INDUSTRIAL SERVICES OF AMERICA INC
Form 10-K
March 13, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to ________

Commission File Number 0-20979

INDUSTRIAL SERVICES OF AMERICA, INC.

(Exact Name of Registrant as specified in its Charter)

Florida	59-0712746
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7100 Grade Lane, Louisville, Kentucky	40213
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (502) 366-3452

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.0033 par value NASDAQ Capital Market

(Title of class) (Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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Indicate by check mark whether the registrant (1) has filed all Reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

(Check one):	Large accelerated filer	Accelerated filer
	Non-accelerated filer	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates based on the closing price per share of $2.07 for shares of the registrant's common stock as reported by the Nasdaq Capital Market as of the last business day of the registrant's most recently completed second fiscal quarter was $10,764,635. Solely for the purposes of this calculation, shares held by directors, executive officers and 10% owners of the registrant have been excluded. Such exclusion should not be deemed a determination or an admission by the registrant that such individuals are, in fact, affiliates of the registrant.

Number of shares of Common Stock, $0.0033 par value, outstanding as of the close of business on March 8, 2019: 8,107,865.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2019 Annual Meeting of Shareholders are incorporated by reference into Item 10. through Item 14. of Part III of this report.

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PART I

Item 1. Business

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 were restarted in May 2017, which had previously been idled in May 2015. 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.

On March 26, 2018, the Board appointed Todd L. Phillips as Chief Executive Officer. See Note 9 - Share-based Compensation and Other Compensation Agreements in the accompanying Notes to Consolidated Financial Statements for additional information. Mr. Phillips has been the Company's Chief Financial Officer since December 31, 2014 and President since September 30, 2016 and will continue to serve in these roles.

Available Information

We make available, free of charge, through our website www.isa-inc.com, our annual reports on Form 10-K and quarterly reports on Form 10-Q and amendments to those reports as soon as reasonably practicable after we have electronically filed with the Securities and Exchange Commission. We also make available on our website our Board of Directors committee charters, our Business Ethics Policy and Code of Conduct and our Code of Ethics for the CEO, CFO and senior financial officers. Please note that our Internet address is included in this annual report on Form 10-K as an inactive textual reference only. Information contained on our website www.isa-inc.com is not incorporated by reference into this annual report on Form 10-K and should not be considered a part of this report.

The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ISA Recycling Operating Division

We have one segment, our Recycling Segment. Our Recycling Segment buys, processes and markets ferrous and non-ferrous metals and other recyclable commodities and buys used automobiles in order to sell used automobile parts. The Company purchases, processes and sells ferrous and non-ferrous scrap metal to steel mini-mills, integrated steel makers, foundries, refineries and processors. The Company purchases 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. The Company processes ferrous scrap metal through sorting, cutting, baling, and shredding operations. The shredding operations were idled in May 2015 and restarted in May 2017. The non-ferrous scrap recycling operations consist primarily of collecting, sorting and processing various grades of copper, aluminum, stainless steel and brass.

We also operate the ISA Pick.Pull.Save used automobile parts yard, which is considered a product line within the Recycling Segment. We purchase automobiles for the yard through auctions, automobile purchase programs with various suppliers and general scrap purchases. Retail customers locate and remove used parts for purchase from automobiles within the yard. Freon, fuel, tires and certain core automobile parts are also sold to various resellers for additional revenue. All automobiles are sold as scrap metal or used in our shredding operations after a specified time period in the yard.

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Ferrous Operations

Ferrous Scrap Purchasing - We purchase ferrous scrap from two primary sources: (i) industrial and commercial generators of steel and iron; and (ii) scrap dealers, peddlers, and other generators and collectors who sell us steel and iron scrap. Market demand and the composition, quality, size and weight of the materials are the primary factors that determine prices paid to these material providers.

Ferrous Scrap Processing - We prepare ferrous scrap material for resale through a variety of methods including sorting, cutting, baling and shredding operations. The shredding operations were idled in May 2015 and restarted in May 2017. We produce a number of differently sized, shaped and graded products depending upon customer specifications and market demand.

- Sorting - After purchasing ferrous scrap material, we inspect it to determine how we should process it to maximize profitability. In some instances, we may sort scrap material and sell it without further processing. We separate scrap material for further processing according to its size, composition and grade by using conveyor systems, front-end loaders, crane-mounted electromagnets and claw-like grapples.

- Cutting - Pieces of over-sized ferrous scrap material, such as obsolete steel girders and used pipe, which are too large for other processing, are cut with hand torches.

- Baling - We process light-gauge ferrous materials such as clips, sheet iron and by-products from industrial and commercial processes, such as stampings, clippings and excess trimmings, by baling these materials into large, uniform blocks. We use cranes and conveyors to feed the material into a hydraulic press, which compresses the material into uniform blocks.

- Shredding and related metal recovery - The shredding operations were idled in May 2015 and restarted in May 2017. We shred large pieces of scrap material, such as automobiles and major appliances, in our shredder by hammer mill action into pieces of a workable size that pass through magnetic separators to separate ferrous metal from non-ferrous metals, synthetic foam, fabric, rubber, stone, dirt, etc. The ferrous metal we recover from the shredding process is sold directly to customers or reused in some other metal blend. The residue by-product is usually referred to as “automobile shredder residue” ("ASR") or “shredder fluff." We further separate the ASR into non-ferrous metals and non-metal waste. The non-ferrous metals are sold directly to customers or reused in some other metal blend. We dispose of the non-metal waste, which can reduce the volume of the scrap as much as 25.0%, in a landfill. Revenues from the ferrous and non-ferrous metals related to this shredding and related metal recovery processes are recognized in revenue from ferrous operations in the Consolidated Financial Statements.

Ferrous Scrap Sales - We sell processed ferrous scrap material to end-users such as steel mini-mills, integrated steel makers and foundries, and brokers who aggregate materials for other large users. Most customers purchase processed ferrous scrap material through negotiated spot sales contracts, which establish the quantity purchased for the month and the pricing. The price we charge for ferrous scrap materials depends upon market supply and demand, as well as quality and grade of the scrap material. We deliver scrap ourselves or use third party carriers via truck, and/or rail car. Some customers choose to send their own delivery trucks. These trucks are weighed and loaded at one of our sites based on the sales order.

Auto Parts Operations

We operate a single self-service retail parts location. We generate revenue from the sale of parts, cores and scrap. Our location consists of an indoor retail facility combined with a fenced outdoor storage area for autos. We operate our self-service auto parts business under the name of ISA Pick.Pull.Save.

Non-Ferrous Operations

Non-Ferrous Scrap Purchasing - We purchase non-ferrous scrap from two primary sources: (i) industrial and commercial non-ferrous scrap material providers who generate or sell waste aluminum, copper, brass, stainless steel and other metals; and (ii) peddlers, scrap dealers, generators and collectors who deliver directly to our facilities material that they collect from a variety of sources. We also collect non-ferrous scrap from sources other than those that are delivered directly to our processing facilities by placing retrieval boxes at these sources. We subsequently transport the boxes to our processing facilities.

