

APOGEE ENTERPRISES INC
Form 10-Q
January 06, 2011
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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 November 27, 2010

.. **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)

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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. ☒ 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). ☐ 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

As of January 3, 2011, 28,129,528 shares of the registrant's common stock, par value \$0.33 1/3 per share, were outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CONSOLIDATED BALANCE SHEETS****(unaudited)**

	November 27, 2010	February 27, 2010
(In thousands, except per share data)		
Assets		
Current assets		
Cash and cash equivalents	\$ 14,252	\$ 46,929
Short-term investments	32,184	55,706
Receivables, net of allowance for doubtful accounts	115,424	104,399
Inventories	33,433	30,531
Refundable income taxes	5,852	1,247
Deferred tax assets	7,293	4,459
Other current assets	2,676	3,315
Total current assets	211,114	246,586
Property, plant and equipment, net	184,561	185,519
Marketable securities available for sale	16,771	22,397
Restricted investments	11,846	
Goodwill	64,698	58,518
Intangible assets	18,301	13,621
Other assets	349	213
Total assets	\$ 507,640	\$ 526,854
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 33,499	\$ 37,447
Accrued payroll and related benefits	16,454	26,257
Accrued self-insurance reserves	6,109	6,814
Other accrued expenses	21,121	18,849
Current liabilities of discontinued operations	754	784
Billings in excess of costs and earnings on uncompleted contracts	32,338	38,736
Current portion long-term debt	1,955	
Total current liabilities	112,230	128,887
Long-term debt, less current portion	21,569	8,400
Unrecognized tax benefits	11,693	16,101
Long-term self-insurance reserves	10,350	11,194
Deferred tax liabilities	4,935	4,603
Other long-term liabilities	11,439	11,367
Liabilities of discontinued operations	2,501	2,712
Commitments and contingent liabilities (Note 13)		

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Shareholders' equity		
Common stock of \$0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding 28,105,790 and 27,959,265, respectively	9,369	9,320
Additional paid-in capital	107,456	104,204
Retained earnings	217,268	230,856
Common stock held in trust	(821)	(800)
Deferred compensation obligations	821	800
Accumulated other comprehensive loss	(1,170)	(790)
Total shareholders' equity	332,923	343,590
Total liabilities and shareholders' equity	\$ 507,640	\$ 526,854

See accompanying notes to consolidated financial statements.

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(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	November 27, 2010	November 28, 2009	November 27, 2010	November 28, 2009
Net sales	\$ 147,200	\$ 179,812	\$ 434,879	\$ 548,104
Cost of sales	124,140	135,245	374,980	413,557
Gross profit	23,060	44,567	59,899	134,547
Selling, general and administrative expenses	24,901	28,514	75,243	88,938
Operating (loss) income	(1,841)	16,053	(15,344)	45,609
Interest income	256	171	685	614
Interest expense	147	149	440	461
Other income, net	239	90	384	191
(Loss) earnings from continuing operations before income taxes	(1,493)	16,165	(14,715)	45,953
Income tax expense (benefit)	829	5,440	(3,923)	15,019
(Loss) earnings from continuing operations	(2,322)	10,725	(10,792)	30,934
Earnings from discontinued operations, net of income taxes			4,870	335
Net (loss) earnings	\$ (2,322)	\$ 10,725	\$ (5,922)	\$ 31,269
Earnings per share basic				
(Loss) earnings from continuing operations	\$ (0.08)	\$ 0.39	\$ (0.39)	\$ 1.13
Earnings from discontinued operations			0.18	0.01
Net (loss) earnings	\$ (0.08)	\$ 0.39	\$ (0.21)	\$ 1.14
Earnings per share diluted				
(Loss) earnings from continuing operations	\$ (0.08)	\$ 0.39	\$ (0.39)	\$ 1.12
Earnings from discontinued operations			0.18	0.01
Net (loss) earnings	\$ (0.08)	\$ 0.39	\$ (0.21)	\$ 1.13
Weighted average basic shares outstanding	27,608	27,371	27,616	27,369
Weighted average diluted shares outstanding	27,608	27,738	27,616	27,657
Cash dividends declared per common share	\$ 0.0815	\$ 0.0815	\$ 0.2445	\$ 0.2445

See accompanying notes to consolidated financial statements.

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(unaudited)

