Thank you operator and good morning everyone. Joining me today for our prepared remarks is James Tu, Chairman and Chief Executive Officer at Energy Focus.

Before we begin today's call, I need to remind you that we will make certain forward-looking statements. These statements are based upon information that represents the Company's current expectations or beliefs. The results actually realized may differ materially from those stated. For a discussion of the risks that could affect our results, please refer to the discussion under the heading "Risk Factors" in our most recent Form 10-K filed with the SEC. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Also, please note that during this call and in the accompanying press release, certain financial metrics are presented on both a GAAP and non-GAAP adjusted basis. Reconciliations of adjusted results to the GAAP results are available in the tables attached to the earnings release, which is posted on our corporate website at www.energyfocus.com in the Investor Relations section of the site.

And now I'd like to turn the call over to James.

Thanks Tod.

Good morning, everyone, and thank you for your participation in our third quarter 2019 earnings call. Since our last call, we continued to work diligently based on our relaunch plan to transform Energy Focus into a leading LED lighting company with sustainable and strong growth, characterized by superior product quality, impactful innovation and brand trust.

During our last call, I briefly talked about the company's history and the reasons I returned to Energy Focus as CEO and about the team and culture we are building. During this call, I will focus on the progress we have made over the past quarter and the steps we have taken toward achieving our long-term goals as I have summarized just now.

Let me start off with brief highlights of our financial results. Tod Nestor, our President and CFO, will go into more detail with you later on in the call.

On the revenue side, we recorded $2.9 million in revenue, which was slightly less than, but close to, our expectations of approximately $3 million. Revenues during the quarter were negatively impacted by the timing and fulfillment of military sales to the Navy, which, I am happy to say, we are well on our way to fulfilling during the current quarter.

As we mentioned in the last call, the US Navy budgets for the last two quarters of the 2019 fiscal year which ended in September were particularly constrained, mainly due to the unexpected reallocations towards building the border wall. We expect the new fiscal year to return to more normal budget levels and for our Navy business to start recovering from the third quarter low. In fact, as we announced in the earnings release this morning, we just received a $2.5M exclusive contract from the US Navy to supply our Navy fleet with our explosion proof LED globe lights. We look forward to more such wins as we continue to strive to be the Navy's most trusted LED lighting partner, as we have always been since 2007 when we installed our first LED lights on the US Navy ships.

The drop in sales from the same period last year of about $2.2 million resulted primarily from a drop in sales to our largest customer in the military business and to a large commercial customer. It is relevant to note that the agency distribution model that the previous management implemented and that we are no longer relying upon contributed basically zero sales to this or the last third quarter period. All of our current significant customers were acquired before 2017 when the previous management took over. Therefore, in essence, the year over year sales drop was caused by lack of new customers coupled with volatile sales number to a small list of significant, existing customers.

This conclusion gives us confidence that our re-initiated customer-centric sales and R&D strategy that the company had before 2017 was and will continue to be a key factor in retaining loyal customers. As we revert back to our unique strategy within the lighting industry of educating and selling directly to our customers, we are confident we can grow strong relationships again, especially as Energy Focus is now more than ever the most reliable and innovative LED lighting company today for the lighting retrofit market.

Gross profit for the quarter increased to 35.3% of sales compared with 24.8% for last year's third quarter and -3% from last quarter. The large swing in the margin, quarter to quarter, was mainly due to changes in inventory reserves which Tod will provide details on later. Without accounting for inventory reserves in the periods, gross margin improved to 23.6% in the third quarter of 2019, from 21.6% in third quarter 2018 and 22% in the second quarter of 2019. We believe that as we continue to consolidate our supply chain and launch differentiated products, barring potential, one-time inventory clearance events, margins will continue to improve in the quarters ahead.

Net loss for the quarter was $0.9 million or $0.08 per share compared with a net loss of $1.9 million or $0.16 per share in the year-ago quarter and $2.2 million or $0.18 per share in the second quarter of 2019. The improvement on our bottom line was largely the result of gross margin improvement as well as our continuing cost control efforts.

Now I will share some of the other operational highlights as well as the progress we've made during the quarter.

As I mentioned in our last earnings call, we set out four goals for our relaunch and transformation plan initiated in April this year. Our first goal is **achieving and maintaining streamlined, sustainable and agile operations**.

