LSI INDUSTRIES INC
Form 10-Q
November 06, 2009

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009.

_____ 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, and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

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 o NO o

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	o	Accelerated filer	x

Non-accelerated filer	o	Smaller reporting company	o

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

As of November 2, 2009 there were 24,040,570 shares of the Registrant's common stock outstanding.

LSI INDUSTRIES INC.
FORM 10-Q
FOR THE QUARTER ENDED DECEMBER 31, 2008

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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 expressio 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. 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, 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. In addition to the factors described in this paragraph, the risk factors identified in our Form 10-K/A 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 has no obligation 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 INCOME STATEMENTS
(Unaudited)

(in thousands, except per share data)	Three Months Ended September 30	
	2009	2008
Net sales	$67,676	$75,838
Cost of products and services sold	51,079	57,659
Gross profit	16,597	18,179
Selling and administrative expenses	14,100	13,963
Operating income	2,497	4,216
Interest (income)	(3)	(38)
Interest expense	37	43
Income before income taxes	2,463	4,211
Income tax expense	826	1,524
Net income	$1,637	$2,687
Earnings per common share (see Note 5)		
Basic	$0.07	$0.12
Diluted	$0.07	$0.12
Weighted average common shares outstanding		
Basic	23,683	21,796
Diluted	23,688	21,805

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 share amounts)	September 30, 2009	June 30, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	$9,253	$13,986
Accounts and notes receivable, net	35,856	29,681
Inventories	44,752	40,196
Refundable income taxes	2,830	3,619
Other current assets	4,181	4,635
Total current assets	96,872	92,117
Property, Plant and Equipment, net	44,939	42,043
Goodwill	10,766	1,558
Other Intangible Assets, net	17,195	12,981
Other Assets	2,185	4,419
TOTAL ASSETS	$171,957	$153,118
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Current portion, long-term debt	$30	$--
Accounts payable	11,717	9,249
Accrued expenses	10,394	10,368
Total current liabilities	22,141	19,617
Long-Term Debt	1,122	--
Other Long-Term Liabilities	3,035	3,028
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 30,000,000 shares; Outstanding 24,039,498 and 21,579,741 shares, respectively	97,584	82,833
Retained earnings	48,075	47,640
Total shareholders' equity	145,659	130,473
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$171,957	$153,118

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)	Three Months Ended September 30 2009	2008
Cash Flows from Operating Activities		
Net income	$1,637	$2,687
Non-cash items included in net income		
Depreciation and amortization	1,946	1,990
Deferred income taxes	--	90
Deferred compensation plan	18	38
Stock option expense	346	350
Issuance of common shares as compensation	10	10
Loss on disposition of fixed assets	1	1
Allowance for doubtful accounts	88	29
Inventory obsolescence reserve	366	261
Changes in certain assets and liabilities, net of acquisition		
Accounts receivable	(4,583)	(8,672)
Inventories	(1,245)	2,728
Accounts payable and other	2,247	(1,623)
Customer prepayments	(266)	(1,125)
Net cash flows from (used in) operating activities	565	(3,236)
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(1,133)	(475)
Acquisition of business, net of cash received	(675)	--
Net cash flows (used in) investing activities	(1,808)	(475)
Cash Flows from Financing Activities		
Payment of long-term debt	(2,217)	--
Proceeds from issuance of long-term debt	--	1,282
Cash dividends paid	(1,202)	(3,236)
Purchase of treasury shares	(82)	(144)
Issuance of treasury shares	11	--
Net cash flows (used in) financing activities	(3,490)	(2,098)
Decrease in cash and cash equivalents	(4,733)	(5,809)
Cash and cash equivalents at beginning of year	13,986	6,992
Cash and cash equivalents at end of period	$9,253	$1,183
Supplemental Cash Flow Information		

Interest paid	$34	$43
Income taxes paid	$16	$84
Issuance of common shares as compensation	$10	$10
Issuance of common shares for acquisition	$14,448	$--

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 September 30, 2009, the results of its operations for the periods ended September 30, 2009 and 2008, and its cash flows for the periods ended September 30, 2009 and 2008. These statements should be read in conjunction with the financial statements and footnotes included in the fiscal 2009 annual report. Financial information as of June 30, 2009 has been derived from the Company's audited consolidated financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

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

Revenue Recognition:

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

The Company has four sources of revenue: revenue from product sales; revenue from installation of products; service revenue generated from providing integrated design, project and construction management, site engineering and site permitting; and revenue from shipping and handling.

