Armstrong Flooring, Inc.
Form 10-Q
May 08, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-37589
ARMSTRONG FLOORING, INC.
(Exact name of Registrant as specified in its charter)

Delaware	47-4303305
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification number)

2500 Columbia Avenue, PO Box 3025, Lancaster, Pennsylvania 17604
(Address of principal executive offices)

(717) 672-9611
(Registrant's telephone number, including area code).

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files.) Yes þ No ¨

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 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 þ
Non-accelerated filer ¨	Smaller reporting company ¨
(Do not check if a 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 by Rule 12b-2 of the Exchange Act).
Yes ¨ No þ

The Registrant had 25,756,313 shares of common stock, $0.0001 par value, outstanding at May 1, 2018.

Armstrong Flooring, Inc.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q ("Form 10-Q") and the documents incorporated by reference may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, our expectations concerning our commercial and residential markets and their effect on our operating results, and our ability to increase revenues, earnings and earnings before interest, taxes, depreciation and amortization. Words such as “anticipate,” “expect,” “intend,” “plan,” “target,” “project,” “predict,” “believe,” “may,” “will,” “ “should,” “seek,” “estimate” and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors that could have a material adverse effect on our financial condition, liquidity, results of operations or future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

- global economic conditions;
- competition;
- availability and costs of raw materials and energy;
- key customers;
- construction activity;
- costs savings and productivity initiatives;
- strategic transactions;
- information systems;
- intellectual property rights;
- international operations;
- labor;
- claims and litigation;
- liquidity;
- debt;
- debt covenants;
- personnel;
- outsourcing;
- environmental and regulatory matters; and
- other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), press releases and other communications, including those set forth under “Risk Factors” included in our Annual Report on Form 10-K and in the documents incorporated by reference.

Such forward-looking statements speak only as of the date they are made. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

PART I: FINANCIAL INFORMATION
Item 1. Financial Statements

Armstrong Flooring, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in millions, except per share data)

	Three Months Ended March 31,	
	2018	2017
Net sales	$257.9	$265.2
Cost of goods sold	218.6	217.3
Gross profit	39.3	47.9
Selling, general and administrative expenses	48.2	56.4
Operating (loss)	(8.9)	(8.5)
Interest expense	0.9	0.5
Other expense, net	0.6	0.9
(Loss) before income taxes	(10.4)	(9.9)
Income tax (benefit)	—	(2.1)
Net (loss)	$(10.4)	$(7.8)
Basic (loss) per share of common stock:	$(0.40)	$(0.28)
Diluted (loss) per share of common stock:	$(0.40)	$(0.28)

See accompanying notes to Condensed Consolidated Financial Statements.

Armstrong Flooring, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive (Loss) (Unaudited)

	Three Months Ended March 31,	
	2018	2017
Net (Loss)	$(10.4)	$(7.8)
Changes in other comprehensive income, net of tax:		
Foreign currency translation adjustments	4.7	1.5
Derivative gain (loss)	0.8	(0.4)
Pension and postretirement adjustments	2.1	1.2
Total other comprehensive income	7.6	2.3
Total comprehensive (loss)	$(2.8)	$(5.5)

See accompanying notes to Condensed Consolidated Financial Statements.

Armstrong Flooring, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in millions, except par value)

	March 31, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash	$ 28.9	$ 39.0
Accounts and notes receivable, net	87.0	79.7
Inventories, net	235.6	236.0
Income tax receivable	1.2	3.8
Prepaid expenses and other current assets	34.1	31.8
Total current assets	386.8	390.3
Property, plant, and equipment, less accumulated depreciation and amortization of $411.3 and $399.3, respectively	415.7	418.1
Intangible assets, less accumulated amortization of $8.3 and $6.4, respectively	59.0	60.4
Deferred income taxes	3.4	3.4
Other noncurrent assets	8.2	7.3
Total assets	$ 873.1	$ 879.5
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 148.9	$ 150.2
Income tax payable	0.7	0.8
Total current liabilities	149.6	151.0
Long-term debt	91.0	86.0
Postretirement benefit liabilities	71.4	72.7
Pension benefit liabilities	4.7	5.7
Other long-term liabilities	8.7	9.4
Noncurrent income taxes payable	0.3	0.3

Shareholder Communications with Directors

Shareholders and other interested parties wishing to contact any member (or all members) of our board of directors or any committee of the board may do so by mail, addressed, either by name or title, to the board of directors or to any such individual director or group or committee of the directors, and all such correspondence should be sent to our principal office. Our administrative staff may review any such communications to ensure that inappropriate material is not forwarded to the board of directors or to any individual director. The board of directors intends to continuously evaluate its communication process with our shareholders and may adopt additional procedures to facilitate shareholder communications with the board of directors, consistent with standards of professionalism and our administrative resources.

