APOGEE ENTERPRISES, INC.
Form 10-Q
October 11, 2012

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 1, 2012

¨ 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: 0-6365

APOGEE ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	41-0919654 (I.R.S. Employer Identification No.)
4400 West 78th Street – Suite 520, Minneapolis, MN (Address of principal executive offices)	55435 (Zip Code)

Registrant's telephone number, including area code: (952) 835-1874

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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. x Yes ¨ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of September 28, 2012, 28,384,132 shares of the registrant's common stock, par value $0.33 1/3 per share, were outstanding.

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APOGEE ENTERPRISES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS
(unaudited)

(In thousands, except per share data)	September 1, 2012	March 3, 2012
Assets		
Current assets		
Cash and cash equivalents	$29,553	$54,027
Short-term marketable securities available for sale	25,091	11,664
Restricted short-term investments	13,615	13,603
Receivables, net of allowance for doubtful accounts	117,688	108,424
Inventories	39,409	34,045
Refundable income taxes	1,387	—
Deferred tax assets	3,680	4,294
Other current assets	3,221	3,382
Total current assets	233,644	229,439
Property, plant and equipment, net	162,898	159,547
Marketable securities available for sale	9,399	7,936
Restricted investments	17,458	9,533
Goodwill	61,393	61,617
Intangible assets	14,552	16,092
Other assets	8,131	8,940
Total assets	$507,475	$493,104
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$40,133	$34,025
Accrued payroll and related benefits	17,611	23,699
Accrued self-insurance reserves	4,794	4,668
Other accrued expenses	16,491	19,017
Current liabilities of discontinued operations	352	799
Billings in excess of costs and earnings on uncompleted contracts	28,516	22,550
Current portion long-term debt	50	108
Accrued income taxes	—	905
Total current liabilities	107,947	105,771
Long-term debt	30,849	20,916
Unrecognized tax benefits	8,749	8,918
Long-term self-insurance reserves	7,933	9,605
Deferred tax liabilities	2,486	2,247
Other long-term liabilities	25,868	23,929
Liabilities of discontinued operations	504	520
Commitments and contingent liabilities (Note 13)		
Shareholders' equity		
Common stock of $0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 28,345,247 and 28,062,049, respectively	9,448	9,354
Additional paid-in capital	115,668	113,046
Retained earnings	204,300	203,558

Common stock held in trust	(760)	(745)
Deferred compensation obligations	760	745
Accumulated other comprehensive loss	(6,277)	(4,760)
Total shareholders' equity	323,139	321,198
Total liabilities and shareholders' equity	$507,475	$493,104

See accompanying notes to consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS
(unaudited)

(In thousands, except per share data)	Three Months Ended September 1, 2012	Three Months Ended August 27, 2011	Six Months Ended September 1, 2012	Six Months Ended August 27, 2011
Net sales	$175,940	$165,557	$330,074	$318,895
Cost of sales	139,803	139,605	262,862	269,257
Gross profit	36,137	25,952	67,212	49,638
Selling, general and administrative expenses	28,584	28,629	57,342	55,743
Operating income (loss)	7,553	(2,677)	9,870	(6,105)
Interest income	43	277	315	554
Interest expense	251	300	614	609
Other income, net	155	91	173	94
Earnings (loss) from continuing operations before income taxes	7,500	(2,609)	9,744	(6,066)
Income tax expense (benefit)	2,681	(932)	3,319	(2,212)
Earnings (loss) from continuing operations	4,819	(1,677)	6,425	(3,854)
Earnings from discontinued operations, net of income taxes	238	—	238	—
Net earnings (loss)	$5,057	$(1,677)	$6,663	$(3,854)
Earnings per share – basic				
Earnings (loss) from continuing operations	$0.17	$(0.06)	$0.23	$(0.14)
Earnings from discontinued operations	0.01	—	0.01	—
Net earnings (loss)	$0.18	$(0.06)	$0.24	$(0.14)
Earnings per share – diluted				
Earnings (loss) from continuing operations	$0.17	$(0.06)	$0.23	$(0.14)
Earnings from discontinued operations	0.01	—	0.01	—
Net earnings (loss)	$0.18	$(0.06)	$0.24	$(0.14)
Weighted average basic shares outstanding	27,922	27,796	27,855	27,829
Weighted average diluted shares outstanding	28,436	27,796	28,330	27,829
Cash dividends declared per common share	$0.0900	$0.0815	$0.1800	$0.1630