Non-Ferrous Scrap Processing - We prepare non-ferrous scrap metals, principally aluminum, copper, brass and stainless steel to sell by sorting, cutting and baling.

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- Sorting - Our sorting operations separate and identify non-ferrous scrap by using front-end loaders, grinders, hand torches and spectrometers. Our ability to identify metallurgical composition maximizes margins and profitability. We sort non-ferrous scrap material for further processing according to type, grade, size and chemical composition. Throughout the sorting process, we determine whether the material requires further processing before we sell it.

- Cutting - Pieces of over-sized non-ferrous scrap material, which are too large for other processing methods, are cut with hand torches.

- Baling - We process non-ferrous metals such as aluminum cans, sheet and siding by baling these materials into large uniform blocks. We use front-end loaders and conveyors to feed the material into a hydraulic press, which compresses the material into uniform blocks.

Non-Ferrous Scrap Sales - We sell processed non-ferrous scrap material either directly or indirectly to end-users or processors such as foundries, aluminum sheet and ingot manufacturers, copper refineries and smelters, steel mini-mills, integrated steel makers, steel foundries and refineries, copper wire processors and brass and bronze ingot manufacturers. Prices for the majority of non-ferrous scrap materials change based upon the daily publication of spot and futures prices on COMEX or the London Metals Exchange. We deliver scrap ourselves or use third party carriers via truck and/or rail car. Some customers choose to send their own delivery trucks. These trucks are weighed and loaded at one of our sites based on the sales order.

Company Background

ISA was incorporated in 1953 in Florida under the name ALSON MFG. CO. and originally designed and manufactured various forms of electrical products.

In 1984, ISA moved into waste handling and disposal equipment sales.

In 1985, we began offering solid waste management consultations.

We began focusing on ferrous and non-ferrous scrap metal recycling in 1997 and expanded into the stainless steel blending and high-temperature alloys recycling business in 2009.

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In 2012, we opened the ISA Pick.Pull.Save used automobile yard.

In 2013, we discontinued the stainless steel blending and high-temperature alloys recycling business.

In 2015, we exited the waste services business and idled our shredder.

In May 2017, we restarted our shredding operations.

Currently, our primary focus is ferrous and non-ferrous metal recycling, as well as selling used auto parts.

Competition

The metal recycling business is highly competitive and is subject to significant changes in economic and market conditions. Pricing and proximity to a metal source are the major competitive factors in the metal recycling business. We compete for the purchase and sale of scrap metal with large, well-financed recyclers of scrap metal as well as smaller metal facilities and brokers/dealers.

Dependence on Major Customer

We had sales to one major customer that totaled approximately 21.2% and 16.3% of our net sales for the years ended December 31, 2018 and 2017, respectively.

Employees

As of February 28, 2019, we had 83 full-time employees. None of our employees are members of a union.

Effect of State and Federal Environmental Regulations

Although we believe that our business model adequately protects us from potential environmental liability, we also continue to use our best efforts to be in compliance with federal, state and local environmental laws. Such compliance has not historically constituted a material expense to us.

The recycling operations are subject to federal, state and local requirements, which regulate health, safety, the environment, zoning and land-use. We strive to conduct our operations in compliance with applicable laws and regulations. While such amounts expended in the past or that we anticipate spending in the future have not had and are not expected to have a material adverse effect on our financial condition or operations, the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies or other factors could materially alter this expectation.

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Item 1A. Risk Factors

This Annual Report on Form 10-K includes “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including, in particular, certain statements about our plans, strategies and prospects. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that such plans, intentions or expectations will be achieved. Important factors that could cause our actual results to differ materially from our forward-looking statements include those set forth in this Risk Factors section. All forward-looking statements attributable to us or any persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth below. Unless the context requires otherwise, all references to the “Company,” “we,” “us” or “our” include Industrial Services of America, Inc. and subsidiaries.

If any of the following risks, or other risks not presently known to us or that we currently believe to not be significant, develop into actual events, then our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected.

Risks Related to Our Operations

We operate in industries that are cyclical and sensitive to general economic conditions, which could have a material adverse effect on our operating results, financial condition and cash flows.

Demand for most of our products is cyclical in nature and sensitive to general economic conditions. The timing and magnitude of the cycles in the industries in which our products are used, including global metal production, are difficult to predict. The cyclical nature of our operations tends to reflect and be amplified by changes in economic conditions, both domestically and internationally, and foreign currency exchange fluctuations. The impact of recent political events, such as tariffs on metal imports, on global economic conditions is currently uncertain. Economic downturns or a prolonged period of slow growth in the industries in which we operate could have a material adverse effect on our results of operations, financial condition and cash flows.

Our business has a major involvement in ferrous and non-ferrous metals. This market is extremely competitive and increased competition could result in a reduction of our revenue and consequent decrease in our common stock price.

The metal recycling business is highly competitive. Pricing and proximity to a metal source are the major competitive factors in the metal recycling business. Many companies offer or are engaged in the development of products or the provisions of services that may be or are competitive with our current products or services. Certain of our competitors have greater financial, technical, manufacturing, marketing, distribution, and other resources and assets than we possess. In addition, the industry is constantly changing as a result of consolidation, which may create additional competitive pressures in our business environment. There can be no assurance that we will be able to maintain our current market share or obtain our desired market share based on the competitive nature of this industry.

Changes in the availability or price of raw materials and end-of-life vehicles could reduce our sales.

We rely on suppliers for most of our raw material needs. Industry supply conditions generally involve risks, including the possibility of shortages of raw materials, increases in raw material costs and reduced control over delivery schedules. We procure our scrap inventory from numerous sources. These suppliers generally are not bound by long-term contracts and have no obligation to sell scrap metal to us. In periods of declining or lower scrap metal prices, such as the declining price environment we experienced in fiscal 2015 and the first half of fiscal 2016, suppliers may elect to hold scrap metal to wait for higher prices or intentionally slow their metal collection activities, tightening supply. If a substantial number of suppliers cease selling scrap metal to us, we will be unable to recycle metal at desired levels, and our results of operations and financial condition could be materially adversely affected. A slowdown of industrial production in the U.S. may also reduce the supply of industrial grades of metal to the metals recycling industry, resulting in less recyclable metal available to process and market. Increased competition for domestic scrap metal, including as a result of overcapacity in the scrap recycling industry in the U.S. and Canada, may also reduce the supply of scrap metal available to us. Failure to obtain a steady supply of scrap material could both adversely impact our ability to meet sales commitments and reduce our operating margins. Failure to obtain an adequate supply of end-of-life vehicles could adversely impact our ability to attract customers and reduce our parts sales.

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Significant decreases in scrap metal prices may adversely impact our operating results.