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and all other directors and executive officers. The Code of Ethics is available on the investor relations page of our website at www.encision.com. We intend to satisfy the requirements under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of our Code of Ethics that apply to our principal executive, financial and accounting officers and directors by posting such information on our website.

Executive Officers

The following table sets forth the names of our executive officers, their ages as of March 31, 2011, and their positions and offices held:

Name	Age	Position
John R. Serino	63	President & CEO
Roger C. Odell	60	VP Business Development
David W. Newton	64	VP - Technology
Marcia McHaffie	65	Controller, Treasurer, Corporate Secretary
Judith King	61	VP - Regulatory Affairs & Quality Assurance
Richard Smoot	51	VP - Operations
Warren Taylor	50	VP - Engineering

John R. Serino has served as our President & Chief Executive Officer since July 2004. He is a veteran medical industry executive with over 20 years in the medical device business. From 2000 until 2004, Mr. Serino was with Quinton Cardiology Inc. as its Vice President of Sales and Marketing where he was a member of its turnaround management team. Mr. Serino received a Masters in Business Administration degree from the University of La Verne and a Bachelor of Science degree from Creighton University.

Roger C. Odell is one of our co-founders and is our Vice President of Business Development. From 1976 until 1991, he was employed at Valleylab, a division of Pfizer, Inc., in a variety of engineering capacities, primarily involving electrosurgical products. Mr. Odell holds an Associate of Applied Science degree in electrical engineering from Alfred State University.

David W. Newton is one of our co-founders and has been a Vice President since our inception in 1991. From 1989 until 1991, Mr. Newton was President of Newton Associates, Inc., a contract engineering firm. From 1985 to 1989, Mr. Newton was President of Tienet, Inc., a developer of integrated computer systems. Mr. Newton holds 21 patents in the field of medical electronic equipment and holds a Bachelor of Science Electrical Engineering degree from the University of Colorado.

Marcia McHaffie is our Controller, Treasurer and Corporate Secretary who joined us in 1993 as Controller. She became Treasurer and Corporate Secretary in 2001. Ms. McHaffie has extensive experience in GAAP accounting, SEC Reporting and Sarbanes-Oxley implementation.

Judith King joined us in 1999 as Regulatory and Quality Affairs Manager. She has performed regulatory and technical functions with medical device companies for more than 20 years. Ms. King is Regulatory Affairs Certified, and is certified in Biomedical auditing from the American Society for Quality. She has a Bachelor of Arts degree in Sociology from Michigan State University, Lansing, Michigan.

Richard Smoot is Vice President of Operations who has been with us since 1995. He has been in the medical device industry since 1981. From 1990 to 1994 he was with Beacon Laboratories, performing services in materials and operations management.

Warren Taylor has served as our Vice President of Engineering since 2004. Prior to joining us, he was with medical device startups for 10 years and held positions as President of TriE Medical, Inc. and Vice President of Angiosonics, Inc. Mr. Taylor holds six patents, including patents in medical device design, and has a Bachelor of Science Mechanical Engineering Degree from North Carolina State University.

The following table sets forth certain information regarding compensation earned or awarded to each person who served as our chief executive officer during our most recently completed fiscal year, and to each of our two most highly compensated executive officers (other than our chief executive officer) who earned in excess of $100,000 during our most recently completed fiscal year, (collectively, the Named Executive Officers).

EXECUTIVE COMPENSATION

Summary Compensation Table

Name and principal position	Fiscal year	Salary ($)	Option awards ($) (1)	Total ($)
John R. Serino	2011	208,951		208,951
President, Chief Executive Officer	2010	207,615	232,000	439,615
Roger C. Odell	2011	144,137		144,137
Vice President Business Development	2010	143,208	11,900	155,108
Warren Taylor	2011	143,119		143,119
Vice President Engineering	2010	141,791	30,900	172,691

(1) Amounts reflect the aggregate grant date fair values of grants made in each respective fiscal year, valued in accordance with ASC Topic 718. Assumptions used in the calculations of these amounts are set forth in Footnote 3 to our Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2011.