	Nine Months Ended	
	November 27, 2010	November 28, 2009
(In thousands)		
Operating Activities		
Net (loss) earnings	\$ (5,922)	\$ 31,269
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net earnings from discontinued operations	(4,870)	(335)
Depreciation and amortization	20,528	22,158
Stock-based compensation	3,764	3,066
Deferred income taxes	(4,250)	(432)
Excess tax benefits from stock-based compensation		(124)
Gain on disposal of assets	(226)	(24)
Other, net	132	335
Changes in operating assets and liabilities, net of effect of acquisition:		
Receivables	(6,631)	17,821
Inventories	(952)	8,419
Accounts payable and accrued expenses	(16,665)	(11,501)
Billings in excess of costs and earnings on uncompleted contracts	(6,398)	(8,395)
Refundable and accrued income taxes	(4,558)	11,019
Other, net	922	589
Net cash (used in) provided by continuing operating activities	(25,126)	73,865
Investing Activities		
Capital expenditures	(7,539)	(7,682)
Proceeds from sales of property, plant and equipment	178	96
Acquisition of intangibles	(10)	
Acquisition of business, net of cash acquired	(21,162)	
Purchases of restricted investments, net of proceeds from sales	(11,839)	
Purchases of short-term investments and marketable securities	(28,847)	(33,235)
Sales/maturities of short-term investments and marketable securities	57,887	18,976
Net cash used in investing activities	(11,332)	(21,845)
Financing Activities		
Net proceeds from issuance of debt	12,000	
Payments on debt issue costs	(263)	(5)
Stock issued to employees, net of shares withheld	(852)	(897)
Excess tax benefits from stock-based compensation		124
Dividends paid	(6,868)	(6,833)
Net cash provided by (used in) financing activities	4,017	(7,611)
Cash Flows of Discontinued Operations		
Net cash (used in) provided by operating activities	(236)	43
Net cash (used in) provided by discontinued operations	(236)	43
(Decrease) increase in cash and cash equivalents	(32,677)	44,452

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Cash and cash equivalents at beginning of year	46,929	12,994
Cash and cash equivalents at end of period	\$ 14,252	\$ 57,446
Noncash Activity		
Capital expenditures in accounts payable	\$ 152	\$ 266

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 February 27, 2010. The results of operations for the three and nine-month periods ended November 27, 2010, 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 November 27, 2010 and February 27, 2010, and the results of operations for the three and nine-month periods ended November 27, 2010 and November 28, 2009 and cash flows for the nine-month periods ended November 27, 2010 and November 28, 2009.

The results of Glassec Vidros de Seguranca Ltda. (Glassec), which the Company acquired on November 19, 2010, have been included in the consolidated financial statements. Refer to Note 7 for further information regarding the acquisition of Glassec and its treatment in the consolidated financial statements.

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.

In connection with preparing the unaudited consolidated financial statements for the nine months ended November 27, 2010, 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 2009, the FASB amended U.S. GAAP with respect to the consolidation of variable interest entities (VIEs). These amendments, among other things: change existing guidance for determining whether an entity is a VIE; require ongoing reassessments of whether an entity is the primary beneficiary of a VIE; and require enhanced disclosures about an entity's involvement in a VIE. The amendments are effective for fiscal years beginning after November 15, 2009, the Company's fiscal 2011. The Company adopted the amended requirements for consolidation of VIEs as of the beginning of fiscal 2011, which had no impact on the Company's consolidated results of operations or financial condition.

In January 2010, the FASB amended U.S. GAAP with respect to disclosures about fair value measurements for financial assets and liabilities. The amendments add new requirements for disclosures about transfers into and out of Levels 1 and 2, and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. See Note 6, Financial Assets, for a definition of these terms. The amendments are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010. The adoption of the additional disclosures required for Level 1 and Level 2 fair value measurements as of May 29, 2010, had no impact on the Company's fair value disclosures. The Company will adopt Level 3 disclosures beginning in the first quarter of fiscal 2012.

No other new accounting pronouncements issued or effective during the first nine months of fiscal 2011 have had or are expected to have a material impact on the consolidated financial statements.

3. Stock-Based Compensation

Stock Incentive Plan

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 1,400,000; 150,000; 3,400,000; and 2,500,000 shares, respectively, for

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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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(unaudited)**

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 vested over a four-year period, outstanding SARs vest 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 vesting and exercises of options and SARs, 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 included in the results of operations for the nine months ended November 27, 2010 and November 28, 2009, was \$3.8 million and \$3.1 million, respectively. At November 27, 2010, there was \$0.3 million of total unrecognized compensation cost related to SAR awards, which is expected to be recognized over a weighted average period of approximately five months.

Cash proceeds from the exercise of stock options were \$0.2 million and \$0.5 million for the nine months ended November 27, 2010 and November 28, 2009, respectively.

There were no options or SARs issued in the first nine months of fiscal 2011 or 2010. The aggregate intrinsic value of these 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 during the nine months ended November 27, 2010 and November 28, 2009, was \$0.1 million and \$0.4 million, respectively.

The following table summarizes the stock option and SAR award transactions under the Plans for the nine months ended November 27, 2010:

	Number of Shares	Options/SARs Outstanding Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at Feb. 27, 2010	1,536,815	\$ 17.63		
Awards exercised	(17,173)	8.96		
Awards canceled	(26,080)	17.85		
Outstanding at Nov. 27, 2010	1,493,562	\$ 17.72	4.9 years	\$ 174,052
Vested or expected to vest at Nov. 27, 2010	1,484,964	\$ 17.69	4.9 years	\$ 174,052
Exercisable at Nov. 27, 2010	1,415,208	\$ 17.50	4.8 years	\$ 174,052

Partnership Plan

The Amended and Restated 1987 Partnership Plan (the Partnership Plan), a plan designed to increase the ownership of Apogee stock by key employees, allowed participants selected by the Compensation Committee of the Board of Directors to defer earned incentive compensation through the purchase of Apogee common stock. The purchased stock was then matched by an equal award of nonvested shares, which vested over a predetermined period. This program was eliminated for fiscal 2006 and beyond, although vesting of nonvested shares will still occur according to the vesting period of the grants made prior to fiscal 2006.