Product revenue is recognized on product-only orders upon passing of title and risk of loss, generally at time of shipment. However, product revenue related to orders where the customer requires the Company to install the product is recognized when the product is installed. Other than normal product warranties or the possibility of installation or post-shipment service, support and maintenance of certain solid state LED video screens, billboards, or active digital signage, the Company has no post-shipment responsibilities.

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

Service revenue from integrated design, project and construction management, and site permitting is recognized when all products have been installed at each individual retail site of the customer on a proportional performance basis.

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

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

Credit and Collections:

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

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

(In thousands)	September 30, 2009	June 30, 2009
Accounts and notes receivable	$ 36,485	$ 30,213
less Allowance for doubtful accounts	(629)	(532)
Accounts and notes receivable, net	$ 35,856	$ 29,681

Cash and Cash Equivalents:

The cash balance includes cash and cash equivalents which have original maturities of less than three months. At September 30, 2009 and June 30, 2009, there were no bank balances in excess of FDIC insurance limits.

Inventories:

Inventories are stated at the lower of cost or market. 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	28 - 40 years
Machinery and equipment	3 - 10 years
Computer software	3 - 8 years

Costs related to the purchase, internal development, and implementation of the Company's fully integrated enterprise resource planning/business operating software system are either capitalized or expensed in accordance with ASC Subtopic 350-40, Intangibles – Goodwill and Other: Internal-Use Software. Leasehold improvements are depreciated over the shorter of fifteen years or the remaining term of the lease.

The following table presents the Company's property, plant and equipment at the dates indicated.

(In thousands)	September 30, 2009	June 30, 2009
Property, plant and equipment, at cost	$ 107,479	$ 103,280
less Accumulated depreciation	(62,540)	(61,237)
Property, plant and equipment, net	$ 44,939	$ 42,043

The Company recorded $1,330,000 and $1,471,000 of depreciation expense in the first quarter of fiscal 2010 and 2009, respectively.

Intangible Assets:

Intangible assets consisting of customer relationships, trade names and trademarks, patents, technology and software, and non-compete agreements are recorded on the Company's balance sheet. The definite-lived intangible assets are being amortized to expense over periods ranging between two and twenty years. The Company periodically evaluates definite-lived intangible assets for permanent impairment. 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 of Financial Instruments:

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

Product Warranties:

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

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

(In thousands)	September 30, 2009	June 30, 2009
Balance at beginning of the period	$ 223	$ 257
Additions charged to expense	256	557
Addition from acquisition	5	--
Deductions for repairs and replacements	(251)	(591)
Balance at end of the period	$ 233	$ 223

Research and Development Costs:

Research and development expenses are costs directly attributable to new product development and consist of salaries, payroll taxes, employee benefits, materials, supplies, depreciation and other administrative costs. All costs are expensed as incurred and are classified as operating expenses. The Company follows the requirements of ASC Subtopic 985-20, Software: Costs of Software to be Sold, Leased, or Marketed, by expensing as research and development all costs associated with development of software used in solid-state LED products. Research and development costs incurred related to both product and software development totaled $1,182,000 and $1,031,000 for the three month periods ended September 30, 2009 and 2008, respectively.

Earnings Per Common Share:

The computation of basic earnings per common share is based on the weighted average common shares outstanding for the period net of treasury shares held in the Company's non-qualified deferred compensation plan. The computation of diluted earnings per share is based on the weighted average common shares outstanding for the period and includes common share equivalents. Common share equivalents include the dilutive effect of stock options, contingently issuable shares and common shares to be issued under a deferred compensation plan, all of which totaled 235,000 shares and 227,000 shares for the three months ended September, 2009 and 2008, respectively. See also Note 5.

Stock Options:

There were no disqualifying dispositions of shares from stock option exercises in the first three months of fiscal 2010 or 2009. See further discussion regarding stock options in Note 11.

New Accounting Pronouncements:

In October 2009, the Financial Accounting Standards Board issued ASU 2009-14, "Certain Revenue Arrangements That Include Software Elements." This Standard Update clarifies when revenue can be recognized when tangible products contain both software and non-software components in a multiple deliverable arrangement. This update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 or the Company's fiscal year 2011. The Company does not expect any impact on its consolidated results of operations, cash flows or financial position when this ASU is adopted.

In October 2009, the Financial Accounting Standards Board issued ASU 2009-13 "Multiple Deliverable Revenue Arrangements." This Standard Update enables companies to account for products or services (deliverables) separately rather than as a combined unit in certain circumstances. Accounting Standards Codification Subtopic 605-25, Revenue Recognition – Multiple-Element Arrangements, establishes the accounting and reporting guidance for arrangements under which the vendor will perform multiple revenue-generating activities. The Subtopic addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 or the Company's fiscal year 2011. The Company does not expect any impact on its consolidated results of operations, cash flows or financial position when this ASU is adopted.