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(unaudited)

(In thousands)	Three Months Ended September 1, 2012	Three Months Ended August 27, 2011	Six Months Ended September 1, 2012	Six Months Ended August 27, 2011
Net earnings (loss)	$5,057	$(1,677)	$6,663	$(3,854)
Other comprehensive (loss) earnings:				
Unrealized (loss) gain on marketable securities, net of $(7), $(53), $5 and $(4) tax (benefit) expense, respectively	(13)	(101)	11	(8)
Foreign currency translation adjustments	(2,025)	851	(1,528)	1,343
Other comprehensive (loss) earnings	(2,038)	750	(1,517)	1,335
Total comprehensive earnings (loss)	$3,019	$(927)	$5,146	$(2,519)

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(In thousands)	Six Months Ended September 1, 2012	August 27, 2011
Operating Activities		
Net earnings (loss)	$6,663	$(3,854)
Adjustments to reconcile net earnings to net cash used in operating activities:		
Net earnings from discontinued operations	(238)	—
Depreciation and amortization	13,113	13,876
Stock-based compensation	2,318	2,012
Deferred income taxes	834	1,190
Excess tax benefits from stock-based compensation	(190)	—
Gain on disposal of assets	(580)	(492)
Other, net	336	98
Changes in operating assets and liabilities:		
Receivables	(9,616)	(10,198)
Inventories	(5,527)	(7,326)
Accounts payable and accrued expenses	(386)	(2,059)
Billings in excess of costs and earnings on uncompleted contracts	5,966	(5,315)
Refundable and accrued income taxes	(2,307)	(2,991)
Other, net	144	342
Net cash provided by (used in) continuing operating activities	10,530	(14,717)
Investing Activities		
Capital expenditures	(15,679)	(3,577)
Proceeds from sales of property, plant and equipment	18	10,313
Acquisition of intangibles	—	(58)
Purchases of restricted investments	(10,000)	(12,329)
Sales/maturities of restricted investments	2,080	23,190
Purchases of marketable securities	(28,986)	(9,462)
Sales/maturities of marketable securities	14,393	18,284
Investments in corporate-owned life insurance policies	(900)	(1,435)
Net cash (used in) provided by investing activities	(39,074)	24,926
Financing Activities		
Proceeds from issuance of debt	10,000	—
Payments on debt	(86)	(1,250)
Payments on debt issue costs	(194)	(66)
Shares withheld for taxes, net of stock issued to employees	(554)	(752)
Excess tax benefits from stock-based compensation	190	—
Dividends paid	(5,193)	(4,579)
Net cash provided by (used in) financing activities	4,163	(6,647)
Cash Flows of Discontinued Operations		
Net cash used in operating activities	(97)	(3,263)
Net cash used in discontinued operations	(97)	(3,263)
(Decrease) increase in cash and cash equivalents	(24,478)	299
Effect of exchange rates on cash	4	10
Cash and cash equivalents at beginning of year	54,027	24,302
Cash and cash equivalents at end of period	$29,553	$24,611
Noncash Activity		

Capital expenditures in accounts payable	$803	$340

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The consolidated financial statements of Apogee Enterprises, Inc. (we, us, our or the Company) included herein have been prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements and notes are presented as permitted by the regulations of the Securities and Exchange Commission (Form 10-Q) and do not contain certain information included in the Company's annual financial statements and notes. The information included in this Form 10-Q should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and financial statements and notes thereto included in the Company's Form 10-K for the year ended March 3, 2012. The results of operations for the six-month period ended September 1, 2012 are not necessarily indicative of the results to be expected for the full year.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position as of September 1, 2012 and March 3, 2012, and the results of operations and comprehensive earnings for the three and six-month periods ended September 1, 2012 and August 27, 2011 and cash flows for the six-month periods ended September 1, 2012 and August 27, 2011.