Employment Agreements

We have entered into an employment agreement with Roger C. Odell dated March 3, 1997, which allows either party to terminate the agreement for any reason. In the event that the agreement is terminated, Mr. Odell is entitled, for a period of one year, to receive benefits and severance pay at the rate of his annual salary as of the date of termination, payable in equal monthly amounts.

Stock Options

On August 15, 1997, our shareholders approved the adoption of the 1997 Stock Option Plan (the 1997 Plan) providing for grants of stock options and/or supplemental bonuses to our employees and directors. The 1997 Plan permits the granting of incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, and also nonqualified stock options which do not meet the requirements of Section 422. As approved by the shareholders, we reserved 800,000 shares of our common stock for issuance upon exercise of options granted under the 1997 Plan.

On July 24, 2002, our shareholders approved an amendment to the 1997 Plan recommended by our board of directors to increase the number of common shares reserved for issuance under the 1997 Plan by 100,000 shares, to a total of 900,000 from 800,000 shares of common stock, subject to adjustment for dividend, stock split or other relevant changes in our capitalization.

On August 16, 2004, our shareholders approved an amendment to the 1997 Plan recommended by our board of directors to increase the number of common shares reserved for issuance under the 1997 Plan by 300,000 shares, to a total of 1,200,000 shares of common stock, subject to adjustment for dividend, stock split or other relevant changes in our capitalization. As of March 31, 2011, options to purchase an aggregate of 730,784 shares of our common stock (net of options canceled) had been granted pursuant to the 1997 Plan and 690,784 options had been exercised, leaving 40,000 still subject to exercise. No new options may be granted from the 1997 Plan.

On August 2, 2007, our shareholders approved the adoption of the 2007 Stock Option Plan (the 2007 Plan) providing for grants of stock options to our employees and directors. The 2007 Plan permits the granting of incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, and also nonqualified stock options which do not meet the requirements of Section 422. As approved by the shareholders, we reserved 700,000 shares of our common stock for issuance upon exercise of options granted under the 2007 Plan. As of March 31, 2011, options to purchase an aggregate of 545,000 shares of our common stock (net of options canceled) had been granted pursuant to the 2007 Plan, no options had been exercised, leaving 545,000 still subject to exercise.

The compensation committee of the board of directors administers the 1997 and 2007 Stock Option Plans.

Option Grants in Fiscal Year 2011

There were no stock options granted to the Named Executive Officers during fiscal year 2011.

Options Exercised in Fiscal Year 2011

There were no stock options exercised by the Named Executive Officers during fiscal year 2011.

Outstanding Options at Fiscal Year-End 2011

The following table sets forth certain information regarding the number and value of exercisable and unexercisable options to purchase shares of common stock held as of March 31, 2011 by the Named Executive Officers.

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price ($/Sh)	Option expiration date
John R. Serino	24,667	333	3.38	07/24/11
	19,533	20,467	1.20	01/21/14
	59,556	140,444	1.65	01/05/15
Roger C. Odell	9,767	10,233	1.20	01/21/14
	3,044	6,956	1.70	12/22/14
Warren Taylor	9,867	133	3.38	07/24/11
	9,767	10,233	1.20	01/21/14
	7,000	23,000	1.45	04/30/15

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of June 16, 2011, the number of shares of our common stock, based upon 6,455,100 shares outstanding, owned by any person who is known by us to be the beneficial owner of more than 5% of our voting securities, by all individual directors, by all Named Executive Officers, and by all executive officers and directors as a group:

Beneficial Owner(1)	Shares Beneficially Owned(2)	Percent of Class
Vern D. Kornelsen(3)	1,167,738	18.2%
Roger C. Odell(4)	765,132	11.9%
Ruediger Naumann-Etienne(5)	678,293	10.5%
David W. Newton(6)	302,216	4.7%
John R. Serino(7)	142,089	2.2%
Robert H. Fries(8)	103,370	1.6%
Bruce L. Arfmann(9)	10,000	*
Warren Taylor(10)	30,534	*
All executive officers and directors as a group (11 Persons) (11)	3,317,448	49.4%
Other Shareholders holding 5% or more:		
CMED Partners LLLP(12)	1,119,517	17.3%
Intertec Healthcare Partners, L.P. (13)	660,671	10.2%

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* Less than 1%.

(1) The address of each director and officer of the Company is 6797 Winchester Circle, Boulder, CO 80301.

(2) Shares not outstanding but deemed beneficially owned by virtue of an individual executive officer s or director s right to acquire them as of June 16, 2011, or within 60 days of such date, are treated as outstanding when determining the percent of the class owned by such individual and when determining the percent owned by all executive officers and directors as a group. Unless otherwise indicated, each person named or included

in the group has sole voting and investment power with respect to the shares of Common Stock set forth opposite the shareholder s name.

