrap recycling operations consist primarily of collecting, sorting and processing various grades of copper, aluminum, stainless steel and brass. Our used automobile yard primarily purchases automobiles so that retail customers can locate and remove used parts for purchase.

Our core business is focused on the metal recycling industry. We are focused on returning our core recycling business to profitability. We intend to do this by increasing efficiencies and productivity, which included the commercial restart of our auto shredder in the second quarter of 2017. We will also evaluate other various options and remain alert for possible strategic partnerships, joint ventures and mergers/acquisitions.

Liquidity and Capital Resources

Cash flows generated from operations and our revolving credit facility are significant sources of ongoing liquidity. We have also been able to manage liquidity by deferring certain rent payments made to related parties through October 1, 2017, as well as deferring capital expenditures during 2017. See Note 6 – Related Party Transactions in the accompanying Notes to Condensed Consolidated Financial Statements for additional information. We actively manage our working capital and associated cash requirements and continually seek more effective use of cash. As of September 30, 2018, we held cash and cash equivalents of \$0.7 million. We drew a net \$1.1 million on our revolving credit facility during the nine month period ended September 30, 2018. We expect operating cash flow and borrowings under our working capital line of credit to be sufficient to meet our ongoing obligations.

Credit facilities and notes payable

See Note 1 – Summary of Significant Accounting Policies and General, Note 3 – Long-Term Debt and Notes Payable to Bank and Note 4 – Lease Commitments in the accompanying Notes to Condensed Consolidated Financial Statements for further details on debt and notes payable, capital and operating leases and related party obligations.

The borrowings under the line of credit are classified as short-term obligations under GAAP as the agreement with the lender contains a subjective acceleration clause and requires the Company to maintain a lockbox arrangement with the lender. However, the contractual maturity date of the line of credit is February 28, 2020.

Results of Operations

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

The following table presents, for the periods indicated, the percentage relationship that certain captioned items in our Condensed Consolidated Statements of Operations bear to total revenue:

Statements of Operations Data:	Nine months ended September 30, 2018		2017	
Total revenue	100.0	%	100.0	%
Total cost of sales	92.9	%	93.8	%
Selling, general and administrative expenses	5.6	%	6.6	%
Income (loss) before other expenses	1.4	%	(0.5))%

Our results were negatively impacted during the third quarter of 2018 by recent global political events, such as tariffs, trade wars and other global economic events. Ferrous market prices and volumes were negatively impacted by economic stress in Turkey, one of the largest importers of United States ferrous scrap metal. Pricing and volumes were further challenged by uncertainty created by tariffs and threatened trade wars. Non-ferrous market prices and volumes were similarly impacted by tariffs and threatened trade wars, as well as certain restrictions placed by China on imported metals. Although results for the nine month period ended September 30, 2018 were favorable compared to the same period in 2017, the previously discussed events had a negative impact on reported results for the nine month period ended September 30, 2018.

Total revenue increased \$6.6 million or 15.9% to \$48.1 million in the nine month period ended September 30, 2018 compared to \$41.5 million in the same period in 2017.

Ferrous revenue increased \$6.3 million or 38.4% to \$22.8 million in the nine month period ended September 30, 2018 compared to \$16.5 million in the same period in 2017. For the nine months ended September 30, 2018 compared to nine months ended September 30, 2017, the average selling price ("ASP") of ferrous material increased \$88 per gross ton, or 30%, partially as a result of the shredder restart that led to a favorable shift in the ferrous sales mix and partially due to market improvements during the first six months of 2018. For the nine months ended September 30, 2018 compared to nine months ended September 30, 2017, ferrous material shipments increased 1.5 thousand tons, or 3%, despite the negative impact from the shredder restart. The inherent nature of the shredding process produces

less saleable product volume but at a higher quality level, thereby increasing the ASP and decreasing the tons of material available to ship. Ferrous revenue includes non-commodity revenue such as service fees, transportation and returns and allowances; the ASP calculation excludes these non-commodity revenues.