The Company's fiscal year ends on the Saturday closest to the last day of February. Each interim quarter ends on the Saturday closest to the end of the months of May, August and November.

The results of GlassecViracon are reported on a two-month lag. There were no significant intervening events which would have materially affected our consolidated financial statements had they been recorded during the six months ended September 1, 2012.

In connection with preparing the unaudited consolidated financial statements for the six months ended September 1, 2012, the Company has evaluated subsequent events for potential recognition and disclosure through the date of this filing and determined that there were no subsequent events which required recognition or disclosure in the consolidated financial statements.

2. New Accounting Standards

In June 2011, the Financial Accounting Standards Board (FASB) amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new guidance allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance was effective for fiscal years and interim periods beginning after December 15, 2011, Apogee's fiscal year 2013. The Company has adopted this guidance as of March 4, 2012 and has presented total comprehensive income in the Consolidated Statements of Comprehensive Earnings.

In September 2011, the FASB amended U.S. GAAP on testing goodwill for impairment. Under this new guidance, entities testing goodwill for impairment now have an option of performing a qualitative assessment before having to calculate the fair value of a reporting unit. If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more-likely-than-not less than the carrying amount, the existing quantitative impairment test is required. Otherwise, no further impairment testing is required. The amendments were effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, Apogee's fiscal year 2013. The adoption of this new standard in the first quarter of fiscal 2013 did not have an impact on Apogee's consolidated financial position, results of operations or cash flows.

No other new accounting pronouncements issued or effective during the first six months of fiscal 2013 have had or are expected to have a material impact on the consolidated financial statements.

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3. Stock-Based Compensation

The 2009 Stock Incentive Plan, the 2009 Non-Employee Director Stock Incentive Plan, the 2002 Omnibus Stock Incentive Plan and the 1997 Omnibus Stock Incentive Plan (the Plans) provide for the issuance of 1,888,000; 250,000; 3,400,000; and 2,500,000 shares, respectively, for various forms of stock-based compensation to employees and non-employee directors. Awards under these Plans, either in the form of incentive stock options, nonstatutory options or stock-settled stock appreciation rights (SARs), are granted with an exercise price equal to the fair market value of the Company's stock at the date of award. Nonvested share awards and nonvested share unit awards are also included in these Plans. Outstanding options issued to employees generally vest over a four-year period, outstanding SARs vested over a three-year period and outstanding options issued to non-employee directors vested at the end of six months. Outstanding options and SARs have a 10-year term. Nonvested share awards and nonvested share unit awards generally vest over a two, three or four-year period.

The 2002 Omnibus Stock Incentive Plan was terminated in June 2009 and the 1997 Omnibus Stock Incentive Plan was terminated in January 2006; no new grants may be made under either of these plans, although exercises of SARs and options, and vesting of nonvested share awards, previously granted thereunder will still occur in accordance with the terms of the various grants.

Total stock-based compensation expense under all Plans included in the results of operations for the six months ended September 1, 2012 and August 27, 2011, was $2.3 million and $2.0 million, respectively.

Stock Options and SARs

There were no options or SARs issued in the first six months of fiscal 2013; in the first six months of of fiscal 2012, 450,512 stock options were issued with a weighted average fair value per option at the date of grant of $2.89. The fair value of each award grant is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants through the first six months of fiscal 2012.