Executive Compensation Program

In fiscal 2006, the Company implemented an executive compensation program to provide for a greater portion of total compensation to be delivered to key employees selected by the Compensation Committee of the Board of Directors through long-term incentives using performance shares, SARs and nonvested shares. From fiscal 2006 through fiscal 2009, performance shares were issued at the beginning of each fiscal year in the form of nonvested share awards. Starting in fiscal 2010, the Company issued performance shares in the form of nonvested share unit awards, which give the recipient the right to receive shares earned at the vesting date. The number of shares or share units issued at grant is equal to the target number of performance shares and allows for the right to receive an additional number of, or fewer, shares based on meeting pre-determined Company three-year performance goals.

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The following table summarizes the nonvested share award transactions, including performance shares and performance share units, under the Plans and the Company's Partnership Plan for the nine months ended November 27, 2010:

	Number of Shares and Units	Nonvested Shares and Units Weighted Average Grant Date Fair Value
Nonvested at February 27, 2010	820,224	\$ 16.13
Granted ⁽¹⁾	415,619	13.31
Vested	(238,766)	18.38
Canceled	(9,390)	18.18
Nonvested at November 27, 2010 ⁽²⁾	987,687	\$ 14.38

(1) Includes 193,519 performance share units granted for the fiscal 2011-2013 performance period at target levels.

(2) Includes a total of 511,070 performance shares and performance share units granted and outstanding at target level for fiscal 2009-2011, 2010-2012 and 2011-2013.

At November 27, 2010, there was \$6.0 million of total unrecognized compensation cost related to nonvested share and performance share unit awards, which is expected to be recognized over a weighted average period of approximately 22 months. The total fair value of shares vested during the nine months of fiscal 2011 was \$3.2 million.

4. Earnings per Share

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

		Three months ended		Nine months ended	
		Nov. 27, 2010	Nov. 28, 2009	Nov. 27, 2010	Nov. 28, 2009
(In thousands, except per share data)					
Basic earnings per share	weighted common shares outstanding	27,608	27,371	27,616	27,369
	Weighted common shares assumed upon exercise of stock options		96		60
	Unvested shares for deferred compensation plans		271		228
Diluted earnings per share	weighted common shares and potential common shares outstanding	27,608	27,738	27,616	27,657
Earnings (loss) per share	basic	\$ (0.08)	\$ 0.39	\$ (0.21)	\$ 1.14
Earnings (loss) per share	diluted	(0.08)	0.39	(0.21)	1.13
Stock options excluded from the calculation of diluted earnings per share because the exercise price was greater than the average market price of the common shares					
			1,017		1,176

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Due to the net loss, there was no dilutive impact from unvested shares in the third quarter or nine-month period of fiscal 2011.

5. Inventories

(In thousands)	Nov. 27, 2010	Feb. 27, 2010
Raw materials	\$ 15,077	\$ 12,108
Work-in-process	6,787	6,459
Finished goods	11,193	11,447
Costs and earnings in excess of billings on uncompleted contracts	376	517
Total inventories	\$ 33,433	\$ 30,531

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(unaudited)****6. Financial Assets**

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.

Financial assets and liabilities measured at fair value as of November 27, 2010 and February 27, 2010, are summarized below:

(In thousands)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
November 27, 2010				
Cash equivalents				
Money market funds	\$ 3,211	\$	\$	\$ 3,211
Total cash equivalents	3,211			3,211
Short-term investments				
Variable rate demand notes	\$	\$ 7,320	\$	\$ 7,320
Municipal bonds		24,864		24,864
Total short-term investments		32,184		32,184
Marketable securities available for sale				
Municipal bonds	\$	\$ 16,771	\$	\$ 16,771
Total marketable securities available for sale		16,771		16,771
Restricted investments				
Money market funds	\$ 11,846	\$	\$	\$ 11,846
Total restricted investments	11,846			11,846
Total assets and liabilities at fair value	\$ 15,057	\$ 48,955	\$	\$ 64,012
February 27, 2010				
Cash equivalents				
Money market funds	\$ 45,573	\$	\$	\$ 45,573
Total cash equivalents	45,573			45,573
Short-term investments				
Commercial paper	\$	\$ 3,996	\$	\$ 3,996
U.S. Treasury bills	1,999			1,999

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Variable rate demand notes		13,465		13,465
Municipal bonds		36,246		36,246
Total short-term investments	1,999	53,707		55,706
Marketable securities available for sale				
Municipal bonds	\$	\$ 22,397	\$	\$ 22,397
Total marketable securities available for sale		22,397		22,397
Total assets and liabilities at fair value	\$ 47,572	\$ 76,104	\$	\$ 123,676

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.

