

LSI INDUSTRIES INC
Form DEF 14A
October 01, 2010

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

LSI Industries Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined)

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4)

Date Filed:

Notice of Annual Meeting of Shareholders
and Proxy Statement

October 1, 2010

Dear Shareholder:

We invite you to attend our Annual Meeting of Shareholders on Thursday, November 18, 2010, at 10:00 a.m. at the Company's headquarters located at 10000 Alliance Road, Cincinnati, Ohio. At the meeting, you will hear a report on our operations and have a chance to meet your Company's Directors and executives.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you more about the agenda and procedures for the meeting. It also describes how the Board operates and provides information about our Director candidates.

The Company is once again pleased to take advantage of U.S. Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. As a result, we are including a Notice of Internet Availability of Proxy Materials (the "Notice") with this proxy statement. The Notice contains instructions on how to access and review the proxy materials and our Annual Report on Form 10-K over the Internet. The Company believes that this process allows us to provide our shareholders with the information they need in a more timely manner.

Even if you own only a few shares, we want your shares to be represented at the meeting. I urge you to complete, sign, date and promptly return your proxy card in the enclosed envelope.

Sincerely yours,

/s/ Robert J. Ready

Robert J. Ready
Chairman of the Board,
Chief Executive Officer, and President

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING TO BE HELD ON NOVEMBER 18, 2010
The Notice of Meeting and Proxy Statement as well as the Company's Annual Report on
Form 10-K are available at www.edocumentview.com/LYTS2010

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF
LSI INDUSTRIES INC.

Time:

10:00 a.m., Eastern Standard Time

Date:

Thursday, November 18, 2010

Place:

LSI Industries Corporate Headquarters
10000 Alliance Road
Cincinnati, Ohio 45242

Purpose:

- Elect as Directors the six nominees named in the accompanying proxy materials
- Ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for fiscal 2011
- Amend the Company's Nonqualified Deferred Compensation Plan to increase the number of Common Shares available for issuance thereunder
- Conduct other business if properly raised

Only shareholders of record on September 20, 2010 may vote at the meeting. The approximate mailing date of the Proxy Statement and accompanying proxy card is October 1, 2010.

Your vote is important. Please complete, sign, date, and promptly return your proxy card in the enclosed envelope.

/s/ Robert J. Ready

Robert J. Ready
Chairman of the Board,
Chief Executive Officer, and President

October 1, 2010

LSI Industries Inc.
Proxy Statement

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The Company makes available, free of charge on its website, all of its filings that are made electronically with the Securities and Exchange Commission (“SEC”), including Forms 10-K, 10-Q, and 8-K and any amendments thereto. To access these filings, go to the Company’s website (www.lsi-industries.com) and click on the “SEC Filings” tab in the left margin on the “Investor Relations” page. Copies of the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2010, including financial statements and schedules thereto, filed with the SEC are also available without charge to shareholders upon written request addressed to:

LSI Industries Inc.
Ronald S. Stowell,
Vice President, Chief Financial Officer
& Treasurer
10000 Alliance Road
Cincinnati, Ohio 45242

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LSI INDUSTRIES INC.

10000 Alliance Road
Cincinnati, Ohio 45242

Telephone (513) 793-3200

PROXY STATEMENT

Annual Meeting of Shareholders
November 18, 2010

INTRODUCTION

The Board of Directors of LSI Industries Inc. is requesting your proxy for the Annual Meeting of Shareholders on November 18, 2010, and at any postponement or adjournment of such meeting. This Proxy Statement and the accompanying proxy card were first mailed on October 1, 2010 to shareholders of record as of September 20, 2010.

VOTING AT ANNUAL MEETING

General Information

In order to carry on the business of the meeting, we must have a quorum. This means at least a majority of the outstanding shares eligible to vote must be represented at the meeting either by proxy or in person. Shareholders may vote in person or by proxy at the Annual Meeting. Proxies given may be revoked at any time by filing with the Company (to the attention of Ronald S. Stowell) either a written revocation or a duly executed proxy bearing a later date, or by appearing at the Annual Meeting and voting in person. If you hold shares through someone else, such as a stockbroker or bank, you may get material from them asking how you want to vote. Specifically, if your shares are held in the name of your stockbroker or bank and you wish to vote in person at the meeting, you should request your stockbroker or bank to issue you a proxy covering your shares. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote. The Company will bear the entire cost of soliciting proxies from our shareholders.