The timing and magnitude of the cycles in the industries in which we operate are difficult to predict and are influenced by different economic conditions. Purchase prices for scrap metal including end-of-life vehicles and selling prices for recycled scrap metal are subject to market forces beyond our control. While we attempt to respond to changing recycled scrap metal selling prices through adjustments to our metal purchase prices, our ability to do so is limited by competitive and other market factors. As a result, we may not be able to reduce our metal purchase prices to fully offset a sharp reduction in recycled scrap metal sales prices, which may adversely impact our operating income and cash flows. In fiscal 2015 and the first half of fiscal 2016, lower demand for recycled scrap metal relative to demand and competition for supply of unprocessed scrap metal in the domestic market compressed operating margins due to selling prices decreasing at a faster rate than purchase prices for unprocessed scrap metal. During the second half of 2018, ferrous market prices and volumes were 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. In addition, a rapid decrease in selling prices may compress our operating margins due to the impact of average inventory cost accounting, which causes cost of goods sold recognized in the Consolidated Statements of Operations to decrease at a slower rate than metal purchase prices and net selling prices.

Volatility in market prices of our scrap metal recycling inventory may cause us to re-assess the carrying value of our inventory and adversely affect our balance sheet.

We make certain assumptions regarding future demand and net realizable value in order to assess that we record our ferrous and non-ferrous inventory properly at the lower of cost or net realizable value. We base our assumptions on historical experience, current market conditions and current replacement costs. If the anticipated future selling prices of scrap metal and finished steel products should decline due to the cyclicality of the business or otherwise, we would re-assess the recorded net realizable value of such inventory which could result in downward adjustments to reduce the value of such inventory (and increase cost of sales) to the lower of cost or net realizable value.

Potential limitations on our ability to access capital resources may restrict our ability to operate.

Our operations are capital intensive. Our business also requires substantial expenditures for routine maintenance. While we expect that our cash requirements, including the funding of capital expenditures and debt service, will be financed by internally generated funds or from borrowings under our line of credit, there can be no assurance that this will be the case. Additional capital expenditures could require financing from external sources. Although we believe we have adequate access to contractually committed borrowings, we could be adversely affected if our lender was unable to honor the contractual commitments or ceased lending. Failure to access our line of credit could restrict our ability to fund operations or make capital expenditures.

The agreement governing our line of credit facility imposes certain restrictions on our business and contains financial covenants.

Our line of credit facility contains certain restrictions on our business which limit (subject to certain exceptions) our ability to, among other things, dispose of collateral, incur certain liens, make investments, incur or guaranty additional indebtedness, enter into consolidations, mergers, sales or asset acquisitions, make distributions and other restricted payments, materially change the nature of our business, and engage in transactions with affiliates. These restrictions may affect our ability to operate our business or execute our strategy and may limit our ability to take advantage of potential business opportunities as they arise.

Our line of credit agreement also requires that we maintain certain financial and other covenants. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Our failure to comply with any of these restrictions or financial covenants could result in an event of default under the lender credit agreement, and permit our lender to cease lending to us and declare all amounts borrowed to be due and payable, together with accrued and unpaid interest. This could require us to refinance our line of credit, which we may not be able to do at terms acceptable to us, or at all.

Our debt may increase our vulnerability to economic or business downturns.

We are vulnerable to higher interest rates because interest expense on our borrowing is based on margins over a variable base rate. We may experience material increases in our interest expense as a result of increases in general interest rate levels. Our current line of credit agreement with our lender contains a subjective acceleration clause and requires the Company to maintain a lockbox arrangement with the lender. Upon a breach of covenants in our lending facility, our lender could exercise its remedies related to any material breaches, including acceleration of our payments and taking action with respect to its loan security. We have relied upon and will rely on borrowings under various credit facilities to operate our business. We may not have the ability to borrow from other lenders to operate our business.

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An increase in the price of fuel may adversely affect our business.

Our operations are dependent upon fuel, which we generally purchase in the open market on a daily basis. Direct fuel costs include the cost of fuel and other petroleum-based products used to operate our fleet of cranes and heavy equipment, as well as our shredder when it is not idled. We are also susceptible to increases in indirect fuel costs which include fuel surcharges from vendors. When we have experienced increases in the cost of fuel and other petroleum-based products in the past, we were able to pass a portion of these increases on to our customers. However, because of the competitive nature of the industry, there can be no assurance that we will be able to pass on current or future increases in fuel prices to our customers. A significant increase in fuel costs could adversely affect our business, which adverse impact would be magnified if combined with a decrease in revenue caused by a decrease in commodity prices.

We could incur substantial costs in order to comply with, or to address any violations under, environmental laws that could significantly increase our operating expenses and reduce our operating income.

Compliance with environmental laws and regulations is a significant factor in our business. We are subject to local, state and federal environmental laws and regulations relating to, among other matters:

- Waste disposal;
- Air emissions;
- Waste water and storm water management and treatment;
- Soil and groundwater contamination remediation; and
- Employee health and safety.

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 our facilities have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Material environmental liabilities could exist, including cleanup obligations at these facilities or at off-site locations where we disposed of materials from our operations, which could result in future expenditures that we cannot currently estimate and which could reduce any profits.

Our financial statements are based upon estimates and assumptions that may differ from actual results.

We have prepared our financial statements in accordance with U.S. generally accepted accounting principles and necessarily include amounts based on estimates and assumptions we made. Actual results could differ from these amounts. Significant items subject to such estimates and assumptions include the carrying value of long-lived assets, valuation allowances for accounts receivable, inventory, lower of cost or net realizable value, stock option values, liabilities for potential litigation, claims and assessments, and liabilities for environmental remediation and deferred taxes.

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We depend on our senior management team and the loss of any member could prevent us from implementing our business strategy.

Our success is dependent on the management and leadership skills of our senior management team. The loss of any members of our management team or the failure to attract and retain additional qualified personnel could prevent us from implementing our business strategy and continuing to grow our business at a rate necessary to achieve and maintain future profitability.

Seasonal changes may adversely affect our business and operations.

Our operations may be adversely affected by periods of inclement weather, which could decrease the collection and shipment volume of recyclable materials.

A disruption in our information technology systems, including a disruption related to cybersecurity, could adversely affect our financial performance.

Cyber-attacks are increasing in their frequency, sophistication and intensity. Cyber-attacks could include the deployment of harmful malware, denial-of-service, social engineering and other means to affect service reliability and threaten data confidentiality, integrity and availability. We rely on the accuracy, capacity and security of our information technology systems. Despite the security measures that we have implemented, including those measures related to cybersecurity, our systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. A breach could result in business disruption, theft of our intellectual property, trade secrets or customer and supplier information and unauthorized access to personnel information. To the extent that our business is interrupted or data is lost, destroyed or inappropriately used or disclosed, such disruptions could materially and adversely affect our competitive position, relationships with our customers and suppliers, financial condition, operating results and cash flows. In addition, we may be required to incur significant costs to protect against the damage caused by these disruptions or security breaches in the future.

Risks Related to Our Common Stock

Future sales of our common stock could depress our market price and diminish the value of your investment.