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The Company has short-term investments of \$32.2 million as of November 27, 2010, consisting of variable rate demand note (VRDN) securities and municipal bonds. The Company's VRDN investments are of high credit quality and secured by direct-pay letters of credit from major financial institutions. These investments have variable rates tied to short-term interest rates. Interest rates are reset weekly and these VRDN securities can be tendered for sale upon notice (every seven days) to the trustee. Although the Company's VRDN securities are issued and rated as long-term securities (with maturities ranging from 2031 through 2052), they are priced and traded as short-term instruments. The Company classifies these short-term investments as available-for-sale. Commercial paper, VRDN securities and municipal bonds are carried at fair market value based on market prices from recent trades of similar securities. U.S. Treasury Bills are carried at fair market value based on quoted market prices.

Marketable securities available for sale

The Company has \$16.8 million of marketable securities available for sale, \$15.2 million of which are held by the Company's wholly owned insurance subsidiary, Prism Assurance, Ltd. (Prism). 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 marketable securities available for sale in the consolidated balance sheet. Unrealized gains and losses are reported in accumulated other comprehensive loss, net of income taxes, until the investments are sold or upon impairment. These investments are held at fair value based on market prices from recent trades of similar securities, which approximates stated cost.

Restricted investments

The Company has \$11.8 million of restricted investments consisting of money market funds available for future investment in the Company's architectural glass fabrication facility in Utah. The restricted investments are held at fair value based on quoted market prices, which approximates stated cost.

The amortized cost, gross unrealized gains and losses, and estimated fair values of investments available for sale at November 27, 2010 and February 27, 2010, are as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
November 27, 2010				
Variable rate demand notes	\$ 7,320	\$	\$	\$ 7,320
Municipal bonds	41,536	433	(334)	41,635
Total investments	\$ 48,856	\$ 433	\$ (334)	\$ 48,955
February 27, 2010				
Commercial paper	\$ 3,997	\$	\$ (1)	\$ 3,996
U.S. Treasury bills	2,000		(1)	1,999
Variable rate demand notes	13,465			13,465
Municipal bonds				
	58,435	570	(362)	58,643

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Total investments

\$ 77,897 \$ 570 \$ (364) \$ 78,103

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 November 27, 2010:

(In thousands)	Less Than 12 Months		Greater Than or Equal to 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal bonds	\$ 12,754	\$ (85)	\$ 1,001	\$ (249)	\$ 13,755	\$ (334)
Total investments	\$ 12,754	\$ (85)	\$ 1,001	\$ (249)	\$ 13,755	\$ (334)

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The amortized cost and estimated fair values of investments at November 27, 2010, 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	\$ 32,216	\$ 32,184
Due after one year through five years	5,306	5,517
Due after five years through 10 years	5,391	5,517
Due after 10 years through 15 years	2,779	2,786
Due beyond 15 years	3,164	2,951
Total	\$ 48,856	\$ 48,955

We recognized gross realized gains of \$0.2 million and \$0.4 million during the three and nine-month periods of fiscal 2011, respectively, which are included in other income, net in the accompanying consolidated results of operations. Gross realized losses were not material during that timeframe and there were immaterial amounts of realized gains and realized losses during the three and nine-month periods of fiscal 2010.

7. Acquisition

On November 19, 2010, the Company acquired 100 percent of the stock of Glassec Vidros de Seguranca Ltda., a privately held business, for \$21.2 million, net of cash acquired of \$0.6 million. Glassec is a leading architectural glass fabricator in Brazil. The business is called Glassec Viracon and operates as part of the Company's architectural glass business. Glassec's fiscal year ends December 31 and will be reported in the consolidated financial statements on a two-month lag. As a result, the consolidated results of operations and statement of cash flows at November 27, 2010, do not include the earnings or cash flows of Glassec. The pro forma impact of Glassec was not significant to the Company's results for the three and nine-month periods ended November 27, 2010.

The estimated assets and liabilities of Glassec were recorded in the consolidated balance sheet within the Architectural segment at November 27, 2010. The preliminary purchase price allocation was based on estimates of the fair value of assets acquired and liabilities assumed and included total assets of \$30.7 million, including estimated goodwill of \$6.2 million and estimated intangibles of \$6.2 million, and total liabilities of \$9.2 million, including long-term debt of \$1.2 million. Because the acquisition was completed near quarter-end, all balances recorded are estimated amounts; the purchase price allocation will be finalized subsequent to the third quarter as the valuation of identifiable assets and liabilities is completed.

8. Goodwill and Other Identifiable Intangible Assets

The Company tests the goodwill of each of its reporting units for impairment annually or more frequently if indicators exist that would suggest that goodwill could be impaired in accordance with accounting standards. During the third quarter of fiscal 2011, the Company's market capitalization was below net book value, which is considered a possible impairment indicator. Accordingly, the Company performed an analysis of each of its reporting units and assessed goodwill for possible impairment. Based on the results of this analysis, management concluded that the fair value of each of its reporting units continues to exceed its carrying value and thus further analysis of goodwill was not required as of November 27, 2010. The Company will update this analysis for any changes in fair value assumptions or carrying amounts during its annual impairment test conducted during the fourth quarter.