Non-ferrous revenue increased \$0.5 million or 2.2% to \$24.4 million in the nine month period ended September 30, 2018 compared to \$23.9 million in the same period in 2017. For the nine months ended September 30, 2018 compared to nine months ended September 30, 2017, the ASP of non-ferrous material increased \$0.09 per pound, or 9%, and non-ferrous material shipments decreased by 1.0 million pounds, or 4%. Non-ferrous revenue includes non-commodity revenue such as service fees, transportation and returns and allowances; the ASP calculation excludes these non-commodity revenues.

Total cost of sales increased \$5.7 million or 14.7% to \$44.7 million in the nine month period ended September 30, 2018 compared to \$38.9 million for the same period in 2017. The increase was a result of an increase in ferrous material tons shipped and higher average prices on a per-unit basis in our ferrous and non-ferrous operations, offset slightly by a decrease in non-ferrous material shipments.

Total cost of sales as a percent of revenue decreased during the nine month period ended September 30, 2018 as compared to the same period in 2017. This improvement was a result of generally increasing ASP during 2018 as well as favorable sales mix that resulted from the startup of the shredder. This was partially offset by startup expenses the Company incurred due to the restart of the shredder operations in May 2017. These startup expenses consisted primarily of repairs and maintenance expenses, utilities expenses and personnel expenses.

SG&A expenses decreased \$0.1 million to \$2.7 million in the nine month period ended September 30, 2018 compared to \$2.8 million in the same period in 2017. SG&A expenses decreased primarily due to decreases in labor expense of \$62.0 thousand, property tax expense of \$54.7 thousand, landfill expense of \$38.9 thousand, share based compensation expense of \$23.0 thousand, and depreciation expense of \$22.0 thousand, offset by increases in insurance expense of \$78.0 thousand and legal expense of \$46.6 thousand. The Company is currently under a property tax audit and has accrued an estimate of potential assessments.

Other income (expense) was expense of \$315.0 thousand for the nine month period ended September 30, 2018 compared to expense of \$611.0 thousand for the nine month period ended September 30, 2017. This \$296.0 thousand change is a result of (i) a \$192.0 thousand increase in interest expense, which is a result of the increased outstanding balance on the line of credit, (ii) a decrease in gain on sale of assets of \$28.0 thousand and (iii) an increase in gain on insurance proceeds of \$487.0 thousand related to an insurance claim filed on six roofs on certain of our buildings.

The income tax provision increased \$4.0 thousand to \$13.0 thousand in the nine month period ended September 30, 2018 compared to \$9.0 thousand in the same period in 2017. The effective tax rates in 2018 and 2017 were 3.5% and (1.1)%, respectively, based on federal and state statutory rates. Due to recurring operating losses being incurred, at December 31, 2013, we recorded nearly a full valuation allowance, which is continuing through September 30, 2018. We also have several state and franchise taxes payable based on gross receipts.

Net income for the nine month period ended September 30, 2018 was \$356.0 thousand compared to a net loss of \$825.0 thousand for the same period of 2017. This was an increase of \$1.2 million, or 143.2%.

Three months ended September 30, 2018 compared to three months ended September 30, 2017

The following table presents, for the periods indicated, the percentage relationship that certain captioned items in our Condensed Consolidated Statements of Operations bear to total revenue:

	Three months ended September 30, 2018		2017	
Statements of Operations Data:				
Total revenue	100.0	%	100.0	%
Total cost of sales	95.9	%	93.7	%
Selling, general and administrative expenses	5.3	%	5.8	%
(Loss) income before other expenses	(1.2))%	0.6	%

Our results were negatively impacted during the third quarter of 2018 by recent global political events, such as tariffs, trade wars and other global economic events. Ferrous market prices and volumes were negatively impacted by economic stress in Turkey, one of the largest importers of United States ferrous scrap metal. Pricing and volumes were further challenged by uncertainty created by tariffs and threatened trade wars. Non-ferrous market prices and volumes were similarly impacted by tariffs and threatened trade wars, as well as certain restrictions placed by China

on imported metals.

Total revenue increased \$1.9 million or 12.7% to \$16.8 million in the third quarter of 2018 compared to \$14.9 million in the same period in 2017.