Q3 operating expenses are further lowered from Q2 and were about 40% lower than the same period in 2018, as well as the first quarter of 2019 before our restructuring. As part of our reorganization in the second quarter we reduced staff by about 30%. During the third quarter, we continued to execute on a tight budget and streamline our processes to weed out redundancies and wastes. We did start hiring again during the quarter and will continue to expand our staff as we start to focus on growing the company, but we remain committed to manage our costs in every way we can. Meanwhile, as I mentioned earlier, we also continued to consolidate and strengthen our supply chain to obtain better buying power and lower our future product cost which we expect will start reflecting on higher gross margin as we run down our current inventory.

Our second goal is winning business by effectively and constantly enlightening and educating our customers.

Since April, when we reoriented our sales approach from relying on outside agents to focusing on directly enlightening and educating our customers, we had to rebuild our sales force literally from scratch. During the quarter, first and foremost, as we expanded our sales organization, we reorganized it into four business operations, each led by an experienced and highly motivated sales leader and each dedicated to a particular sales channel. They are, first military and maritime, which focuses on all Navy, military bases and commercial maritime markets; second, commercial strategic accounts, which focuses on large national and regional government and commercial customers; third, channel partnerships, which focuses on leveraging the nationwide customer networks of our channel partners in various industries such as manufacturing, commercial properties and utilities; and fourth, SME, which focuses on reaching out to small and medium size enterprise customers directly by our inside sales team as well as a new e-commerce platform to be launched shortly. We are aggressively building up all these four teams so we can bring our quality and differentiated products to as many market channels and enterprise customers as possible.

While these teams each pursue different channels, they all adhere to our company's mission to enlighten and inspire our customers with the highest level of human touch, service and education, so that customers are armed with knowledge and confidence to choose the most impactful products from Energy Focus. So, in addition to having our expanded and realigned sales team in place, we also hired a new director of training to expand our training curriculum and operation for all our stakeholders including employees, customers, and contracting and channel partners. We also recruited an experienced VP of product management to oversee the broadening product lines we are developing and introducing to the market. Working with our PR agency, DGI, we have also started to publish white papers, case studies and have had articles appear in targeted verticals that clearly outline the benefits of our products and solutions. In addition, our sales teams have expanded our presence in targeted industry conferences, which have resulted in increased exposure and some very exciting leads. We encourage you to follow our expanding publications, events and activities on our website or social media platforms.

Meanwhile, on the new business front, in addition to more school districts and hospitals, we recently added a few large institutions as new customers, including Penn State, Michigan State and Vanderbilt University. Since we just completed restructuring our sales force over the past few months, the speed with which we brought in these new marquee customers is particularly exciting because it shows that the lead times for us to acquire new customers is now much shorter than even just a few years ago. This is not only because organizations are now ready to adopt LED lighting, but also, perhaps more importantly, because Energy Focus now stands alone in the industry as one of the very few high-quality LED lighting brands with a proven product reliability history and a long list of positive and favorable customer references.

Our third goal is developing impactful and differentiated products and solutions based on LED lighting technologies.

Energy Focus is positioned as the premier LED lighting brand. The key to our sustainable growth in the years to come, in addition to successful business development, is being able to continually distance ourselves from the commoditized landscape through impactful product innovations and differentiations. I'm really happy and excited to let you know that we have made tremendous progress in this area in the past quarter.

As many of you might know, in addition to being the leading LED lighting supplier to the US Navy, ever since introducing the industry's first type-B LED tubes to replace fluorescent lamps and eliminate fluorescent ballast in 2010, Energy Focus has been on the forefront of invention and innovation for LED lighting particularly in the commercial retrofit market. We pioneered the flicker-free standard with UL and became the first UL-certified low-flicker manufacturer in 2015. Then, in 2016 we introduced our patented back-up battery integrated LED tube, the RedCap, that eliminates the need of separate emergency backup batteries. We believe that our next major product introduction, a high-quality and simple lighting control solution built upon our patented control platform and LED lamps, will be the most disruptive technology we have ever introduced and will further differentiate us from others in the global lighting market. This new technology will be available during the first quarter of 2020.