The carrying amount of goodwill, net of accumulated amortization, attributable to each business segment as of the nine months ended November 27, 2010, is detailed below, including estimated goodwill for the Glassec acquisition.

(In thousands)	Architectural	Large-Scale Optical	Total
Balance at February 27, 2010	\$ 47,961	\$ 10,557	\$ 58,518
Goodwill acquired	6,180		6,180
Balance at November 27, 2010	\$ 54,141	\$ 10,557	\$ 64,698

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(unaudited)**

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

(In thousands)	November 27, 2010			February 27, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Debt issue costs	\$ 2,337	\$ (1,820)	\$ 517	\$ 2,074	\$ (1,722)	\$ 352
Non-compete agreements	7,149	(4,537)	2,612	6,089	(4,065)	2,024
Customer relationships	15,368	(6,525)	8,843	12,092	(5,518)	6,574
Purchased intellectual property	7,654	(1,325)	6,329	5,800	(1,129)	4,671
Total	\$ 32,508	\$ (14,207)	\$ 18,301	\$ 26,055	\$ (12,434)	\$ 13,621

Amortization expense on these identifiable intangible assets was \$1.8 million and \$2.2 million for the nine months ended November 27, 2010 and November 28, 2009, respectively. The amortization expense associated with the debt issue costs is included in interest expense while the remainder is in selling, general and administrative expenses in the consolidated results of operations. At November 27, 2010, the estimated future amortization expense for identifiable intangible assets, including estimates for Glassec, for the remainder of fiscal 2011 and all of the following four fiscal years is as follows:

(In thousands)	Remainder of Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Estimated amortization expense	\$ 592	\$ 3,071	\$ 2,542	\$ 1,769	\$ 1,544

9. Long-Term Debt

The Company maintains a \$100.0 million revolving credit facility, which expires in November 2011. No borrowings were outstanding under the facility as of November 27, 2010 or February 27, 2010. 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 November 27, 2010, was \$270.8 million, whereas the Company's net worth as defined in the credit facility was \$332.9 million. The credit facility also requires that the Company maintain a debt-to-cash flow ratio of no more than 2.75. This ratio is computed daily, with cash flow computed on a rolling 12-month basis. The Company's ratio was 1.54 at November 27, 2010. If the Company is not in compliance with either of these covenants, the lender may terminate the commitment and/or declare any loan then outstanding to be immediately due and payable. At November 27, 2010, the Company was in compliance with all of the financial covenants of the credit facility.

The Company assumed debt of \$3.1 million as part of the Glassec acquisition, of which \$1.9 million is recorded as the current maturity of long-term debt. The acquired debt matures in fiscal years 2011 through 2021 and has a weighted average interest rate of 9.5 percent.

During the first quarter of fiscal 2011, \$12.0 million of recovery zone facility bonds were issued and made available for future investment in the Company's architectural glass fabrication facility in Utah. Interest on the bonds is excludable from gross income for federal income and alternative minimum tax purposes. 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 on April 1, 2035. The proceeds are reported as restricted investments in the consolidated balance sheet until disbursed; \$0.2 million was disbursed during the nine-month period.

Long-term debt at November 27, 2010, consists of \$12.0 million of recovery zone facility bonds, \$8.4 million of industrial development bonds and \$1.2 million of debt assumed as part of the Glassec acquisition. At February 27, 2010, long-term debt consisted of just the \$8.4 million of industrial development bonds. The industrial development and recovery zone facility bonds mature in fiscal years 2021 through 2036.

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Interest payments were \$0.4 million and \$0.7 million for the nine-month periods ended November 27, 2010 and November 28, 2009, respectively.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(unaudited)****10. Employee Benefit Plans**

Components of net periodic benefit cost for the Company's Officers' Supplemental Executive Retirement Plan (SERP) and Tubelite, Inc. Hourly Employees' Pension Plan (Tubelite Plan) for the three and nine-month periods ended November 27, 2010 and November 28, 2009, were as follows:

	Three months ended		Nine months ended	
	Nov. 27, 2010	Nov. 28, 2009	Nov. 27, 2010	Nov. 28, 2009
(In thousands)				
Interest cost	\$ 166	\$ 171	\$ 498	\$ 513
Expected return on assets	(56)	(44)	(168)	(132)
Amortization of unrecognized transition amount		(1)		(3)
Amortization of unrecognized net loss	30	15	90	45
Net periodic benefit cost	\$ 140	\$ 141	\$ 420	\$ 423

11. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and various U.S. state jurisdictions. The Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years prior to fiscal 2004. The Internal Revenue Service (IRS) has audited the Company through fiscal 2002. The Company is currently under examination by the IRS for fiscal years 2004 through 2007.

The total gross liability for unrecognized tax benefits at November 27, 2010 and February 27, 2010, was approximately \$11.7 million and \$16.1 million, respectively. In the second quarter of fiscal 2011, the reserve was decreased primarily due to the favorable resolution of an outstanding tax exposure related to a foreign operation discontinued in 1998. The resolution of this item cleared the total liability for unrecognized tax benefits of \$4.9 million related to discontinued operations that was outstanding at the end of fiscal 2010. The Company records the impact of penalties and interest related to unrecognized tax benefits in income tax expense, which is consistent with past practices. The total liability for unrecognized tax benefits is expected to decrease by approximately \$1.6 million during the next 12 months due to audit settlements.