Comprehensive Income:

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

Subsequent Events:

For the quarter ended September 30, 2009, the Company has evaluated subsequent events for potential recognition and disclosure through November 6, 2009, the date of financial statement issuance.

Reclassifications:

Immaterial reclassifications may have been made to prior year amounts in order to be consistent with the presentation for the current year, including elimination of the separate breakout of Net Sales – Installation on the face of the Condensed Consolidated Statements of Operations because installation revenue in the current year did not meet the threshold for separate presentation.

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: MAJOR CUSTOMER CONCENTRATIONS

The Company's Lighting Segment and Graphics Segment net sales to 7-Eleven, Inc. represented approximately $7,747,000 or 11% of consolidated net sales in the three months ended September 30, 2009. The Company had a balance of accounts receivable from 7-Eleven, Inc. as of September 30, 2009 of approximately $4,082,000 or 11% of net accounts and notes receivable. There were no concentrations of net sales or accounts receivable at or for the three months ended September 30, 2008.

NOTE 4: BUSINESS SEGMENT INFORMATION

Accounting Standards Codification Topic 280, Segment Reporting, establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in interim 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 President and Chief Executive Officer) in making decisions on how to allocate resources and assess performance. While the Company has thirteen operating segments, it has only four reportable operating business segments (Lighting, Graphics, Technology and Electronic Components) and an All Other Category.

The Lighting Segment includes outdoor, indoor, and landscape lighting that has been fabricated and assembled for the commercial, industrial and multi-site retail lighting markets, including the petroleum/convenience store market. The Lighting Segment includes the operations of LSI Ohio Operations, LSI Metal Fabrication, LSI MidWest Lighting, LSI Lightron and LSI Greenlee Lighting. These operations have been integrated, have similar economic characteristics and meet the other requirements for aggregation in segment reporting.

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

The Technology Segment designs and produces high-performance light engines, large format video screens using solid-state LED technology, and certain specialty LED lighting. The primary markets served with LED video screens are the entertainment market, outdoor advertising billboard and sports markets not served by our Graphics Segment. The Technology Segment includes the operations of LSI Saco Technologies.

The Electronic Components Segment designs, engineers and manufactures custom designed electronic circuit boards, assemblies and sub-assemblies used in various applications including the control of solid-state LED lighting. Capabilities of this Segment also have applications in the Company's other LED product lines such as digital scoreboards, advertising ribbon boards and billboards. The Electronic Components Segment includes the operations of LSI ADL Technology, which was acquired by the Company on July 22, 2009.

The All Other Category includes the Company's operating segments that do not meet the aggregation criteria, nor the criteria to be a separate reportable segment. Operations of LSI Marcole (electrical wire harnesses), LSI Images (menu board systems), and LSI Adapt (surveying, permitting and installation management services related to products of the Graphics Segment) are combined in the All Other Category. Additionally, the Company's Corporate Administration expense is included in the All Other Category.

Summarized financial information for the Company's reportable business segments for the three months ended September 30, 2009 and 2008, and as of September 30, 2009 and June 30, 2009 is as follows:

(In thousands)	Three Months Ended September 30	
	2009	2008
Net sales:		
Lighting Segment	$ 39,641	$ 49,636
Graphics Segment	22,097	21,136
Technology Segment	1,061	2,818
Electronic Components Segment	3,238	--
All Other Category	1,639	2,248
	$ 67,676	$ 75,838
Operating income (loss):		
Lighting Segment	$ 3,480	$ 4,463
Graphics Segment	1,541	1,163
Technology Segment	423	625
Electronic Components Segment	56	--
All Other Category	(3,003)	(2,035)
	$ 2,497	$ 4,216
Capital expenditures:		
Lighting Segment	$ 271	$ 352
Graphics Segment	164	81
Technology Segment	9	16
Electronic Components Segment	387	--
All Other Category	302	26
	$ 1,133	$ 475
Depreciation and amortization:		
Lighting Segment	$ 809	$ 882
Graphics Segment	264	338
Technology Segment	101	110
Electronic Components Segment	163	--

All Other Category		609		660
	$	1,946	$	1,990

	September 30, 2009	June 30, 2009
Identifiable assets:		
Lighting Segment	$ 73,957	$ 72,222
Graphics Segment	35,736	32,280
Technology Segment	12,317	12,317
Electronic Components Segment	22,916	--
All Other Category	27,031	36,299
	$ 171,957	$ 153,118

Segment net sales represent sales to external customers. Intersegment revenues were eliminated in consolidation as follows:

(In thousands)	Three Months Ended September 30	
	2009	2008
Lighting Segment intersegment net sales	$ 4,935	$ 3,429
Graphics Segment intersegment net sales	$ 203	$ 356
Technology Segment intersegment net sales	$ 2,299	$ 3,406
Electronic Components Segment intersegment net sales	$ 1,035	$ --
All Other Category intersegment net sales	$ 640	$ 1,875

Segment operating income, which is used in management's evaluation of segment performance, represents net sales less all operating expenses including impairment of goodwill and intangible assets, but excluding interest expense and interest income.