Future sales of shares of our common stock could adversely affect the prevailing market price of our common stock. If our existing shareholders sell a large number of shares, or if we issue a large number of shares, the market price of our common stock could significantly decline. Moreover, the perception in the public market that our existing shareholders and, in particular, Kletter affiliates might sell shares of common stock could depress the market for our common stock.

The market price for our common stock may be volatile.

In recent periods, there has been volatility in the market price for our common stock. In addition, the market price of our common stock could fluctuate substantially in the future in response to a number of factors, including the following:

- Our quarterly operating results or the operating results of our operations in the ferrous, non-ferrous and used auto parts industries;
- Changes in general conditions in the economy, the financial markets or the ferrous and non-ferrous recycling industry;
- Loss of significant customers; and
- Increases in materials and other costs.

In addition, in recent years the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These broad market fluctuations may materially adversely affect our stock price, regardless of our operating results.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table outlines our principal properties as of December 31, 2018:

Property Address	Lease or own	Segment	Acreage
6709 Grade Lane, Louisville, KY	Lease (1)	Recycling & Other	1.326
7023-7103 Grade Lane, Louisville, KY	Own	Recycling	2.530
7020/7100 Grade Lane, Louisville, KY	Lease (K&R) (2)	Recycling & Other	14.230
7110 Grade Lane, Louisville, KY	Own	Recycling	10.723
7124 Grade Lane, Louisville, KY	Own	Recycling	5.120
7200-7210 Grade Lane, Louisville, KY	Own	Recycling	15.520
3409 Camp Ground Road, Louisville, KY	Own	Recycling	5.670
960 S. County Rd 900 W, North Vernon, IN	Lease (3)	Recycling	14.000
1617 State Road 111, New Albany, IN	Own	Recycling	1.300

(1) See Note 8 - Related Party Transactions in the accompanying Notes to Consolidated Financial Statements for additional information related to the 6709 Grade Lane lease.

(2) See Note 8 - Related Party Transactions in the accompanying Notes to Consolidated Financial Statements for additional information related to the K&R lease.

(3) See Note 3 - Lease Commitments in the accompanying Notes to Consolidated Financial Statements for additional information related to the Seymour/North Vernon lease.

These properties total 70.419 acres, which provides adequate space necessary to perform administrative and retail operation processes and store inventory. All facilities maintain industry standard insurance coverages. We do not expect any major land or building additions will be needed to increase capacity for our operations in the foreseeable future.

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Item 3. Legal Proceedings

We have litigation from time to time, including employment-related claims, none of which we currently believe 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 our facilities have been in operation for many years and, over time, we 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 we disposed of materials from our operations, which could result in future expenditures that we cannot currently estimate and which could reduce our profits. We record liabilities for remediation and restoration costs related to past activities when our 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 us.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

ISA common stock is traded on the NASDAQ Capital Market under the symbol "IDSA."

There were approximately 127 shareholders of record as of December 31, 2018.

Our Board of Directors did not declare any dividends in 2018 or 2017.

Under our previous MidCap and our current Bank of America loan agreements, ISA covenants that so long as the lenders remain committed to make any advance or extend any other credit to us, or any obligations remain outstanding, ISA will not declare or pay any dividend or distribution (either in cash or any other property in respect of any stock) or redeem, retire, repurchase or otherwise acquire any of our stock, other than dividends and distributions by our subsidiaries to a parent.

On November 15, 2005, our Board of Directors authorized a program to repurchase up to 300.0 thousand shares of our common stock at current market prices. We did not repurchase any shares in 2018 or 2017. There are approximately 133.3 thousand shares still available for repurchase under this program.

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Item 6. Selected Financial Data

	(Amounts in thousands, except per share data)				
Year ended December 31:	2018	2017	2016	2015	2014
Total revenue	$ 61,023	$ 54,935	$ 36,505	$ 46,180	$ 110,091
Net loss from continuing operations	$ (349)	$ (1,131)	$ (3,230)	$ (9,085)	$ (8,686)
Net income from discontinued operations	$ —	$ —	$ —	$ 7,320	$ 1,413
Earnings (loss) per common share from continuing operations:					
Basic	$ (0.04)	$ (0.14)	$ (0.40)	$ (1.14)	$ (1.15)
Diluted	$ (0.04)	$ (0.14)	$ (0.40)	$ (1.14)	$ (1.15)
Earnings (loss) per common share from discontinued operations:					
Basic	$ —	$ —	$ —	$ 0.92	$ 0.19
Diluted	$ —	$ —	$ —	$ 0.92	$ 0.19
At year end:					
Total assets	$ 22,480	$ 21,726	$ 20,856	$ 19,434	$ 37,790
Current maturities of long-term debt	$ 3,909	$ 4,877	$ 2,942	$ 20	$ 15,911
Current maturities of long-term debt, related parties	$ 32	$ 64	$ —	$ —	$ —
Current maturities of capital lease obligations	$ 352	$ 300	$ 198	$ —	$ —
Long-term debt, net of current maturities	$ 2,125	$ —	$ —	$ —	$ —
Long-term debt, net of current maturities, related parties	$ 1,504	$ 1,536	$ 1,504	$ —	$ —
Capital lease obligations, net of current maturities	$ 589	$ 819	$ 1,050	$ —	$ —

The recycling business is highly competitive and is subject to various market and company risks. See Item 1A. - Risk Factors for a discussion of the material risks related to our operations. Due to these risks, past performance is not necessarily indicative of our future financial condition or results of operations.

On December 4, 2015, the Company sold a majority of its Waste Services segment assets. Years 2015 and 2014 have been adjusted to reflect discontinued operations of the Waste Services segment.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the information set forth under Item 6, “Selected Financial Data” and our consolidated financial statements and the accompanying notes thereto included elsewhere in this report.

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. Please see Item 1A, “Risk Factors” for items that could affect our financial predictions, forecasts and projections.

General

We buy, process and market ferrous and non-ferrous metals and other recyclable commodities. We operate one automobile parts yard. We have operating locations in Louisville, Kentucky, and Seymour and New Albany, Indiana. We do not have operating locations outside the United States. Seymour is used interchangeably with North Vernon herein.

On March 26, 2018, the Board appointed Todd L. Phillips as Chief Executive Officer. See Note 9 - Share-based Compensation and Other Compensation Agreements in the accompanying Notes to Consolidated Financial Statements for additional information. Mr. Phillips has been our Chief Financial Officer since December 31, 2014 and President since September 30, 2016 and will continue to serve in these roles.

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 2017, as well as deferring capital expenditures during 2016 and 2017. See Note 8 - Related Party Transactions in the accompanying Notes to 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 December 31, 2018, we held cash and cash equivalents of $1.0 million. We paid $1.4 million, net of draws, on our revolving credit facility during the year ended December 31, 2018. We expect operating cash flow and borrowings under our working capital line of credit to be sufficient to meet our ongoing liquidity needs.