12. Discontinued Operations

In several transactions in fiscal years 1998 through 2000, the Company completed the sale of its large-scale domestic curtainwall business, the sale of the Company's detention/security business and its exit from international curtainwall operations. The remaining estimated cash expenditures related to these discontinued operations are recorded as liabilities of discontinued operations, and a majority of the remaining cash expenditures related to discontinued operations is expected to be paid within the next three years. The majority of these liabilities relate to the international curtainwall operations, including bonds outstanding, of which the precise degree of liability related to these matters will not be known until they are settled within the U.K. courts. The reserve for discontinued operations also covers warranty issues relating to these and other international construction projects.

During the second quarter of the current year, the favorable resolution of an outstanding tax exposure related to a foreign operation discontinued in 1998 resulted in the release of \$4.9 million of uncertain tax positions and non-cash income from discontinued operations. During the second quarter of fiscal 2010, a favorable resolution of an outstanding lease claim resulted in income from discontinued operations of \$0.3 million.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(unaudited)**

(In thousands)	Three months ended		Nine months ended	
	Nov. 27, 2010	Nov. 28, 2009	Nov. 27, 2010	Nov. 28, 2009
Condensed Statement of Operations from Discontinued Businesses				
Net sales	\$	\$	\$	\$
Earnings before income taxes				
Income tax expense (benefit)				
Earnings from operations, net of income taxes				
Gain on disposal, net of income taxes			4,870	335
Net earnings	\$	\$	\$ 4,870	\$ 335

(In thousands)	Nov. 27, 2010	Feb. 27, 2010
Summary Balance Sheets of Discontinued Businesses		
Accounts payable and accrued liabilities	\$ 754	\$ 784
Long-term liabilities	2,501	2,712

13. Commitments and Contingent Liabilities

Operating lease commitments. As of November 27, 2010, the Company was obligated under noncancelable operating leases for buildings and equipment. Certain leases provide for increased rentals based upon increases in real estate taxes or operating costs. Future minimum rental payments under noncancelable operating leases are:

(In thousands)	Remainder of Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Thereafter	Total
Total minimum payments	\$ 1,189	\$ 4,371	\$ 3,654	\$ 2,621	\$ 1,958	\$ 4,382	\$ 18,175

Bond commitments. In the ordinary course of business, predominantly in the Company's installation business, the Company is required to provide a surety or performance bond that commits payments to its customers for any non-performance by the Company. At November 27, 2010, \$89.6 million of the Company's backlog was bonded by performance bonds with a face value of \$290.2 million. Performance bonds do not have stated expiration dates, as the Company is released from the bonds upon completion of the contract. The Company has never been required to pay on these performance-based bonds with respect to any of the current portfolio of businesses.

Guarantees and warranties. The Company accrues for warranty and claim costs as a percentage of sales based on historical trends and for specific sales credits as they become known and estimable. Actual warranty and claim costs are deducted from the accrual when incurred. The Company's warranty and claim accruals are detailed below.

Nine months ended

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(In thousands)	Nov. 27, 2010	Nov. 28, 2009
Balance at beginning of period	\$ 4,996	\$ 5,073
Additional accruals	6,724	2,741
Claims paid	(4,910)	(3,476)
Balance at end of period	\$ 6,810	\$ 4,338

In the second quarter, the Company was notified of architectural glass product quality issues resulting from a vendor-supplied material used in a portion of first-quarter production. Through third quarter, all impacted customers were contacted and a majority of impacted glass units were inspected. Products that required replacement have been identified, most back charges filed, and resolution with our vendor for reimbursement of direct expenses finalized. The Company expensed approximately \$2.0 million to address these issues in the second quarter and recorded a net benefit of \$0.9 million in the third quarter, including reimbursement from our vendor. An accrual of \$1.4 million was recorded in the third quarter for estimated costs yet to be incurred in the fourth quarter. The impact of this activity is largely reported in cost of sales for each quarter.

Letters of credit. At November 27, 2010, the Company had ongoing letters of credit related to its construction contracts and certain industrial development and recovery zone facility bonds. The total value of letters of credit under which the Company was obligated as of November 27, 2010, was approximately \$24.4 million. The Company's total availability under its \$100.0 million credit facility is reduced by borrowings under the facility and also by letters of credit issued under the facility. As of November 27, 2010, letters of credit in the amount of \$23.2 million had been issued under the facility.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(unaudited)**

Purchase obligations. The Company has purchase obligations for raw material commitments and capital expenditures. As of November 27, 2010, these obligations totaled \$14.7 million.

Litigation. The Company is a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction supply industry, the Company's architectural segment businesses are routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages or product replacement. The Company is subject to litigation arising out of employment practices, workers compensation, general liability and automobile claims. Although it is very difficult to accurately predict the outcome of such proceedings, facts currently available indicate that no such claims will result in losses that would have a material adverse effect on the financial condition of the Company.