As we mentioned in a previous press release, this whole new product family, built upon our new control platform, will enable existing buildings to provide dimmable and tunable LED lighting at a fraction of the cost of any other control technologies on the market today, particularly for the retrofit market. The new product, for which we filed several provisional patents, will replace existing wall switches and fluorescent or tubular LEDs with our control package that includes switches and LED lamps that are dimmable and color tunable, without requiring additional wiring and electrical labor. In the past, for most retrofit projects, this option has been far out of reach cost-wise to incorporate such control capabilities. But now, since the controls are applied through the power lines, there won't be cybersecurity issues introduced by wireless communications—an important consideration for organizations with mission critical facilities such as government, military, healthcare and higher education. This new lighting system, with an upgraded option that also provides occupancy sensing, will also maintain high power quality as well as stay flicker-free throughout the dimming and color tuning ranges.

Over the past two months we started introducing this family of products to some of our larger, strategic accounts and also showcased it at several recent trade shows. I am happy to report the initial reception to it has been overwhelmingly positive, and we believe there will be significant demand for it in our key target markets, mainly the education vertical, where it is particularly impactful to classrooms; healthcare facilities, including hospital patient rooms and nursing homes; as well as government and other commercial and industrial facilities.

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In particular, the science of circadian rhythm, which is a natural biological process that regulates the sleep-wake cycle throughout a day, has long been settled. Different light color temperatures induce different mood, mental acuity and melatonin levels that are crucial to human performance and health. And as I mentioned, the bottleneck for mass adoption of such human centric lighting (or HCL) technology has so far been the prohibitive cost required for rewiring for the control systems as well as the specialty lighting fixtures, especially for retrofit applications. With our new product family, everyone can start experiencing higher levels of productivity and quality of life at the appropriate color lumen levels and color temperatures. As an example, hospital patients may be able to recover faster with higher color temperatures and higher light output during the day while achieving better sleep quality with room lighting set at lower color temperatures and lower lumen output before resting. We believe the human benefits this product family will create for our customers are going to be unprecedented and far outweigh the energy benefits.

As I mentioned, we expect to launch this product family during the first quarter of 2020. In addition to ramping up our internal sales organization, we have entered into discussions with several large national lighting as well as non-lighting channel partners to market and distribute these products, and we also expect to record the first sales by the end of first quarter of 2020 based upon the strong preorder interest and demand we have already generated.

Our fourth transformational goal is building the most talented and passionate workforce in the LED lighting industry.

As I stated earlier, after the initial restructuring, we started expanding our staff again to position the company for strong and sustainable growth. During the quarter we recruited several outstanding leaders and business development managers whom we believe will continue to strengthen our culture for accountability, trust, extraordinariness, fun, openness and integrity, as well as standard of excellence. We will continue to apply rigorous hiring as well as continuous education practices to ensure we are building the most capable workforce in the LED lighting industry to execute our growth plan.

Last but not least, as the company continues to invest in expanding our organization and therefore experiencing operating loss at the moment, we do need to seek additional capital to continue to fund our growth initiatives. Outside of straight equity issuance, which we'd try to avoid before our stock starts to reflect anywhere close to the company's real value and potential, we do have other alternatives to fund the gap in our cash flow, including selling off our excess inventory, expanding our credit facility, growing our sales to reduce our loss, and issue debt available to us. We are confident that we will be able to fund the operations in the next few months before we reach further, significant milestones that create clear and substantial value for the company, and Tod will go into further details later.

As for our near-erm business outlook, as we mentioned in the earnings release, at this point we expect fourth quarter sales to be in the range of $3.1-3.4 million, representing 7-17% growth from the third quarter. We do caution you that, as you are aware of, because we have relatively small number of large accounts at this point that drive the majority of our sales, so our quarterly sales are highly subject to the timing of orders and deliveries to these accounts. That said, as part of our transformational plan, we as the new management team would like to be as transparent, as forthcoming and as timely as we can in our communication with shareholders as well as all stakeholders. Energy Focus has won strong and sustainable trust of institutions with mission critical facilities by being open and by delivering exceptional values. This philosophy applies to our customers, and we believe it'll apply to our investors as well.

In summary, now with our much more economized and strengthened organizational processes, energized and focused sales teams, and the breakthrough controlled lighting products to be launched shortly, the company's ongoing transformation is well underway. I believe we are now positioned to achieve incrementally stronger and long-term sustainable growth from the fourth quarter on.