	Six Months Ended August 27, 2011
Dividend yield	3.9%
Expected volatility	56.1%
Risk-free interest rate	0.8%
Expected lives	4.6 Years

The expected stock price volatility is based on historical experience. The risk-free rate for periods that coincide with the expected life of the options is based on the U.S. Treasury Department yield curve in effect at the time of grant. The expected life, the average time an option grant is outstanding, and forfeiture rates are estimated based on historical experience.

The following table summarizes the award transactions for the six months ended September 1, 2012:

	Options/SARs Outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at March 3, 2012	1,815,293	$15.71		
Awards exercised	(39,623)	12.05		
Awards canceled	(71,498)	21.43		

Outstanding at September 1, 2012	1,704,172	$15.56	5.1 Years	$4,596,421
Vested or expected to vest at September 1, 2012	1,704,172	$15.56	5.1 Years	$4,596,421
Exercisable at September 1, 2012	1,403,831	$17.10	4.3 Years	$2,355,877

At September 1, 2012, there was $0.9 million of total unrecognized compensation cost related to stock option awards, which is expected to be recognized over a weighted average period of approximately 24 months. Cash proceeds from the exercise of stock options were $0.5 million and $0.2 million for the six months ended September 1, 2012 and August 27, 2011, respectively. The aggregate intrinsic value of securities (the amount by which the stock price on the date of exercise exceeded the stock price of the award on the date of grant) exercised was $0.1 million during the six months ended September 1, 2012 and was minimal during the six months ended August 27, 2011.

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Nonvested Shares and Share Units
The Company's executive compensation program provides key employees selected by the Compensation Committee of the Board of Directors with long-term incentives using nonvested shares and nonvested share units. During fiscal 2013, nonvested shares were issued based on performance against objectives and generally vest over three years. From fiscal 2010 through fiscal 2012, nonvested share units were issued at the beginning of each fiscal year, which give the recipient the right to receive shares earned at the vesting date. The number of nonvested share units issued at grant was equal to the target number of nonvested share units and allows for the right to receive an additional number of, or fewer, shares based on meeting pre-determined Company three-year performance goals.

The following table summarizes the nonvested share award transactions, including nonvested share units, for the six months ended September 1, 2012:

	Nonvested Shares and Units	
	Number of Shares and Units	Weighted Average Grant Date Fair Value
Nonvested at March 3, 2012	981,813	$12.64
Granted	221,385	14.71
Vested	(295,429)	12.85
Canceled[1]	(61,703)	13.43
Nonvested at September 1, 2012[2]	846,066	$13.05

(1) Includes 61,403 nonvested share units canceled under the fiscal 2010-2012 performance period because Apogee performed below target level for that performance period. Nonvested share units of 160,196 (at target) were previously granted in fiscal 2010 for this performance period.

(2) Includes a total of 292,118 nonvested share units granted and outstanding at target level for fiscal 2011-2013 and 2012-2014.

At September 1, 2012, there was $6.9 million of total unrecognized compensation cost related to nonvested share and nonvested share unit awards, which is expected to be recognized over a weighted average period of approximately 25 months. The total fair value of shares vested during the six months of fiscal 2013 was $4.3 million.

In fiscal 2013, the executive compensation program was changed to issue cash-based performance awards in lieu of nonvested share unit awards; the cash-based awards are based on a two-year performance period and will be paid in two annual installments after completion of the performance period. Vesting of outstanding nonvested share unit awards will continue through fiscal 2015. The liability for the cash-based performance awards is included in other long-term liabilities in the consolidated balance sheet.

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4. Earnings per Share

The following table presents a reconciliation of the denominators used in the computation of basic and diluted earnings per share.