Ferrous revenue increased \$1.1 million or 16.4% to \$7.7 million in the third quarter of 2018 compared to \$6.6 million in the same period in 2017. For the three months ended September 30, 2018 compared to three months ended September 30, 2017, the average selling price ("ASP") of ferrous material increased \$44 per gross ton, or 13%, primarily due to market improvements. For the three months ended September 30, 2018 compared to three months ended September 30, 2017, ferrous material shipments increased 0.1 thousand tons, or 1%. Ferrous revenue includes non-commodity revenue such as service fees, transportation and returns and allowances; the ASP calculation excludes these non-commodity revenues.

Non-ferrous revenue increased \$0.9 million or 11.0% to \$8.8 million in the third quarter of 2018 compared to \$7.9 million in the same period in 2017. For the three months ended September 30, 2018 compared to three months ended September 30, 2017, the ASP of non-ferrous material remained flat, and non-ferrous material shipments increased by 0.9 million pounds, or 12%. Non-ferrous revenue includes non-commodity revenue such as service fees, transportation and returns and allowances; the ASP calculation excludes these non-commodity revenues.

Total cost of sales increased \$2.1 million or 15.4% to \$16.1 million in the three month period ended September 30, 2018 compared to \$14.0 million for the same period in 2017. The increase was a result of an increase in ferrous material shipments and higher average prices on a per-unit basis in our ferrous operations and an increase in non-ferrous material shipments.

Total cost of sales as a percent of revenue increased during the three month period ended September 30, 2018 as compared to the same period in 2017 as a result of the above discussed recent global political events.

SG&A expenses increased \$32.0 thousand to \$0.9 million in the three month period ended September 30, 2018 compared to \$0.9 million in the same period in 2017. SG&A expenses increased primarily due to increases in director fees and costs of \$23.2 thousand, insurance expense of \$22.0 thousand and legal expense of \$22.4 thousand offset by a decrease in labor expense of \$28.1 thousand. The Company is currently under a property tax audit and has accrued an estimate of potential assessments.

Other income (expense) was expense of \$277.0 thousand for the three month period ended September 30, 2018 compared to expense of \$257.0 thousand for the three month period ended September 30, 2017. This \$20.0 thousand change is a result of (i) a \$52.0 thousand increase in interest expense, which is a result of the increased outstanding balance on the line of credit and (ii) a change in other income (expense) of \$32.0 thousand.

The income tax provision decreased \$9.0 thousand in the three month period ended September 30, 2017 to a negative provision of \$7.0 thousand in the three month period ended September 30, 2018 compared to a provision of \$2.0 thousand in the same period in 2017. The effective tax rates in 2018 and 2017 were 1.4% and (1.1)%, respectively, based on federal and state statutory rates. Due to recurring operating losses being incurred, at December 31, 2013, we recorded nearly a full valuation allowance, which is continuing through September 30, 2018. We also have several state and franchise taxes payable based on gross receipts.

Net loss for the third quarter of 2018 was \$477.0 thousand compared to a net loss of \$177.0 thousand for the same period of 2017. This was an increase of \$0.3 million, or 169.5%.

Financial condition at September 30, 2018 compared to December 31, 2017

Cash and cash equivalents decreased \$105.0 thousand to \$736.0 thousand as of September 30, 2018 from \$841.0 thousand as of December 31, 2017.

Net cash used in operating activities was \$1.1 million for the nine month period ended September 30, 2018. The net cash used in operating activities is primarily due to an increase in receivables of \$2.3 million, an increase in inventories of \$0.7 million, an increase in other assets of \$0.1 million, and a decrease in payables and accrued expenses to related parties of \$0.2 million. These cash uses in operating activities were partially offset by net income of \$356.0 thousand, an increase in accounts payable of \$0.6 million, depreciation of \$1.6 million, a decrease in receivables from related parties of \$44.0 thousand, and share based compensation expense of \$64.0 thousand.

Net cash from investing activities was \$284.0 thousand for the nine month period ended September 30, 2018. In the nine month period ended September 30, 2018, we recorded a gain from insurance proceeds of \$487.0 thousand. The Company had \$203.0 thousand of unfinanced capital expenditures in 2018.

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Net cash from financing activities was \$0.7 million for the nine month period ended September 30, 2018. In the nine month period ended September 30, 2018, we received net proceeds from debt of \$1.1 million less capitalized loan fees in the amount of \$136.0 thousand and payments on capital lease obligations of \$229.0 thousand.