With that, I will turn the call over to Tod Nestor to review our financial performance for the quarter. Tod…

Thank you, James.

As James mentioned, we made substantial progress during the third quarter of 2019. I will now summarize the financial results.

Third quarter sales were $2.9 million compared with last year's third quarter sales of $5.2 million, and slightly down compared with second quarter 2019 which was $3.1 million. Part of the decrease in sales from prior year was the result of the postponement in military sales and to some degree a decline in commercial sales. As James mentioned, we have already captured some of that shift in military revenue and a portion of it will be captured in our fourth quarter.

But for now, let me break down third quarter fiscal 2019 sales which declined by $2.2MM, or 43.5% versus the same period in 2018. However, on a sequential basis comparing the third quarter to the second quarter of fiscal 2019, the sales decline was only $167K, or 5.4%.

Back to our year-over-year quarterly sales comparison. By comparing the ratio of military to commercial sales between the third quarter of 2019 at ~0.7 to 1 and the third quarter of 2018 at ~1.25 to 1 the change in this ratio from period-to-period is demonstrative of the relative percentage declines experienced in the third quarter of 2019 when compared to the third quarter of 2018, with military sales decreasing approximately 59% year-over-year for the quarter and commercial sales decreasing approximately 24% year-over-year for the quarter.

In addition, when evaluating Sales changes due to Price, Mix and Volume causes of change on a Year-over-Year basis for the third quarter of 2019 versus third quarter of 2018, the results were as follows.

Sales increases due to prices for new product introductions during the third quarter of 2019 contributed about a $111k, or a 5% sales increase. In addition, the impact of prices on products sold only in the third quarter of 2019 that were not sold in the third quarter of 2018 increased sales by approximately $585k, or 26% year-over-year. Finally, for those products offered during both the third quarter of 2019 and 2018, true price increases had very little impact on sales only increasing sales by about $22k, or 1% for the quarter.

From a mix perspective, items sold in both the third quarter of 2019 and the third quarter of 2018, sales declined approximately $186k, or 8%. In addition, mix was also impacted by items that were sold during the third quarter of 2018 but not sold during the third quarter of 2019 decreasing sales on a year-over-year basis by about $611k, or 27%.

From a volume perspective, for items sold during both the third quarter of 2019 and the third quarter of 2018, the impact on sales was a decline of $1,725k, or 77%. Finally, the impact of the volume for those items sold in 2018 third quarter not sold in the third quarter of 2019 lowered sales by $439k, or 20%.

Reported Gross profit for Q3 2019 was $1.0 million, with gross profit margins improving to 35.3%, compared with gross profit in Q3 2018 of $1.3 million or 24.8% gross profit margins, and a Q2 2019 gross profit loss of $109 thousand, and gross profit margins of -3.5%.

Q3 2019 gross profit included impacts from changes in the excess and obsolete reserves, which included a $394 thousand decrease in the excess & obsolete reserve that **improved** gross profit margins by 13.5 percentage points. Conversely, increases in the excess and obsolete reserves **adversely** impacted Q2 2019 and Q3 2018 gross profit margins by 14.7% and 3.2% percentage points of net sales, respectively.

The increase in gross profit in Q3 2019 from Q2 2019 resulted mainly from favorable changes in inventory reserves in the third quarter, in addition to some incremental gross margin improvement from lower material costs and reduced warranty and repairs in the third quarter of 2019.

If you 'normalize' margins for the three quarters and adjust for the reserve movements previously described - which should have less movement going forward - the 'normalized' margins for the third quarter of 2019 would be ~23.6%, and for the third quarter of 2018 would be ~22.5%, and finally for the second quarter of 2019, would be ~23.4%.

We expect gross margins to remain steadier and gradually improve as we continue to make improvements to our supply chain and launch new products, barring any potential, one-time unexpected inventory write-down events.

As James mentioned in his discussion, we continue to focus on maintaining streamlined, sustainable and agile operations. As a result of these efforts, third quarter 2019 Operating Expenses were significantly reduced by $1.3 million or 45% to $1.9 million compared with $3.2 million in the year-ago quarter, and $2.0 million in the second quarter of 2019. Contributing to the decline were reductions in salaries and benefits related to the closures of our San Jose and Taiwan offices this past April and May totaling approximately $325K, another $291K related to reduced severance costs, and $210K related to staff reductions plus $190K in reduced stock-based compensation. Sequentially, compared with Q2 2019, operating expenses decreased by $179k.