14. Comprehensive Earnings

(In thousands)	Three months ended		Nine months ended	
	Nov. 27, 2010	Nov. 28, 2009	Nov. 27, 2010	Nov. 28, 2009
Net (loss) earnings	\$ (2,322)	\$ 10,725	\$ (5,922)	\$ 31,269
Unrealized (loss) gain on marketable securities, net of \$(131), \$54, \$(38) and \$93 tax (benefit) expense, respectively	(242)	100	(69)	173
Foreign currency translation adjustments	(311)		(311)	
Comprehensive (loss) earnings	\$ (2,875)	\$ 10,825	\$ (6,302)	\$ 31,442

15. Segment Information

The following table presents sales and operating income data for the Company's two segments, and on a consolidated basis, for the three and nine months ended November 27, 2010, as compared to the corresponding periods a year ago.

(In thousands)	Three months ended		Nine months ended	
	Nov. 27, 2010	Nov. 28, 2009	Nov. 27, 2010	Nov. 28, 2009
Net Sales from Continuing Operations				
Architectural	\$ 125,742	\$ 158,205	\$ 379,421	\$ 495,499
Large-Scale Optical	21,458	21,611	55,499	52,615
Intersegment eliminations		(4)	(41)	(10)
Net sales	\$ 147,200	\$ 179,812	\$ 434,879	\$ 548,104
Operating (Loss) Income from Continuing Operations				
Architectural	\$ (8,363)	\$ 9,594	\$ (27,771)	\$ 35,229
Large-Scale Optical	7,411	7,427	15,015	13,274
Corporate and other	(889)	(968)	(2,588)	(2,894)
Operating (loss) income	\$ (1,841)	\$ 16,053	\$ (15,344)	\$ 45,609

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Due to the varying combinations of individual window systems and curtainwall, the Company has determined that it is impractical to report product and service revenues generated by the Architectural segment by class of product, beyond the segment revenues currently reported.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect our current views with respect to future events and financial performance. The words believe, expect, anticipate, intend, estimate, forecast, project, should and similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All forecasts and projections in this document are forward-looking statements, and are based on management's current expectations or beliefs of the Company's near-term results, based on current information available pertaining to the Company, including the risk factors noted under Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010. From time to time, we may also provide oral and written forward-looking statements in other materials we release to the public such as press releases, presentations to securities analysts or investors, or other communications by the Company. Any or all of our forward-looking statements in this report and in any public statements we make could be materially different from actual results.

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Accordingly, we wish to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other risk factors include, but are not limited to, the risks and uncertainties set forth under Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010.

We wish to caution investors that other factors might in the future prove to be important in affecting the Company's results of operations. New factors emerge from time to time; it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We are a leader in certain technologies involving the design and development of value-added glass products, services and systems. The Company is comprised of two segments: Architectural Products and Services (Architectural) and Large-Scale Optical Technologies (LSO). Our Architectural segment companies design, engineer, fabricate, install, maintain and renovate the walls of glass, windows, storefront and entrances comprising the outside skin of commercial and institutional buildings. Businesses in this segment are: Viracon, Inc., including Glassec Viracon, a fabricator of coated, high-performance architectural glass for global markets; Harmon, Inc., one of the largest U.S. full-service building glass installation, maintenance and renovation companies; Wausau Window and Wall Systems, a manufacturer of standard and custom aluminum window systems and curtainwall for the North American commercial construction market; Linetec, a paint and anodizing finisher of architectural aluminum and PVC shutters for U.S. markets; and Tubelite, Inc, a fabricator of aluminum storefront, entrance and curtainwall products for the U.S. commercial construction industry. Our LSO segment consists of Tru Vue, Inc., a manufacturer of value-added glass and acrylic for the custom picture framing and commercial optics markets.

The following selected financial data should be read in conjunction with the Company's Form 10-K for the year ended February 27, 2010 and the consolidated financial statements, including the notes to consolidated financial statements, included therein.

Sales and Earnings

The relationship between various components of operations, stated as a percent of net sales, is illustrated below for the three and nine-month periods of the current and past fiscal year.

	Three months ended		Nine months ended	
	Nov. 27, 2010	Nov. 28, 2009	Nov. 27, 2010	Nov. 28, 2009
(Percent of net sales)				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	84.3	75.2	86.2	75.5
Gross profit	15.7	24.8	13.8	24.5
Selling, general and administrative expenses	17.0	15.9	17.3	16.2
Operating (loss) income	(1.3)	8.9	(3.5)	8.3
Interest income	0.2	0.1	0.2	0.1
Interest expense	0.1	0.1	0.1	
Other income, net	0.2	0.1		
(Loss) earnings from continuing operations before income taxes	(1.0)	9.0	(3.4)	8.4
Income tax expense (benefit)	0.6	3.0	(0.9)	2.8
(Loss) earnings from continuing operations	(1.6)	6.0	(2.5)	5.6
Earnings from discontinued operations, net of income taxes			1.1	0.1

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Net (loss) earnings	(1.6)%	6.0%	(1.4)%	5.7%
Effective tax rate for continuing operations	NM	33.7%	26.7%	32.7%

Table of Contents**Highlights of Third-Quarter and First Nine-Months of Fiscal 2011 Compared to Third-Quarter and First Nine-Months of Fiscal 2010**

Consolidated net sales decreased \$32.6 million, or 18.1 percent, for the third quarter ended November 27, 2010, compared to the prior-year period, and decreased \$113.2 million, or 20.7 percent, for the nine-month period. Our architectural segment continues to be negatively impacted by the challenging commercial construction market conditions which have resulted in lower demand, driving lower volume across all business lines, and lower pricing, primarily in our architectural glass business.