Accounts receivable trade after allowances for doubtful accounts increased \$2.3 million or 54.1% to \$6.5 million as of September 30, 2018 compared to \$4.2 million as of December 31, 2017 due to increased shipments and commodity price increases. In general, the accounts receivable balance fluctuates due to the quantity and timing of shipments, commodity prices and receipt of customer payments.

Accounts receivables from related parties decreased \$44.0 thousand to \$48.0 thousand as of September 30, 2018 compared to \$92.0 thousand as of December 31, 2017. This decrease was due to timing of cash receipts.

Inventories consist principally of ferrous and non-ferrous scrap materials. We value inventory at the lower of cost or net realizable value. Inventory increased \$0.7 million, or 13.1%, to \$5.8 million as of September 30, 2018 compared to \$5.1 million as of December 31, 2017. This increase is primarily driven by higher commodity prices and increased volumes during the third quarter of 2018 compared to the fourth quarter of 2017.

Inventory aging for the period ended September 30, 2018 (Days Outstanding):

Description	(in thousands, except days information)				Total
	1 - 30	31 - 60	61 - 90	Over 90	
Ferrous and non-ferrous materials and auto parts	\$ 4,045	\$ 1,111	\$ 362	\$ 257	\$ 5,775

Inventory aging for the period ended December 31, 2017 (Days Outstanding):

Description	(in thousands, except days information)				Total
	1 - 30	31 - 60	61 - 90	Over 90	
Ferrous and non-ferrous materials and auto parts	\$ 4,069	\$ 693	\$ 119	\$ 225	\$ 5,106

Inventory in the 60 days or less categories compared to total inventory decreased to 89.3% as of September 30, 2018 compared to 93.3% as of December 31, 2017. Inventory greater than 60 days compared to total inventory increased to 10.7% as of September 30, 2018 compared to 6.7% as of December 31, 2017. The \$275.0 thousand increase in inventory greater than 60 days primarily consists of numerous individually insignificant changes.

Accounts payable trade increased \$0.6 million or 34.9% to \$2.4 million as of September 30, 2018 compared to \$1.8 million as of December 31, 2017. The accounts payable balance fluctuates due to timing of purchases from and payments made to our vendors.

Payables and accrued expenses to related parties decreased \$160.0 thousand to \$13.0 thousand as of September 30, 2018 compared to \$173.0 thousand as of December 31, 2017. This decrease is largely a result of a decrease in the facility rent payable to related parties of \$123.0 thousand. See Note 6 – Related Party Transactions for additional information.

Working capital increased \$1.5 million to \$3.7 million as of September 30, 2018 compared to \$2.2 million as of December 31, 2017 as a result of the above noted items.

Contractual Obligations

The following table provides information with respect to our known contractual obligations for the quarter ended September 30, 2018.

Obligation Description:	Payments due by period (in thousands)				
	Total	Less than 1 year	1 - 2 years	3 - 4 years	More than 4 years
Long-term debt obligations	\$ 7,740	\$ 61	\$ 7,652	\$ 27	\$ —
Operating lease obligations (1)	2,992	580	1,048	914	450
Capital lease obligations (1)	1,024	344	599	62	19
Total	\$ 11,756	\$ 985	\$ 9,299	\$ 1,003	\$ 469

(1) See Note 4 – Lease Commitments and Note 6 – Related Party Transactions for detailed information related to the Company's operating and capital lease obligations.

Impact of Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. On January 1, 2018, the Company adopted ASU 2014-09 using the retrospective approach. The Company noted no financial impact on the Condensed Consolidated Financial Statements as a result of the adoption of this amended guidance. In addition, the adoption of this new accounting standard resulted in increased disclosure, including qualitative and quantitative disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. See the Revenue Recognition section of Note 1 – Summary of Significant Accounting Policies and General for additional information.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires that deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet. ASU 2015-17 was effective for annual periods beginning after December 15, 2016, including interim periods within those annual periods. Upon adoption, ASU 2015-17 may be applied either prospectively or retrospectively. The Company adopted the standard in the first quarter of 2017 and noted no material impact on its Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, to improve financial reporting about leasing transactions. This ASU will require organizations that lease assets (“lessees”) to recognize a lease liability and a right-of-use asset on its balance sheet for all leases with terms of more than twelve months. A lease liability is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset represents the lessee’s right to use, or control use of, a specified asset for the lease term. The amendments in this ASU simplify the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. This ASU leaves the accounting for the organizations that own the leased assets largely unchanged except for targeted improvements to align it with the lessee accounting model and Topic 606, Revenue from Contracts with Customers.