(In thousands)	Three Months Ended September 1, 2012	Three Months Ended August 27, 2011	Six Months Ended September 1, 2012	Six Months Ended August 27, 2011
Basic earnings per share – weighted common shares outstanding	27,922	27,796	27,855	27,829
Weighted average effect of nonvested share grants and assumed exercise of stock options	514	—	475	—
Diluted earnings per share – weighted common shares and potential common shares outstanding	28,436	27,796	28,330	27,829
Earnings (loss) per share – basic	$0.18	$(0.06)	$0.24	$(0.14)
Earnings (loss) per share – diluted	0.18	(0.06)	0.24	(0.14)
Stock options excluded from the calculation of earnings per share because the exercise price was greater than the average market price of the common shares	624	1,349	915	1,248

Due to the net loss in fiscal 2012, there was no dilutive impact from unvested shares in the three and six-month periods ended August 27, 2011.

5. Inventories

(In thousands)	September 1, 2012	March 3, 2012
Raw materials	$15,258	$12,772
Work-in-process	9,526	7,956
Finished goods	12,058	10,386
Costs and earnings in excess of billings on uncompleted contracts	2,567	2,931
Total inventories	$39,409	$34,045

6. Marketable Securities

At September 1, 2012, the Company has investments in municipal bonds of $34.5 million; $25.1 million is current and $9.4 million is non-current. The Company’s wholly owned insurance subsidiary, Prism Assurance, Ltd. (Prism), holds $9.6 million of the municipal bonds. Prism insures a portion of the Company’s workers’ compensation, general liability and automobile liability risks using reinsurance agreements to meet statutory requirements. The reinsurance carrier requires Prism to maintain fixed-maturity investments, which are generally high-quality municipal bonds, for the purpose of providing collateral for Prism’s obligations under the reinsurance agreement. All of the Company’s fixed maturity investments are classified as “available-for-sale,” are carried at fair value and are reported as short-term marketable securities available for sale or marketable securities available for sale in the consolidated balance sheet.

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The amortized cost, gross unrealized gains and losses, and estimated fair values of investments available for sale at September 1, 2012 and March 3, 2012, are as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 1, 2012				
Municipal bonds	$34,545	$193	$(248)	$34,490
Total investments	$34,545	$193	$(248)	$34,490
March 3, 2012				
Municipal bonds	$19,670	$188	$(258)	$19,600
Total investments	$19,670	$188	$(258)	$19,600

The Company tests for other than temporary losses on a quarterly basis and has considered the unrealized losses indicated above to be temporary in nature. The Company intends to hold the investments until it can recover the full principal amount and has the ability to do so based on other sources of liquidity. The Company expects such recoveries to occur prior to the contractual maturities.

The following table presents the length of time that available-for-sale securities were in continuous unrealized loss positions, but were not deemed to be other than temporarily impaired, as of September 1, 2012:

	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal bonds	$11,279	$(8)	$1,010	$(240)	$12,289	$(248)
Total investments	$11,279	$(8)	$1,010	$(240)	$12,289	$(248)

The amortized cost and estimated fair values of investments at September 1, 2012, by contractual maturity are shown below. Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Amortized Cost	Estimated Market Value
Due within one year	$25,090	$25,091
Due after one year through five years	4,423	4,502
Due after five years through 10 years	2,611	2,684
Due after 10 years through 15 years	2,137	1,904
Due beyond 15 years	284	309
Total	$34,545	$34,490

The Company recognized gross realized gains of $0.1 million and $0.4 million during the six-month periods of fiscal 2013 and 2012, respectively, which are included in other income, net in the accompanying consolidated results of operations. Gross realized losses were not material during either of those periods.