Identifiable assets are those assets used by each segment in its operations. Corporate assets, which consist primarily of cash and cash equivalents, refundable income taxes and certain intangible assets are included in the All Other Category.

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

(In thousands)	Three Months Ended September 30	
	2009	2008
Net sales (a):		
United States	$ 66,615	$ 73,020
Canada	1,061	2,818
	$ 67,676	$ 75,838

	September 30,	June 30, 2009
Long-lived assets (b):		
United States	$ 46,634	$ 45,898
Canada	490	564
	$ 47,124	$ 46,462

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

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

NOTE 5: EARNINGS PER COMMON SHARE

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

	Three Months Ended September 30	
	2009	2008
BASIC EARNINGS PER SHARE		
Net income	$1,637	$2,687
Weighted average shares outstanding during the period, net of treasury shares (a)	23,453	21,578
Weighted average shares outstanding in the Deferred Compensation Plan during the period	230	218
Weighted average shares outstanding	23,683	21,796
Basic earnings per share	$0.07	$0.12
DILUTED EARNINGS PER SHARE		
Net income	$1,637	$2,687
Weighted average shares outstanding		

- Basic	23,683	21,796
Effect of dilutive securities (b):Impact of common shares to be issued under stock option plans, and contingently issuable shares, if any	5	9
Weighted average shares outstanding (c)	23,688	21,805
Diluted earnings per share	$0.07	$0.12

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

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

(c) Options to purchase 1,793,548 common shares and 1,216,949 common shares during the three month periods ending September 30, 2009 and 2008, respectively were not included in the computation of diluted earnings per share because the exercise price was greater than the average fair market value of the common shares.

NOTE 6: BALANCE SHEET DATA

The following information is provided as of the dates indicated (in thousands):

	September 30, 2009	June 30, 2009
Inventories		
Raw materials	$ 20,650	$ 20,498
Work-in-process	9,035	7,097
Finished goods	15,067	12,601
	$ 44,752	$ 40,196
Accrued Expenses		
Compensation and benefits	$ 4,958	$ 5,788
Customer prepayments	1,550	1,816
Accrued commissions	922	919
Other accrued expenses	2,964	1,845
	$ 10,394	$ 10,368

NOTE 7: GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with Accounting Standards Codification (ASC) Topic 350, Intangibles – Goodwill and Other, the Company is required to perform an annual impairment test of its goodwill and indefinite-lived intangible assets. The Company performs this test as of July 1st of each fiscal year and on an interim basis when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company uses a combination of the market approach and the income (discounted cash flow) approach in determining the fair value of its reporting units. Under ASC Topic 350, the goodwill impairment test is a two-step process. Under the first step, the fair value of the Company's reporting unit is compared to its respective carrying value. An indication that goodwill is impaired occurs when the fair value of a reporting unit is less than the carrying value. When there is an indication that goodwill is impaired, the Company is required to perform a second step. In step two, the actual impairment of goodwill is calculated by comparing the implied fair value of the goodwill with the carrying value of the goodwill.

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

Due to current economic conditions, the effects of the recession on the Company's markets and the decline in the Company's stock price, management believed that an additional goodwill impairment test was required as of June 30, 2009. The impairment test performed as of June 30, 2009 was actually the Company's annual goodwill impairment test that was to be performed as of July 1, 2009; however, because the conditions that resulted in goodwill impairment were present as of June 30, 2009, the estimated partial impairment charge of $260,000 was recorded in one reporting unit in the All Other Category as of that date. The impairment charge was due to a decline in the estimated forecasted discounted cash flows since the previous goodwill impairment test was performed.

The impairment test was completed in the first quarter of fiscal 2010 at which time it was determined that no further adjustment to the estimate, recorded at June 30, 2009, was needed. A similar analysis was performed in fiscal 2009 as of July 1, 2008 and there was no impairment of goodwill.

The following tables present information about the Company's goodwill and other intangible assets on the dates or for the periods indicated.

(In thousands)	Lighting Segment	Graphics Segment	Electronic Components Segment	All Other Category	Total
Balance as of June 30, 2008	$11,320	$974	$ --	$3,731	