

LSI INDUSTRIES INC.

DIRECTOR INDEPENDENCE STANDARDS

1. **Background.** A majority of the Board of Directors of LSI Industries Inc. (the "Company") must be comprised of independent directors. In addition, each of the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee must be comprised solely of independent directors. Listing Rules of the Nasdaq Stock Market ("Nasdaq Rules") define persons who may be deemed independent directors. In some cases, the Nasdaq Rules refer to further independence standards set forth in the Securities Exchange Act of 1934, as amended, and its related rules and regulations (the "Exchange Act"). These independence requirements are discussed in more detail below.

2. **Intent.** These Director Independence Standards are intended to be consistent with the applicable Nasdaq Rules and the Exchange Act.

3. **Definition of Independent Director.** An "independent director" refers to anyone other than a person who:

a. Currently is, or at any time during the past three years was, employed by the Company (or any parent company or subsidiary company of the Company); or

b. Has a relationship, which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The existence of any of the following types of relationships set forth in Nasdaq Rules would preclude a Board finding of independence, but this list is not intended to be exhaustive:

i. **Receipt of Certain Payments:** A person who accepts or who has a family member¹ who accepts payments from the Company, or parent or subsidiary of the Company, in excess of \$120,000 during any period of twelve consecutive months within the past three years. The foregoing is not intended to include: (A) compensation for Board or Board Committee service, (B) compensation paid to any family member who is a non-executive employee of the Company, and (C) benefits received under a tax-qualified retirement plan, or non-discretionary compensation.

ii. **Family of Executive Officer:** A person who is a family member of an individual who is, or at any time during the past three years was, employed by the Company, or by any parent or subsidiary of the Company, as an executive officer.

iii. **Business Relationship:** A person who is, or has a family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceeded 5% of the recipient's

¹ "Family member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in a person's home.

consolidated gross revenues for that year, or \$200,000, whichever is more. The foregoing is not intended to include payments: (A) arising solely from investments in the Company's securities; and (B) payments under non-discretionary charitable contribution matching programs.

iv. **Interlocking Directorate:** A director of the Company who is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company serves on the compensation committee of such other entity.

v. **Auditor Relationship:** A person who: (A) is, or has a family member who is, a current partner of the Company's outside auditor, or (B) was a partner or employee of the Company's outside auditor and worked on the Company's audit at any time during any of the past three years.

4. **Additional Independence Requirements for Audit Committee Members.** In addition to being an independent director as defined above, members of the Audit Committee must also meet the following independence tests:

a. The Audit Committee member may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries. For the purposes of this independence standard, compensatory fees are not intended to include Board or Board committee fees or fixed amounts of compensation under a retirement plan for prior service with the Company (provided that such compensation is not contingent in any way on continued service). Indirect acceptance includes acceptance: (i) by a spouse, by a minor child or stepchild, or by a child or stepchild sharing a home with the member; or (ii) by an entity (A) in which the member is a partner, member, executive officer (or similar position), and (B) which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any of its subsidiaries.

b. The Audit Committee member must not be an "affiliated person" of the Company in accordance with rules of the Exchange Act. For these purposes, a member of the Audit Committee may not beneficially own or control 10% or more of the Company's securities.

c. The Audit Committee member must not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.