All shares will be voted as specified on each properly executed proxy card. If no choice is specified, the shares will be voted as recommended by the Board of Directors, namely "FOR" Proposal 1 to elect the six persons nominated as Directors by the Nominating and Corporate Governance Committee of the Board of Directors, "FOR" Proposal 2 (Ratification of Appointment of Independent Registered Public Accounting Firm) and "FOR" Proposal 3 (Amendment to the Company's Nonqualified Deferred Compensation Plan). If any other matters come before the meeting or any postponement or adjournment thereof, each proxy will be voted in the discretion of the individuals named as proxies on the proxy card. With respect to Proposal 1, the six nominees receiving the greatest number of votes will be elected. With respect to Proposals 2 and 3, each proposal will be adopted only if it receives approval by a majority of the Common Shares voting at the Annual Meeting.

Banks or brokers holding shares for beneficial owners must vote those shares as instructed. If the bank or broker has not received instructions from you, the beneficial owner, the bank or broker generally has discretionary voting power only with respect to the ratification of appointment of the independent registered public accountants. Due to a change in the rules of the New York Stock Exchange, however, and unlike previous years, a bank or broker no longer has discretion to cast votes with respect to the election of Directors unless they have received voting instructions from the beneficial owner of the shares. It is therefore important that you provide instructions to your bank or broker if your shares are held by such a bank or broker so that your vote with respect to Directors is counted.

As of September 20, 2010, the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting, LSI Industries had 24,038,256 Common Shares outstanding. Each share is entitled to one vote. Only shareholders of record at the close of business on September 20, 2010, will be entitled to vote at the Annual Meeting. Abstentions and shares otherwise not voted for any reason, including broker non-votes, will have no effect on the outcome of any vote taken at the Annual Meeting, except as otherwise described herein. Broker non-votes occur when a broker returns a proxy card but does not have authority to vote on a particular proposal.

Principal Shareholders

As of September 20, 2010, the following are the only shareholders known by the Company to own beneficially 5% or more of its outstanding Common Shares:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent Of Class
Royce & Associates LLC 1414 Avenue of the Americas, 9th Floor New York, NY 10019-2578	2,661,381	10.68%
Craig A. Miller, David T. Feeney and Kevin A. Kelly 2727 Scioto Parkway Columbus, Ohio 43221	2,425,276	9.73%
Columbia Management Group Inc. 100 Federal Street, 19th Floor Boston, MA 02110	1,510,350	6.06%
Comerica Asset Management 8850 Boedeker Drive Dallas, TX 75225	1,251,193	5.02%

Shareholder Proposals

Shareholders who desire to have proposals included in the Notice for the 2011 Annual Meeting of Shareholders must submit their proposals to the Company at its offices on or before June 3, 2011.

The form of Proxy for the Annual Meeting of Shareholders grants authority to the persons designated therein as proxies to vote in their discretion on any matters that come before the meeting, or any adjournment or postponement thereof, except those set forth in the Company's Proxy Statement and except for matters as to which adequate notice is received. In order for a notice to be deemed adequate for the 2011 Annual Shareholders' Meeting, it must be received prior to August 18, 2011. If there is a change in the anticipated date of next year's annual meeting or if these deadlines change by more than 30 days, we will notify you of this change through our Form 10-Q filings.

Proposal 1. Election of Directors

In accordance with the Company's Regulations, the number of LSI Directors has been set at six, and each Director is elected for a one-year term. The terms of the Company's Directors expire at the 2010 Annual Meeting of Shareholders.

The Nominating and Corporate Governance Committee of the Board has nominated for reelection the six current Directors, namely, Gary P. Kreider, Dennis B. Meyer, Wilfred T. O'Gara, Robert J. Ready, Mark A. Serrienne and James P. Sferra. Proxies solicited by the Board will be voted for the election of these six nominees.

All Directors elected at the Annual Meeting will be elected to hold office for one year and until their successors are elected and qualified. In voting to elect Directors, shareholders are entitled to one vote for each share held of record. Shareholders are not entitled to cumulate their votes in the election of Directors.