Credit facilities and notes payable

See Note 1 - Summary of Significant Accounting Policies and General, Note 2 - Long-term Debt and Notes Payable to Bank, Note 3 - Lease Commitments and Note 8 - Related Party Transactions in the accompanying Notes to Consolidated Financial Statements for details on debt and notes payable, capital 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 September 30, 2020. For discussion of the extension of the maturity date and other recent amendments to the Company's credit arrangements, see also Note 1 - Summary of Significant Accounting Policies and General - Subsequent Events in the accompanying Notes to Consolidated Financial Statements.

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Critical Accounting Policies

In preparing financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"), we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. We believe that we consistently apply judgments and estimates and that such consistent application results in financial statements and accompanying notes that fairly represent all periods presented. However, any errors in these judgments and estimates may have a material impact on our statement of operations and financial condition. Our significant accounting policies are described in Note 1 - Summary of Significant Accounting Policies and General in the accompanying Notes to Consolidated Financial Statements. Critical accounting policies, as defined by the Securities and Exchange Commission, are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult and subjective judgments and estimates of matters that are inherently uncertain. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing the consolidated financial statements.

Revenue Recognition

Our revenue is primarily generated from contracts with customers. We note there have been no credit losses recorded on any receivables or contract assets arising from contracts with customers for the years ended December 31, 2018 and 2017. The Company elects to use the practical expedient as it relates to significant financing components as the Company expects, at the contract inception, that the period between when the Company transfers a promised good and when the customer pays for that good will be one year or less. No contract assets or contract liabilities were recognized as of December 31, 2018 and 2017.

Inventory

Our inventories primarily consist of ferrous and non-ferrous scrap metals and are valued at the lower of average purchased cost or net realizable value ("NRV") based on the specific scrap commodity. Quantities of inventories are determined based on our inventory systems and are subject to periodic physical verification using estimation techniques including observation, weighing and other industry methods. We recognize inventory impairment and related adjustments when the NRV, based upon current market pricing, falls below recorded value or when the estimated volume is less than the recorded volume of the inventory. We record the loss in cost of sales in the period during which we identified the loss.

Prices of commodities we own may be volatile. We are exposed to risks associated with fluctuations in the market price for both ferrous and non-ferrous metals, which are at times volatile. We attempt to mitigate this risk by seeking to rapidly turn our inventories.

We make certain assumptions regarding future demand and NRV in order to assess whether inventory is properly recorded at the lower of cost or NRV. We base our assumptions on historical experience, current market conditions and remaining costs of processing (if any) and disposal. If the anticipated future selling prices of scrap metal and finished steel products should decline, we would re-assess the recorded NRV of our inventory and make any adjustments we feel necessary in order to reduce the value of our inventory (and increase cost of sales) to the lower of cost or NRV.

Valuation of long-lived assets

We regularly review the carrying value of certain long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be realizable. If an evaluation is required, we compare the estimated future undiscounted cash flows associated with the asset to the asset’s carrying amount to determine if an impairment of such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value.

Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect to recover or settle those temporary differences. We recognize the effect on deferred tax assets and liabilities of a change in tax rates in income in the period that includes the enactment date. We recognize interest accrued related to unrecognized tax positions in interest expense and penalties in operating expenses, if appropriate. We use the deferral method of accounting for the available state tax credits relating to the purchase of the shredder equipment.

We recognize uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. The amount recognized is subject to estimate and management’s judgment with respect to the most likely outcome for each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. We have no liability for uncertain tax positions recognized as of December 31, 2018 and 2017.

See also Note 5 - Income Taxes in the accompanying Notes to Consolidated Financial Statements for additional information regarding income taxes and related assets.

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Stock Incentive Plan

We have a Long Term incentive Plan adopted in 2009 under which we may grant equity awards for up to 2.4 million shares of common stock, which are reserved by the board of directors for issuance of equity awards. We account for this plan based on FASB's authoritative guidance titled "ASC Topic 718 - Compensation - Stock Compensation." We recognize share-based compensation expense for the fair value of the awards, as estimated using the Modified Black-Scholes-Merton Model, on the date granted on a straight-line basis over their vesting term. Compensation expense is recognized only for share-based payments expected to vest. We estimate forfeitures at the date of grant based on our historical experience and future expectations. Under the plan, the maximum term of an option is five years.

Results of Operations

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

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

Year ended December 31,	2018		2017	
Consolidated Statements of Operations Data:				
Total revenue	100.0	%	100.0	%
Total cost of sales	93.3	%	94.2	%
Selling, general and administrative expenses	6.0	%	6.4	%
Income (loss) before other income (expense)	0.7	%	(0.5	)%

We had an increase in revenue of $6.1 million, an increase in gross profit of $0.9 million, and an improvement in net loss of $0.8 million for the year ended December 31, 2018 as compared to the same period of 2017. This improvement in operating performance was due in part to the full year benefits in 2018 of the successful restart of the Company's shredder in May 2017 as well as improvements in the Company's ferrous volumes and margins from 2017 to 2018. The restart of the Company's shredder led to favorable sales mix and improved margins. Net loss was further strengthened by a non-recurring insurance settlement gain in the amount of $476.0 thousand during 2018. However, our results were negatively impacted during the third and fourth 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 year ended December 31, 2018 were favorable compared to the year ended December 31, 2017, the previously discussed events that occurred during the second half of 2018 had a negative impact on reported results for the year ended December 31, 2018.

Total revenue increased $6.1 million or 11.1% to $61.0 million for the year ended December 31, 2018 compared to $54.9 million for the year ended December 31, 2017.

Ferrous revenue increased $6.9 million or 31.3% to $28.7 million for the year ended December 31, 2018 compared to $21.9 million for the year ended December 31, 2017. For the year ended December 31, 2018 compared to the year ended December 31, 2017, the average selling price ("ASP") of ferrous material increased $69 per gross ton, or 22.6%, 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 year ended December 31, 2018 compared to the year ended December 31, 2017, ferrous material shipments increased 3.7 thousand tons, or 5.0%, despite the negative impact on volumes from the shredder process. 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 decreased $0.4 million or 1.2% to $31.2 million for the year ended December 31, 2018 compared to $31.6 million for the year ended December 31, 2017. For the year ended December 31, 2018 compared to the year ended December 31, 2017, the ASP of non-ferrous material increased $0.06 per pound or 5.9%. For the year ended December 31, 2018 compared to the year ended December 31, 2017, non-ferrous material shipments decreased by 1.8 million pounds, or 6.1%. 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 $5.2 million or 10.1% to $57.0 million for the year ended December 31, 2018 compared to $51.7 million for the year ended December 31, 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 percentage of revenue decreased 0.8% for the year ended December 31, 2018 as compared the year ended December 31, 2017. This improvement was largely a result of a market-related increase in ASP during 2018 as well as favorable sales mix that resulted from the startup of the shredder in May 2017, as well as a decrease in startup expenses the Company incurred in 2017 due to the restart of the shredder operations. These startup expenses consisted primarily of repairs and maintenance expenses, utilities expenses and personnel expenses.