(3) Includes 1,119,517 shares owned by CMED Partners LLLP, of which Mr. Kornelsen is the General Partner, and 10,000 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(4) Includes 15,061 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(5) Includes 660,671 shares owned by Intertec Healthcare Partners, L.P., of which Mr.Ruediger Naumann-Etienne is the Managing Member of Intertec Healthcare Management, L.L.C., the General Partner of Intertec Healthcare Partners, L.P, and 7,722 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(6) Includes 11,267 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(7) Includes 122,089 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(8) Includes 23,370 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(9) Includes 10,000 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(10) Includes 30,534 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(11) Includes 263,844 shares issuable pursuant to options exercisable as of June 16, 2011, or within 60 days of such date.

(12) The address of CMED Partners LLLP is 4605 S. Denice Drive, Englewood, CO 80111. Mr. Kornelsen is indirectly the beneficial owner of these shares since he is the General Partner of CMED Partners LLLP.

(13) Based solely on Form 4, filed January 5, 2009 and Schedule 13D, filed September 29, 2008. The address of Intertec Healthcare Partners, L.P. is 5980 Horton Street, Suite 390, Emeryville, CA 94608. Mr.Ruediger Naumann-Etienne is the Managing Member of Intertec Healthcare Management, L.L.C., the General Partner of Intertec Healthcare Partners, L.P.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file initial reports of ownership and reports of changes in ownership of our common stock with the Securities and Exchange Commission. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us during the fiscal year ended March 31, 2011, to our knowledge, our directors, officers and holders of more than 10% of our common stock have timely filed all Section 16(a) reports.

Audit Committee Report

Our board of directors maintains an audit committee comprised of our outside directors. The board of directors and the audit committee believe that the audit committee s current members are independent directors as defined by the applicable regulations of the SEC as currently in effect and applicable to us.

The audit committee reviews and reassesses the adequacy of its charter on an annual basis. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The audit committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61. In addition, the audit committee has discussed with the independent auditors the auditors independence from management and us including the matters in the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor s communication with the audit committee concerning independence.

The audit committee discussed with our independent auditors the overall scope and plans for their audit. The audit committee meets with the independent auditors to discuss the results of their examination, their evaluation of our internal controls, and the overall quality of our financial reporting. In reliance on the reviews and discussions referred to above, the audit committee recommended to the board of directors, and the board of directors has approved, that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2011, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee

Bruce L. Arfmann, Audit Committee Member

Vern D. Kornelsen, Audit Committee Member

RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

(Proxy Item #2)

Our board of directors and audit committee have selected Eide Bailly LLP as our independent registered public accounting firm to audit our financial statements for the fiscal year ending March 31, 2012. The decision to engage Eide Bailly LLP was approved by our board of directors and audit committee, and this appointment is being submitted to our shareholders for ratification at the Annual Meeting.

Eide Bailly LLP served as the principal accountant to audit our financial statements for the fiscal years ended March 31, 2011 and 2010.

We expect that a representative of Eide Bailly LLP will be present at the Annual Meeting and will be available to respond to appropriate questions, and such representative will have the opportunity to make a statement at the meeting.

During our two most recent fiscal years and any subsequent interim period preceding June 30, 2011, there were no disagreements between us and Eide Bailly LLP, on any matter of accounting principles or practices, financial disclosure, or auditing scope or procedure.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF EIDE BAILLY LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING MARCH 31, 2012.

Audit Fees

Audit fees and related expenses for fiscal years ended March 31, 2011 and 2010 audit by Eide Bailly LLP were $32,804 and $35,258, respectively.

Audit-Related Fees

Audit-related expenses include $12,973 and $12,343 to Eide Bailly LLP related to the review of the financial statements contained in our quarterly 10-Q filings for fiscal years ended March 31, 2011 and 2010, respectively.

Tax Fees

Eide Bailly LLP did not render any services related to tax return preparation or tax planning for the fiscal years ended March 31, 2011 and 2010, respectively.

All Other Fees

There were no aggregate fees billed for any other services rendered by Eide Bailly LLP for the fiscal years ended March 31, 2011 and 2010, respectively.

Approval of Auditor Services and Fees

Our audit committee ensures that we engage our independent public accountants to provide only audit and non-audit services that are compatible with maintaining the independence of our independent public accountants.