Should any of the nominees become unable to serve, proxies will be voted for any substitute nominee designated by the Board. The six nominees receiving the highest number of votes cast will be elected.

Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR each of the six Directors nominated in this Proxy Statement. The six nominees receiving the highest number of votes will be elected.

Proposal 2. Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors appointed Grant Thornton LLP as the Company's independent registered public accountants for fiscal 2011. Grant Thornton LLP has been the independent registered public accounting firm for the Company since September 8, 2009, and had also previously served the Company in this capacity from April 2002 to December 2005. Although not required by law, the Board is seeking shareholder ratification of its selection. If ratification is not obtained, the Audit Committee intends to continue the employment of Grant Thornton LLP at least through fiscal 2010. The Audit Committee had engaged Deloitte & Touche LLP ("Deloitte") as the Company's independent registered public accounting firm from December 2005 to September 8, 2009.

On September 8, 2009, the Audit Committee of the Board of Directors notified Deloitte, its independent registered public accounting firm, of its dismissal effective on or soon after the Registrant's filing of its Annual Report on Form 10-K for the fiscal year ending June 30, 2009. The Company's Annual Report on Form 10-K for the fiscal year ending June 30, 2009 was filed on September 11, 2009 and, as a result, the dismissal of Deloitte became effective as of that date.

Deloitte's report on the Registrant's financial statements for each of the last two fiscal years (ending June 30, 2009 and June 30, 2008) did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified, except for the Registrant's adoption of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an Interpretation of Financial Accounting Standards Board Statement No. 109, on July 1, 2007, as to uncertainty, audit scope, or accounting principles. During the Registrant's three most recent fiscal years (ending June 30, 2009 and June 30, 2008) and the subsequent period of fiscal 2010 preceding the dismissal of Deloitte, there were no disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of Deloitte, would have caused it to make a reference to the subject matter in connection with its report.

As previously reported and as discussed under Item 9A of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009, management identified a material weakness in our internal control over financial reporting related to the identification of reporting units. To address this material weakness and to ensure that the Company properly considers and applies the related financial accounting principles, we implemented new procedures with respect to how the goodwill impairment tests are conducted, re-analyzed the technical application of the related financial accounting principles and re-defined our reporting units for goodwill impairment testing so that goodwill impairment tests are now performed at the operating segment level.

Except for the material weakness discussed above, during the Company's two most recent fiscal years and the subsequent period of fiscal 2011, there have been no reportable events (as defined in Regulation S-K Item 304(a)(1)(v)).

Representatives of Grant Thornton LLP are expected to be present at the Annual Shareholders' Meeting and will be given an opportunity to make a statement, if they so desire, and to respond to appropriate questions that may be asked by shareholders.

Audit Fees

The Company expensed the following fees from Grant Thornton LLP and Deloitte & Touche LLP in the fiscal years ended June 30, 2009 and 2010, respectively:

	Deloitte & Touche LLP 2009	Deloitte & Touche LLP 2010	Grant Thornton LLP 2010
Audit fees	\$ 628,253	\$ 148,896	\$ 385,000
Audit-related fees	66,000	--	28,958
Tax fees	90,400	--	85,177
All other fees	--	8,000	3,950
Total fees	\$ 784,653	\$ 156,896	\$ 503,085

Audit fees represent fees and out-of-pocket expenses related to the audit of the Company's financial statements; review, documentation and testing of the Company's system of internal controls; filing of the Form 10-K; services related to review of the Company's quarterly financial statements and Form 10-Q's; and attendance at the Company's quarterly Audit Committee meetings. Audit-related fees represent fees for consultation related to accounting and regulatory filing matters, acquisition due diligence services, and to audits of the Company's qualified retirement plan. Tax fees relate to services and out-of-pocket expenses related to tax compliance (or filing of the Company's various income and franchise tax returns), tax planning, and tax advice. All other fees represent fees related to services and consultation related to various planning matters.

Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR Proposal 2. The affirmative vote of a majority of Common Shares voting at the Annual Meeting is required for approval of this proposal.