Selling, general and administrative ("SG&A") expenses increased $145.0 thousand to $3.6 million for the year ended December 31, 2018 as compared to $3.5 million for the year ended December 31, 2017. SG&A as a percentage of revenue decreased to 6.0% for the year ended December 31, 2018 compared to 6.4% for the year ended December 31, 2017. This change in SG&A expenses is made up of numerous individually insignificant items. The Company is currently under a property tax audit and accrued $100.0 thousand as an estimate of potential assessments during the year ended December 31, 2017.

Other expense, net was $762.0 thousand for the year ended December 31, 2018 compared to $837.0 thousand for the year ended December 31, 2017. The $75.0 thousand change is primarily a result of a $406.0 thousand increase in interest expense, which is a result of the increased outstanding balance on the line of credit and an increase in loan fees amortization, and an increase of $476.0 thousand in the gain on insurance proceeds in 2018 compared to 2017.

Significant components of other income (expense), in thousands, were as follows:

	Year Ended December 31, (in thousands)	
Description Other Income (Expense)	2018	2017
Interest expense, including loan fee amortization	$ (1,254)	$ (848)
Gain on the sale of assets	—	27
Gain on insurance proceeds	476	—
Other (expense) income, net	16	(16)
Total other expense, net	$ (762)	$ (837)

The income tax provision increased $1.0 thousand to $13.0 thousand in 2018 compared to $12.0 thousand in 2017. The effective tax rates in 2018 and 2017 were (3.9)% and (1.1)%, respectively, based on federal and state statutory rates. Due to recurring operating losses being incurred, we have historically recorded nearly a full valuation allowance, which is continuing through December 31, 2018. We also have state and franchise taxes payable based on gross receipts.

Net loss for the year ended December 31, 2018 was $0.3 million compared to $1.1 million for the same period of 2017, an improvement of $0.8 million or 69.1% as a result of the above-mentioned changes.

Financial Condition at December 31, 2018 compared to December 31, 2017

Cash and cash equivalents increased $0.2 million to $1.0 million as of December 31, 2018 compared to $0.8 million as of December 31, 2017.

Net cash used in operating activities was $0.1 million for the year ended December 31, 2018. The net cash used in operating activities is primarily due to a net loss of $0.3 million, an increase in inventories of $1.8 million, an increase in receivables of $0.1 million, and a decrease in payable and accrued expenses to related parties of $171.0 thousand, a decrease in other current liabilities of $199.0 thousand, partially offset by depreciation and amortization of $2.1 million, an increase in accounts payables of $0.6 million, and share-based option expense of $105.0 thousand. The Company had $467.0 thousand of cash capital expenditures in 2018.

Net cash from financing activities was $0.3 million for the year ended December 31, 2018. For the year ended December 31, 2018, we received proceeds from a term note of $2.5 million, we made net payments on the line of credit of $1.4 million less capitalized loan fees in the amount of $306.0 thousand, and we made payments on capital lease obligations and related party debt of $312.0 thousand and $64.0 thousand, respectively.

Accounts receivable trade after allowances for doubtful accounts increased $0.1 million or 3.5% to $4.4 million as of December 31, 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.

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Inventories consist principally of ferrous and non-ferrous scrap materials. We value inventory at the lower of cost or net realizable value. Inventory increased $1.8 million or 35.8% to $6.9 million as of December 31, 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 fourth quarter of 2018 compared to the fourth quarter of 2017.

Inventory aging for the period ended December 31, 2018 (Days Outstanding):

	(in thousands)				
Description	1 - 30	31 - 60	61 - 90	Over 90	Total
Ferrous and non-ferrous materials	$ 4,471	$ 810	$ 890	$ 763	$ 6,934

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

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

Inventory in the 60 days or less categories compared to total inventory decreased to 76.2% as of December 31, 2018 compared to 93.3% as of December 31, 2017. Inventory greater than 60 days compared to total inventory increased to 23.8% as of December 31, 2018 compared to 6.7% as of December 31, 2017. The increase in inventory aging is primarily related to the increase in inventory of $1.8 million and an increase in ferrous inventory due to maintenance activity on our shredder and primary shear during the last quarter of 2018.

Accounts payable trade increased $0.6 million or 33.8% to $2.4 million as of December 31, 2018 compared to $1.8 million as of December 31, 2017. The accounts payable balance fluctuates due to quantity and timing of purchases from and payments made to our vendors.

Payable and accrued expenses to related parties decreased $171.0 thousand to $2.0 thousand of December 31, 2018 compared to $173.0 thousand as of December 31, 2017. This decrease is largely a result of a decrease in facility rent payable to related parties of $123.0 thousand. See Note 8 - Related Party Transactions in the Consolidated Financial Statements for additional information.

Working capital, defined as current assets less current liabilities, increased $3.1 million to $5.4 million as of December 31, 2018 compared to $2.3 million as of December 31, 2017 as a result of the above noted items.

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Contractual Obligations

The following table provides information with respect to our known contractual obligations as of December 31, 2018:

	Payments due by period (in thousands)				
Obligation Description:	**Total**	Less than 1 year	1 - 2 years	3 - 4 years	More than 4 years
Long-term debt obligations	$ 7,745	$ 402	$ 7,320	$ 23	$ —
Operating lease obligations	2,820	564	1,010	908	338
Capital lease obligations	941	352	519	56	14
Total	$ 11,506	$ 1,318	$ 8,849	$ 987	$ 352

On December 28, 2018, the Company signed a purchase contract for two cranes for a combined amount of $592.6 thousand with expected delivery dates of March 2019 and April 2019.

Inflation and Prevailing Economic Conditions

To date, inflation has not and is not expected to have a significant impact on our operation in the near term. We have no long-term fixed-price contracts and we believe we will be able to pass through most cost increases resulting from inflation to our customers. We are susceptible to the cyclical nature of the commodity business.

Fluctuating commodity prices affect market risk in our business. We mitigate the risk by selling our product on a monthly contract basis. Each month we negotiate selling prices for all commodities. Based on these monthly agreements, we determine purchase prices based on a margin needed to cover processing and administrative expenses.

We are exposed to commodity price risk, mainly associated with variations in the market price for stainless steel, ferrous and non-ferrous metal, and other commodities. The timing and magnitude of industry cycles are difficult to predict and general economic conditions impact the cycles. We respond to changes in recycled metal selling prices by adjusting purchase prices on a timely basis and by turning rather than holding inventory in expectation of higher prices. However, an adverse impact on our financial results may occur if selling prices fall more quickly than we can adjust purchase prices or if levels of inventory have an anticipated net realizable value that is below average cost.