The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The Company is evaluating the potential impact of ASU 2016-02 on its Condensed Consolidated Financial Statements. As of January 1, 2019, the Company expects to record a right-of-use asset and a lease liability of approximately \$7.0 million on the Condensed Consolidated Balance Sheet. The Company does not expect the changes to have a material impact on the Condensed Consolidated Statement of Operations and the Condensed Consolidated Statement of Cash Flows. Upon adoption, the Company expects that its financial statement disclosures will be expanded to present additional details of its leasing arrangements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*, which provides guidance to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company is evaluating the potential impact of ASU 2016-13 on the Condensed Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight specific cash flow issues. ASU 2016-15 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual

periods. Upon adoption, ASU 2016-15 should be applied retrospectively. The Company adopted the standard in the first quarter of 2018 and noted no material impact from the adoption of ASU 2016-15 on the Condensed Consolidated Financial Statements.

No other new accounting pronouncements issued or effective during the reporting period had, or is expected to have, a material impact on our Condensed Consolidated Financial Statements.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

N/A - Not required for smaller reporting companies.

ITEM 4: CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures.

ISA's management, including ISA's principal executive officer and principal financial officer, have evaluated the effectiveness of our "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934. Based upon this evaluation, our principal executive officer and principal financial and accounting officer concluded that, as of September 30, 2018, ISA's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that ISA files under the Exchange Act with the Securities and Exchange Commission (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to ISA's management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding the required disclosure.

(b) Changes to internal control over financial reporting.

There have been no changes in ISA's internal control over financial reporting during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, ISA's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The Company has litigation from time to time, including employment-related claims, none of which the Company currently believes to be material.

The Company's operations are subject to various environmental statutes and regulations, including laws and regulations addressing materials used in the processing of products. In addition, certain of the Company's operations are subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. Failure to maintain or achieve compliance with these laws and regulations or with the permits required for operations could result in substantial operating costs and capital expenditures, in addition to fines and civil or criminal sanctions, third party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations. Certain of the Company's facilities have been in operation for many years and, over time, the Company and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Environmental liabilities in material amounts could exist, including cleanup obligations at these facilities or at off-site locations where the Company disposed of materials from its operations, which could result in future expenditures that the Company cannot currently estimate and which could reduce its profits. The Company records liabilities for remediation and restoration costs related to past activities when its obligation is probable and the costs can be reasonably estimated. Costs of future expenditures for environmental remediation are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. Costs of ongoing compliance activities related to current operations are expensed as incurred. Such compliance has not historically constituted a material expense to the Company.

Item 1A. Risk Factors.

There have been no material changes in our risk factors as previously disclosed in Part 1, “Item 1A. Risk Factors” of our Annual Report on Form 10-K, for the fiscal year ended December 31, 2017. You should carefully consider the risk factors in our 2017 Form 10-K, which could materially affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

See Index to Exhibits.

SIGNATURES

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

Date: November 13, 2018

INDUSTRIAL SERVICES OF AMERICA, INC.
By /s/ Todd L. Phillips
Todd L. Phillips
Chief Executive Officer, President and Chief Financial Officer
(Principal Executive and Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit

Number Description of Exhibits

- 10.1 * Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed on July 11, 2018)(File No. 0-20979)
- 31.1 Rule 13a-14(a) Certification of Todd L. Phillips for the Form 10-Q for the quarter ended September 30, 2018.
- 32.1 Section 1350 Certification of Todd L. Phillips for the Form 10-Q for the quarter ended September 30, 2018.
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File as the XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Document
- 101.DEF XBRL Taxonomy Extension Definitions Document
- 101.LAB XBRL Taxonomy Extension Labels Document
- 101.PRE XBRL Taxonomy Extension Presentation Document

*Previously filed.