Proposal 3. Amendment to the Company's Nonqualified Deferred Compensation Plan to increase the number of Common Shares available for issuance thereunder

General Information

Based on the recommendation of the Compensation Committee, the Board of Directors has approved an amendment to the Nonqualified Deferred Compensation Plan (the "Plan"), subject to shareholder approval, to increase the number of Common Shares available for issuance under the Plan from 375,000 Common Shares (as adjusted for stock splits) to 475,000 Common Shares. The Plan was originally effective as of September 15, 1996 and was amended and restated on November 19, 2009. The Board of Directors has determined that it would be in the best interests of the Company and its shareholders to effect the amendments to the Plan.

The Common Shares to be issued or delivered under the Plan will be authorized and unissued shares or previously issued and outstanding Common Shares reacquired by the Company. The closing price of LSI's Common Shares on September 3, 2010 was \$5.44.

The proposed amendment to the Plan is attached to this Proxy Statement as Annex A. The summary below does not purport to be complete and is qualified in its entirety by reference to the Plan document, which has been filed with the SEC. In the event and to the extent that this summary is inconsistent with the Plan document, the Plan document shall govern.

Shares Subject to the Plan

The Plan authorizes the issuance of up to 375,000 Common Shares. As of September 3, 2010, there were 6,352 Common Shares available for issuance. If the amendment is approved, there will be a total of 106,352 Common Shares available for issuance.

Administration

The Plan is administered by the Compensation Committee of the Board of Directors. The Committee's authority covers such matters as interpreting the Plan, making appropriate changes to awards made under the Plan to reflect changes in the capital structure of the Company, determining the performance goal pursuant to which certain incentive allocations (as defined in the Plan) are based and additional discretionary allocations. The Committee may delegate administrative authority for such matters as record keeping to one or more officers or employees of the Company.

Participation

Participation in the Plan is limited to a select group of management or highly compensation employees of the Company, which persons shall be designated by the Committee as eligible to participate in the Plan.

Election to Defer

Participants in the Plan must make a deferral election for the relevant plan year on forms prescribed by the Committee. The participant may elect to defer up to 100% of his or her compensation for that plan year, and the Committee may provide for separate deferrals for regular earnings and bonuses.

Employer Allocations

Employer Make-Up Allocations. If an election under the Plan causes a participant to receive a smaller allocation of Company contributions and/or forfeitures under the Company's Retirement Plan, the Company will credit that participant's deferred compensation account with a proportional amount during the plan year corresponding to the participant's allocations under the Retirement Plan.

LSI Incentive Allocations. Each participant that has made an election for one of the most recent three plan years is eligible to receive an LSI incentive allocation based on achievement of the performance goal as determined by the Committee in its sole discretion. For each participant, the Committee shall determine the number of Common Shares acquired during each of the three most recent plan years, with a percentage of such number being the number of shares each participant is eligible to receive. This determination and the applicable percentage shall be calculated in accordance with the terms of the Plan. Each participant's deferred compensation account shall then be credited with an amount equal to the value of this number of Common Shares.

Additional LSI Allocations. The Company may make such additional discretionary allocations to certain participants as are approved by the Committee from time to time.

Investments

Participants' deferred compensation accounts will be credited with earnings or losses as though invested primarily in LSI Common Shares, with the rate of return, and the time at which participants' accounts are to be increased or decreased based on this rate of return to be determined by the Committee, in its sole discretion.

Vesting

Participants' rights to their deferred compensation accounts (as adjusted for earnings and losses) shall be fully vested and nonforfeitable at all times.

Payment of Deferred Amounts

Participants will receive benefits under the Plan in the form of whole Common Shares, with fractional shares to be paid in cash. Participants may elect to receive these benefits in either a single lump sum payment or equal annual installments for not more than 10 years, and may change their election under certain circumstances described in the Plan. A participant who has elected to receive installment payments will have his or her deferred compensation account credited with earnings or losses until payment of the final installment. The Plan gives the Committee sole discretion to approve hardship distributions in the event of an "unforeseeable emergency" (as defined in the Plan). Upon a participant's death, amounts in that participant's deferred compensation account will be paid to his or her beneficiary in either a single lump sum payment or equal annual installments, based on that participant's election in effect at the time of death.

Termination and Amendme