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 were 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 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 prospectively in the first quarter of 2017 and noted no material impact from the adoption on the 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. 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 Consolidated Financial Statements. As of January 1, 2019, the Company expects to record a right-of-use asset and a lease liability of approximately $5.6 million on the Consolidated Balance Sheet. The Company does not expect the changes to have a material impact on the Consolidated Statement of Operations and the 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 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 Consolidated Financial Statements.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

N/A - Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements required to be included in this Item 8. are set forth in Item 15. of this report and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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Item 9A. 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 their evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 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) Internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Our internal control over financial reporting includes the process designed by, or under the supervision of, our CEO and CFO, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting cannot prevent or detect every potential misstatement. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decline.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting, based on the framework and criteria established in the 2013 Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management assessed the effectiveness of our internal control over financial reporting for the year ended December 31, 2018, and concluded that such internal control over financial reporting was effective as of December 31, 2018.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that require only management’s report in this Annual Report on Form 10-K.

(c) Changes to internal control over financial reporting.

On March 26, 2018, Orson Oliver resigned his position as Interim Chief Executive Officer and the Board appointed Todd L. Phillips as Chief Executive Officer. Mr. Phillips will serve as the Company's principal executive officer and principal financial and accounting officer. Other than the aforementioned, there were no changes in ISA’s internal control over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to affect ISA’s internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.*

The following table sets forth certain information with respect to the Company's executive officers.

Name	Served as an Executive Officer From	Age	Position with the Registrant and Other Principal Occupations
Todd L. Phillips	2014	43	Mr. Phillips was appointed Chief Executive Officer of the Company in March 2018, President of the Company in September 2016, Secretary in June 2016, and continues to be Chief Financial Officer, a position he has held since December 31, 2014. Mr. Phillips joined the Company from CRS Reprocessing, LLC, where he held the positions of Chief Operating Officer and Chief Financial Officer from January 2009 to December 2014. CRS is a private-equity backed company with operations in the United States, Europe and Asia. Prior to CRS, Mr. Phillips was Chief Financial Officer at Genscape, Inc. from March 2004 to January 2009, a global information provider to energy commodity traders. Genscape was backed by private equity firm Oaktree Capital and was honored twice during Mr. Phillips' tenure as an Inc. 500 company, recognizing Genscape as one of the 500 fastest growing companies in the United States. Mr. Phillips was the corporate controller for Metal Sales Manufacturing Corporation from March 2002 to March 2004. Mr. Phillips began his career at Arthur Andersen LLP from December 1997 through March 2002 following his graduation from the University of Kentucky. He is a Certified Public Accountant and holds degrees in accounting and business administration, with a focus on finance, from the University of Kentucky.

Item 11. Executive Compensation.*

Item 12. Security Ownership of Certain Beneficial Owners, Management and Related Stockholder Matters.*

The following information is provided as of December 31, 2018 with respect to our existing compensation plans, including individual compensation arrangements, under which our equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	413,041	$4.53	1,645,311

Equity compensation plans not approved by security holders	—	—	—
Total	413,041	$4.53	1,645,311

The Company had 111,558 Restricted Stock Units outstanding at December 31, 2018.

Item 13. Certain Relationships and Related Transactions, and Director Independence.*

Item 14. Principal Accountant Fees and Services.*

* The information required by Items 10., 11., 12., 13., and 14. is or will be set forth in the definitive proxy statement relating to the 2019 Annual Meeting of Shareholders of ISA which is to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after ISA's year end for the year covered by this report under the Securities Exchange Act of 1934, as amended. Such definitive proxy statement relates to an annual meeting of shareholders and the portions therefrom required to be set forth in this Form 10-K by Items 10., 11., 12., 13., and 14. are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) The following consolidated financial statements of Industrial Services of America, Inc. are filed as a part of this report:

(a)(3) List of Exhibits

Exhibits filed with, or incorporated by reference herein, this report are identified in the Index to Exhibits appearing in this report. Each management agreement or compensatory plan required to be filed as exhibits to this Form 10-K pursuant to Item 15(b) is noted by an asterisk (*) in the Index to Exhibits.

(b) Exhibits.
The exhibits listed on the Index to Exhibits are filed as a part of this report.

Item 16. Form 10-K Summary

Not applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

INDUSTRIAL SERVICES OF AMERICA, INC.

Dated: March 13, 2019 By : /s/ Todd L. Phillips

Todd L. Phillips, Chief Executive Officer, President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Todd L. Phillips Todd L. Phillips	Chief Executive Officer, President, Chief Financial Officer and Director (Principal Executive and Principal Financial and Accounting Officer)	March 13, 2019
/s/ Vince Tyra Vince Tyra	Chairman of the Board	March 13, 2019
/s/ Albert Cozzi Albert Cozzi	Director	March 13, 2019
/s/ Orson Oliver Orson Oliver	Director	March 13, 2019
/s/ William B. Yarmuth William B. Yarmuth	Director	March 13, 2019

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INDEX TO EXHIBITS

Exhibit Number		Description of Exhibits
2.1	**	Asset Purchase Agreement dated as of December 4, 2015, by and among Industrial Services of America, Inc., WESSCO, LLC, and Compactor Rentals of America, LLC. (Attachments and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Industrial Services of America, Inc. hereby undertakes to furnish supplementally copies of any of the omitted attachments and schedules upon request by the U.S. Securities and Exchange Commission.) (Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K as filed on December 7, 2015) (File No. 0-20979)
2.2	**	Asset Purchase Agreement Amendment No. 1 dated April 1, 2016, by and among Industrial Services of America, Inc., WESSCO, LLC, and Compactor Rentals of America, LLC. (Incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q as filed May 13, 2016) (File No. 0-20979)
2.3	**	Asset Purchase Agreement Amendment No. 2 dated April 15, 2016, by and among Industrial Services of America, Inc., WESSCO, LLC, and Compactor Rentals of America, LLC. (Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q as filed May 13, 2016) (File No. 0-20979)
3.1	**	Industrial Services of America, Inc. Amended and Restated Articles of Incorporation. (Incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K as filed on March 31, 2014) (File No. 0-20979)
3.2	**	Amended and Restated By-laws of ISA, dated March 8, 2016. (Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed on March 8, 2016) (File No. 0-20979)
4.1	**	Securities Purchase Agreement dated as of June 13, 2014 between the Company and Recycling Capital Partners, LLC. (Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed on June 19, 2014) (File No. 0-20979)
4.2	**	Registration Rights Agreement dated as of June 13, 2014 between the Company and Recycling Capital Partners, LLC. (Incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K as filed on June 19, 2014) (File No. 0-20979)
4.3	**	Common Stock Purchase Warrant dated as of June 13, 2014 by the Company to Recycling Capital Partners, LLC. (Incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K as filed on June 19, 2014) (File No. 0-20979)
10.1	**	Lease Agreement, dated January 1, 1998, by and between ISA and K&R. (Incorporated herein by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K as filed on March 3, 1998) (File No. 0-20979)
10.2	**	Industrial Services of America, Inc. 2009 Long Term Incentive Plan. (Incorporated herein by reference to Annex A to the Company's Proxy Statement on Form DEF 14A as filed on April 30, 2009) (File No. 0-20979)*