Our audit committee approves or pre-approves all services provided by our independent public accountants. Permitted services include audit and audit-related services, tax and other non-audit related services. Certain services are identified as restricted. All fees identified in the preceding first two paragraphs were approved by our audit committee.

OTHER MATTERS

We know of no other matters that may come before the meeting. However, if any additional matters are properly presented at the meeting, it is intended that the persons named in the enclosed Proxy Card, or their substitutes, will vote such proxy in accordance with their judgment on such matters.

ANNUAL REPORT TO SHAREHOLDERS

Our Annual Report for the fiscal year ended March 31, 2011, including audited Financial Statements for the year then ended, as filed with the Securities and Exchange Commission on Form 10-K is being mailed to shareholders on or about June 30, 2011 with these proxy materials.

In an effort to reduce printing costs and postage fees, we have adopted a practice approved by the Securities and Exchange Commission called householding . Under this practice, shareholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our proxy materials unless one or more of these shareholders notifies us that they wish to continue receiving individual copies. Shareholders who participate in householding will continue to receive separate proxy cards.

If you share an address with another shareholder and received only one set of proxy materials and would like to request a separate copy of these materials and/or future proxy materials, please send your request to: 6797 Winchester Circle, Boulder, CO 80301, Attention: Marcia McHaffie. You may also contact us if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

IN ORDER THAT YOUR SHARES MAY BE REPRESENTED IF YOU DO NOT PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD PROMPTLY. IN THE EVENT THAT YOU ARE ABLE TO ATTEND THE MEETING, WE WILL, IF YOU REQUEST, CANCEL THE PROXY CARD.

SIGNATURE

By Order of the Board of Directors

/s/ Roger C. Odell
Chairman of the Board of Directors

Boulder, Colorado
June 30, 2011

ENCISION INC.

SOLICITED BY THE BOARD OF DIRECTORS FOR THE ANNUAL

MEETING OF SHAREHOLDERS TO BE HELD AUGUST 3, 2011

The undersigned hereby constitutes, appoints and authorizes John R. Serino and David W. Newton and each of them, the true and lawful attorneys and proxies of the undersigned with full power of substitution and appointment, for and in the name, place and stead of the undersigned, to act for and vote as designated below, all of the undersigned s shares of the no par value common stock of Encision Inc., a Colorado corporation, at the Annual Meeting of Shareholders to be held at 10:00 A.M. Mountain Time, on August 3, 2011, at the offices of Faegre & Benson LLP, Suite 300, 1470 Walnut Street, Boulder, CO 80302 and at any and all adjournments thereof, for the following purposes:

1. To elect seven directors:

o For all nominees listed below (except as marked to the contrary):

o Withhold authority to vote for the nominees listed below:

Bruce L. Arfmann

Robert H. Fries

Vern D. Kornelsen

Ruediger Naumann-Etienne

David W. Newton

Roger C. Odell

John R. Serino

(INSTRUCTION: To withhold authority to vote for any individual nominee rather than all nominees, check the box next to For all nominees listed below (except as marked to the contrary) and draw a line through or otherwise strike out the name of the nominee(s) for whom authority to vote is to be withheld. If authority to vote for the election of any nominee is not withheld, the execution of this Proxy shall be deemed to grant such authority.)

2. To ratify the appointment of Eide Bailly LLP as the Company s independent public accountants.

o FOR o AGAINST o ABSTAIN

3. To transact such other business as may properly come before the meeting, or any adjournment thereof.

The undersigned hereby revokes any proxies as to said shares heretofore given by the undersigned, and ratifies and confirms all that said attorneys and proxies may lawfully do by virtue hereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL PROPOSALS. THIS PROXY CONFERS DISCRETIONARY AUTHORITY IN RESPECT TO MATTERS NOT KNOWN OR DETERMINED AT THE TIME OF THE MAILING OF THE NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS TO THE UNDERSIGNED.

The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders and Proxy Statement furnished herewith.

DATED: , 2011.

Signature(s) of Shareholder(s)

Signature(s) should agree with the name(s) shown hereon. Executors, administrators, trustees, guardians and attorneys should indicate their capacity when signing. Attorneys should submit powers of attorney.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on August 3, 2011.

The Proxy Statement and the Annual Report are available at www.Encision.com.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF ENCISION INC. PLEASE SIGN AND RETURN THIS PROXY TO COMPUTERSHARE INVESTOR SERVICES, 350 INDIANA STREET, SUITE 750, GOLDEN, CO 80401. THE GIVING OF A PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.