Loss from Operations during the third quarter 2019 was $833K, an improvement of $1.1 million from the third quarter of 2018 when it was a $1.9 million loss, and a $1.3 million improvement compared to last quarter when we reported a $2.1 million operating loss.

Net loss for Q3 2019 improved to $946 thousand or $0.08 per share, compared with a loss of $1.9 million or $0.16 per share in the year-ago third quarter, and net losses of $2.2 million or $0.18 per share in Q2 2019.

On a year-to-date basis, for the nine months in 2019, net sales were $9.2 million compared with $15.0 million in the year-ago nine-month period. Loss from operations was $5.8 million in 2019 compared with an operating loss of $6.1 million in 2018, and net loss was $6.1 million or $0.49 per share in 2019 compared with a net loss of $6.1 million or $0.51 per share in the year-ago nine-month period. As you can see, we have worked very hard to mitigate the losses despite the decline in sales and are working even harder to rebuild the sales going forward as James mentioned previously.

Now, turning to the balance sheet.

As I mentioned to you on our previous call, we are very focused on keeping cash balances low since we view cash as negative debt. We believe it is most important that Energy Focus place importance on its debt capacity and ability to access cash rather than maintain a lot of unused cash on its balance sheet. Having said all of this As of September 30, 2019 we had $634k of Cash and Cash Equivalents on our Balance Sheet with approximately $1,323k in Credit Line Borrowings and our $1,700k of Convertible Notes, for Total Net Debt as of September 30, 2019 of $2,389k. This compares to Net Debt of approximately $1,145k on June 30, 2019, with the increase in Net Debt pretty much reflecting our operating cash burn of approximately $1,200k for the third quarter.

Accounts Receivable were $1.8MM at the end of the third quarter 2019 versus $2.2MM at the end of the fourth quarter of 2018, a $0.4MM decline reflecting the decline in sales as well as continued effective Accounts Receivable collections. Inventory balances declined to $7.4 million as of September 30, compared to $8.1MM at the end of the fourth quarter reflecting the gradual depletion to meet existing sales of the excess inventory on hand purchased by prior management and a lack of need to purchase new inventory for a period of time due to the existing high levels of inventory. However, please note that as Energy Focus launches new products and depletes popular product inventory, the company will begin purchasing more inventory during late fourth quarter of 2019 and in the first quarter of 2020.

Accounts Payable declined significantly to $1.2 MM as of September 30 from $3.6MM as of December 31, which reflects the large build-up in inventory done by the prior management team during fiscal 2018 and the subsequent need to pay those vendors during the first nine months of 2019, as well as the lack of need to purchase additional new inventory at this time therefore not incurring additional vendor credit. Most other significant balance sheet changes from period to period you see on our Earnings Release are because of our adoption of the new standard for lease accounting.

James mentioned earlier that we believe there is value in our strategic plans and ability to generate future free cash flow that are yet to be reflected in Energy Focus's stock price. While we will explore all types of financing that make sense for the business, at this time we are most focused on exploring more traditional bridge financing to fund our growth and the company's interim needs while the stock price has an opportunity to better reflect what we believe is a more accurate and fair price of the intrinsic value of our stock. Not only will we explore traditional financing approaches such as expanding our credit facility, issuing debt that is available to us, but in addition we will also explore every possible operational opportunity to generate additional cash flow to fund the business such as using our excess inventory effectively and efficiently, increasing sales to reduce our loss and create profits, etc. We are optimistic that we will be successful in funding our operations in the next few months as we reach our anticipated milestones that we expect will enhance the value of our company.

And lastly, I wanted to update you on tariffs. Tariffs continue to be manageable for Energy Focus, with no material impact on our business. We are working with our vendors on price reductions to mitigate the need to increase prices and are also evaluating alternative sourcing locations and sources as necessary. Currently, we have no needed to pass along the minimum level of tariffs we have incurred from the products we source out of China at this time but will continue to monitor the situation and will respond accordingly.

Also, given the very low failure rates of our tubes, we continue to be able to offer our 10-year warranty and we can financially afford to continue offering this significant benefit to our customers.

With that we would like to open it up to questions.