7. Fair Value Measurements

The Company accounts for financial assets and liabilities in accordance with accounting standards that define fair value and establish a framework for measuring fair value. The hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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Financial assets measured at fair value as of September 1, 2012 and March 3, 2012, are summarized below:

(In thousands)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
September 1, 2012				
Cash equivalents				
Money market funds	$ 16,100	$—	$—	$16,100
Total cash equivalents	16,100	—	—	16,100
Short-term marketable securities available for sale				
Municipal bonds	$ —	$25,091	$—	$25,091
Total short-term marketable securities available for sale	—	25,091	—	25,091
Marketable securities available for sale				
Municipal bonds	$ —	$9,399	$—	$9,399
Total marketable securities available for sale	—	9,399	—	9,399
Restricted investments				
Money market funds	$ 31,073	$—	$—	$31,073
Total restricted investments	31,073	—	—	31,073
Mutual fund investments				
Mutual funds	$ 657	$—	$—	$657
Total mutual fund investments	657	—	—	657
Total assets at fair value	$ 47,830	$34,490	$—	$82,320
March 3, 2012				
Cash equivalents				
Money market funds	$ 46,141	$—	$—	$46,141
Total cash equivalents	46,141	—	—	46,141
Short-term marketable securities available for sale				
Municipal bonds	$ —	$11,664	$—	$11,664
Total short-term marketable securities available for sale	—	11,664	—	11,664
Marketable securities available for sale				
Municipal bonds	$ —	$7,936	$—	$7,936
Total marketable securities available for sale	—	7,936	—	7,936
Restricted investments				
Money market funds	$ 23,136	$—	$—	$23,136
Total restricted investments	23,136	—	—	23,136
Mutual fund investments				
Mutual funds	$ 1,150	$—	$—	$1,150
Total mutual fund investments	1,150	—	—	1,150
Total assets at fair value	$ 70,427	$19,600	$—	$90,027

Cash equivalents
Cash equivalents include highly liquid investments with an original maturity of three months or less, and consist primarily of money market funds. The cash equivalents are held at fair value based on quoted market prices, which approximates stated cost.

Short-term marketable securities available for sale

The Company has short-term marketable securities available for sale of $25.1 million as of September 1, 2012, consisting of municipal bonds. The Company classifies these short-term marketable securities as “available-for-sale,” and they are carried at fair market value based on market prices from recent trades of similar securities.

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Marketable securities available for sale

The Company has $9.4 million of marketable securities available for sale, consisting of municipal bonds. All of the Company's fixed maturity investments are classified as "available-for-sale," are carried at fair value and are reported as marketable securities available for sale in the consolidated balance sheet. These investments are held at fair value based on prices from recent trades of similar securities.

Restricted investments

The Company has $13.6 million of current restricted investments consisting of money market funds that were required to be made available to cover our exposure for letters of credit outside of our revolving credit facility and credit-card programs. The Company has $17.5 million of long-term restricted investments consisting of money market funds, which are short-term in nature but are restricted for future investment in the Company's architectural glass fabrication facility in Utah, and storefront and entrance business in Michigan, and are, therefore, classified as long term. The restricted investments are held at fair value based on quoted market prices, which approximate stated cost.

Mutual fund investments

The Company has $0.7 million of mutual fund investments as a long-term funding source for the deferred compensation plan. The mutual fund investments are recorded at estimated fair value, based on quoted market prices, and are included in other non-current assets in the consolidated balance sheet.

8. Goodwill and Other Identifiable Intangible Assets

The carrying amount of goodwill attributable to each business segment as of the six months ended September 1, 2012 is detailed below.

(In thousands)	Architectural	Large-Scale Optical	Total
Balance at February 26, 2011	$51,447	$10,557	$62,004
Foreign currency translation	(387)	—	(387)
Balance at March 3, 2012	51,060	10,557	61,617
Foreign currency translation	(224)	—	(224)
Balance at September 1, 2012	$50,836	$10,557	$61,393

The Company's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and were as follows:

	September 1, 2012			
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net
Debt issue costs	$3,117	$(2,080)	$—	$1,037
Non-compete agreements	6,809	(5,801)	(31)	977
Customer relationships	15,628	(8,943)	(216)	6,469
Purchased intellectual property	8,210	(1,980)	(161)	6,069
Total	$33,764	$(18,804)	$(408)	$14,552