10.3	**	Form of Stock Option Agreement issued in connection with the 2009 Long Term Incentive Plan. (Incorporated herein by reference to Exhibit 10.57 to the Company's Annual Report on Form 10-K as filed on April 1, 2013) (File No. 0-20979)*

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Exhibit Number		Description of Exhibits
10.4	**	Director Designation Agreement dated as of June 13, 2014 between the Company and Recycling Capital Partners, LLC. (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed on June 19, 2014) (File No. 0-20979)
10.5	**	Lease Agreement dated April 30, 2015 by and between Industrial Services of America, Inc. and LK Property Investments, LLC. (Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed on May 6, 2015) (File No. 0-20979)
10.6	**	Loan and Security Agreement dated as of February 29, 2016 between the Company, its subsidiaries and MidCap Business Credit LLC. (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed on March 2, 2016) (File No. 0-20979)
10.7	**	Revolving Note made by the Company to the order of MidCap Business Credit LLC in face principal amount of $6,000,000. (Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed on March 2, 2016) (File No. 0-20979)
10.8	**	Pledge and Security Agreement dated as of February 29, 2016 between the Company, its subsidiaries and MidCap Business Credit LLC. (Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed on March 2, 2016) (File No. 0-20979)
10.9	**	Guaranty and Suretyship Agreement of the Company's subsidiaries as guarantors for the benefit of MidCap Business Credit LLC, dated February 29, 2016. (Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K as filed on March 2, 2016) (File No. 0-20979)
10.10	**	Term Note, date February 29, 2016, issued by the Company to K&R, LLC. (Incorporated herein by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K as filed on March 25, 2016) (File No. 0-20979)
10.11	**	Term Note, date February 29, 2016, issued by the Company to 7100 Grade Lane, LLC. (Incorporated herein by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K as filed on March 25, 2016) (File No. 0-20979)
10.12	**	Intercreditor and Subordination Agreement, dated February 29, 2016, among the Company and K&R, LLC for the benefit of MidCap Business Credit LLC. (Incorporated herein by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K as filed on March 25, 2016) (File No. 0-20979)
10.13	**	Intercreditor and Subordination Agreement, dated February 29, 2016, among the Company and 7100 Grade Lane, LLC for the benefit of MidCap Business Credit LLC. (Incorporated herein by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K as filed on March 25, 2016) (File No. 0-20979)
10.14	**	Retention Agreement, dated March 25, 2016, between the Company and Todd L. Phillips. (Incorporated herein by reference to Exhibit 10.40 to the Company's Annual Report on Form 10-K as filed on March 25, 2016) (File No. 0-20979)*
10.15	**	

Restricted Stock Unit Grant Agreement, dated as of June 15, 2016, between Industrial Services of America, Inc. and Todd L. Phillips. (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed on June 16, 2016) (File No. 0-20979)*

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Exhibit Number		Description of Exhibits
10.16	**	Industrial Services of America, Inc. Amended and Restated Long Term Incentive Plan, restated as of June 15, 2016. (Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed on June 16, 2016) (File No. 0-20979)*
10.17	**	First Amendment to the Loan and Security Agreement dated as of March 31, 2017 between the Company, its subsidiaries and MidCap Business Credit LLC. (Incorporated herein by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K as filed on March 31, 2017) (File No. 0-20979)
10.18	**	934 Crane Purchase Agreement dated June 23, 2017 by and between the Company and K&R, LLC. (Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed on June 23, 2017) (File No. 0-20979)
10.19	**	Komatsu Purchase Agreement dated June 23, 2017 by and between the Company and K&R, LLC. (Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K as filed on June 23, 2017) (File No. 0-20979)
10.20	**	All Net Lease, effective as of October 1, 2017, between the Company and 7100 Grade Lane LLC. (Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed on November 1, 2017)(File No. 0-20979)
10.21	**	Back Rent Payment Agreement, effective as of October 1, 2017, between the Company and 7100 Grade Lane LLC, including the Promissory Note, effective October 1, 2017, in the principal amount of $345,808 attached thereto. (Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K as filed on November 1, 2017)(File No. 0-20979)
10.22	**	Amended and Restated Employment Agreement dated March 26, 2018, effective January 1, 2018, between the Company and Todd L. Phillips, including the Restricted Stock Unit Grant Agreement and the Non-Incentive Stock Option Agreement attached thereto as Annex A and Annex B, respectively. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed on March 26, 2018)(File No. 0-20979)*
10.23	**	Amendment No. 2 to Loan and Security Agreement dated as of June 4, 2018 among the Company, its subsidiaries and MidCap Business Credit LLC. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed on June 7, 2018)(File No. 0-20979)
10.24	**	Second Amended and Restated Revolving Note made by the Company to the order of MidCap Business Credit LLC in face principal amount of $10,000,000. (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K as filed on June 7, 2018)(File No. 0-20979)
10.25	**	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)*

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Exhibit Number		Description of Exhibits
10.26	**	Loan and Security Agreement dated as of November 9, 2018 between the Company and certain of its wholly-owned subsidiaries and Bank of America, N.A.(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed on November 13, 2018)(File No. 0-20979)
10.27	**	General Security Agreement dated as of November 9, 2018 between certain of the Company's wholly-owned subsidiaries and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K as filed on November 13, 2018)(File No. 0-20979)
10.28	**	Pledge Agreement dated as of November 9, 2018 made by the Company in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K as filed on November 13, 2018)(File No. 0-20979)
10.29	**	Guaranty Agreement dated as of November 9, 2018 made by certain of the Company's wholly-owned subsidiaries in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K as filed on November 13, 2018)(File No. 0-20979)
10.30	**	Mortgage, Assignment of Leases and Rent, Security Agreement and Fixture Filing dated as of November 9, 2018 made by 7200 Grade Lane LLC in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.5 of the Company's Form 8-K as filed on November 13, 2018)(File No. 0-20979)
10.31	**	Mortgage, Assignment of Leases and Rent, Security Agreement and Fixture Filing dated as of November 9, 2018 made by 7124 Grade Lane LLC in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.6 of the Company's Form 8-K as filed on November 13, 2018)(File No. 0-20979)
10.32	**	Amendment No. 1 to Loan and Security Agreement and Consent dated as of March 1, 2019 between the Company and certain of its wholly-owned subsidiaries and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed on March 6, 2019)(File No. 0-20979)
10.33	**	First Amendment to Term Note dated as of March 1, 2019 between the Company and K & R, LLC. (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K as filed on March 6, 2019)(File No. 0-20979)
10.34	**	First Amendment to Term Note dated as of March 1, 2019 between the Company and 7100 Grade Lane LLC. (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K as filed on March 6, 2019)(File No. 0-20979)
10.35	**	Intercreditor and Subordination Agreement dated as of March 1, 2019 between the Company and certain of its wholly-owned subsidiaries, Bank of America, N.A. and K & R, LLC. (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K as filed on March 6, 2019)(File No. 0-20979)
10.36	*	