	March 3, 2012			
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net
Debt issue costs	$2,923	$(1,897)	$—	$1,026
Non-compete agreements	6,889	(5,488)	(64)	1,337

Customer relationships	16,069	(8,376)	(396)	7,297
Purchased intellectual property	8,517	(1,794)	(291)	6,432
Total	$34,398	$(17,555)	$(751)	$16,092

Amortization expense on these identifiable intangible assets was $1.3 million and $1.5 million for the six months ended September 1, 2012 and August 27, 2011, respectively. The amortization expense associated with the debt issue costs is included in interest

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expense while the remainder is in selling, general and administrative expenses in the consolidated results of operations. At September 1, 2012, the estimated future amortization expense for identifiable intangible assets for the remainder of fiscal 2013 and all of the following four fiscal years is as follows:

(In thousands)	Remainder of Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Estimated amortization expense	$1,365	$1,986	$1,487	$1,161	$992

9. Debt

The Company maintains an $80.0 million revolving credit facility, which expires in January 2014. No borrowings were outstanding as of September 1, 2012 or March 3, 2012. The credit facility requires the Company to maintain a minimum level of net worth as defined in the credit facility based on certain quarterly financial calculations. The minimum required net worth computed in accordance with the credit agreement at September 1, 2012 was $279.5 million, whereas the Company's net worth as defined in the credit facility was $323.1 million. The credit facility also requires that the Company maintain an adjusted debt-to-EBITDA ratio of not more than 2.75. This ratio is computed quarterly, with EBITDA computed on a rolling four-quarter basis. For purposes of calculating the adjusted debt in the adjusted debt-to-EBITDA ratio, the Company reduces non-credit facility debt for up to $25 million to the extent of unrestricted cash balances, cash equivalents and short-term marketable securities available for sale in excess of $15 million. The Company's ratio was 0.12 at September 1, 2012. If the Company is not in compliance with either of these covenants, the lenders may terminate the commitment and/or declare any loan then outstanding to be immediately due and payable. At September 1, 2012, the Company was in compliance with the financial covenants of the credit facility.

During the first quarter of fiscal 2013, $10.0 million of industrial development bonds were issued and made available for current and future investment in the Company's storefront and entrance business in Michigan. The interest rate on the bonds resets weekly and is equal to the market rate of interest earned for similar revenue bonds or other tax-free securities. The bonds will mature in April 2042. The proceeds are reported as restricted investments in the consolidated balance sheet until disbursed. $2.0 million of proceeds were disbursed during the first six months of fiscal 2013.

Debt at September 1, 2012, consists of $12.0 million of recovery zone facility bonds, $18.4 million of industrial development bonds and other debt held by GlassecViracon. The industrial development and recovery zone facility bonds mature in fiscal years 2021 through 2043, and the other debt matures in fiscal years 2013 through 2021. The fair value of the industrial development and recovery zone facility bonds approximates carrying value at September 1, 2012 due to the variable interest rates on these instruments. The bonds are classified as level 2 within the fair value hierarchy.

Interest payments were $0.3 million and $0.5 million for the six-months ended September 1, 2012 and August 27, 2011, respectively, and primarily relate to fees associated with our revolving credit facility.

10. Employee Benefit Plans

Pension Plans

The Company sponsors an unfunded Officers' Supplemental Executive Retirement Plan (SERP) for the benefit of certain executives and a defined-benefit pension plan, the Tubelite, Inc. Hourly Employees' Pension Plan (Tubelite plan). Components of net periodic benefit cost for the plans for the three and six-month periods ended September 1, 2012 and August 27, 2011, were as follows:

(In thousands)	Three Months Ended September 1, 2012	Three Months Ended August 27, 2011	Six Months Ended September 1, 2012	Six Months Ended August 27, 2011
Interest cost	$142	$164	$284	$328
Expected return on assets	(44)	(54)	(88)	(108)
Amortization of unrecognized net loss	53	30		