Gross profit as a percent of sales for the quarter ended November 27, 2010 decreased to 15.7 percent from 24.8 percent in the prior-year period, a decrease of 9.1 percentage points. For the nine-month period, gross profit as a percent of sales was 13.8 percent, a decrease of 10.7 percentage points from the prior-year period. The decreases in gross margins were largely due to the lower pricing, primarily in our architectural glass business, as well as lower project margins, the impact of low capacity utilization from lower volume in our architectural segment, and our inability to lower our fixed cost base at the rate of declining sales. During the third quarter of the current year, gross profit was positively impacted by a net benefit of approximately \$0.9 million, or 0.6 percentage points, resulting from recoveries of costs incurred in the second and third quarters to resolve architectural glass product quality issues from a vendor-supplied material. For the nine-month period, gross profit was negatively impacted by approximately \$1.1 million, or 0.3 percentage points, of net expenses incurred related to this issue.

Selling, general and administrative expenses for the third quarter decreased by \$3.6 million, but increased as a percent of net sales to 17.0 percent from 15.9 percent in the prior-year period. For the nine-month period, selling, general and administrative expenses were down \$13.7 million from the prior period but were up as a percent of net sales by 1.1 percentage points over the prior-year period. The decrease in spending for both the quarter and the nine-month periods relates to reduced accruals for incentive and long-term executive compensation expenses, and lower spending on consulting and other discretionary items as we focused on cost management. The nine-month period was also impacted by lower sales and marketing expenses, and reduced salaries and employee-related expenses due to headcount reductions. The increase as a percent of sales was largely due to our inability to leverage expenses over a lower level of sales dollars.

In the third quarter, our tax benefit from the net loss was more than offset by discrete tax expenses primarily related to certain outstanding state audits that had a negative impact during the quarter.

Earnings from discontinued operations for the year reflect favorable resolution of an outstanding tax exposure related to a foreign operation discontinued in 1998 that provided non-cash income from discontinued operations of \$4.9 million. This compares to income of \$0.3 million in the prior-year nine-month period resulting from a favorable resolution of an outstanding lease claim.

Segment Analysis

The following table presents sales and operating income data for our two segments and on a consolidated basis for the three and nine-month periods ended November 27, 2010, when compared to the corresponding periods a year ago.

	Three months ended			Nine months ended		
	Nov. 27, 2010	Nov. 28, 2009	% Change	Nov. 27, 2010	Nov. 28, 2009	% Change
(In thousands)						
Net Sales from Continuing Operations						
Architectural	\$ 125,742	\$ 158,205	(20.5)%	\$ 379,421	\$ 495,499	(23.4)%
Large-Scale Optical	21,458	21,611	(0.7)	55,499	52,615	5.5
Intersegment eliminations		(4)	NM	(41)	(10)	NM
Net sales	\$ 147,200	\$ 179,812	(18.1)%	\$ 434,879	\$ 548,104	(20.7)%

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Operating (Loss) Income from Continuing Operations

Architectural	\$ (8,363)	\$ 9,594	NM	\$ (27,771)	\$ 35,229	NM
Large-Scale Optical	7,411	7,427	(0.2)%	15,015	13,274	13.1%
Corporate and other	(889)	(968)	8.2	(2,588)	(2,894)	10.6
Operating (loss) income	\$ (1,841)	\$ 16,053	NM	\$ (15,344)	\$ 45,609	NM

NM = not meaningful

Due to the varying combinations of individual window systems and curtainwall, the Company has determined that it is impractical to report product and service revenues generated by the Architectural segment by class of product, beyond the segment revenues currently reported.

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Architectural Products and Services (Architectural)

Third-quarter net sales of \$125.7 million decreased 20.5 percent from the prior-year period, and net sales of \$379.4 million for the nine-month period decreased 23.4 percent from the prior-year period. The rates of decline in net sales for both the quarter and year-to-date periods are comparable to our markets served. We continue to be impacted by difficult U.S. commercial construction market conditions, with depressed employment levels and high vacancy rates for commercial buildings. Volume and pricing decreased across the architectural businesses, with our architectural glass business significantly impacted by lower pricing.

The segment incurred an operating loss of \$8.4 million in the current quarter, compared to operating income of \$9.6 million in the prior-year quarter. For the nine-month period, the segment incurred an operating loss of \$27.8 million compared to operating income of \$35.2 million in the prior-year period. Lower pricing in our architectural glass business, along with lower project margins and lower volume throughout the segment, negatively impacted both the quarter and nine-month periods of fiscal 2011. The current-year quarter was positively impacted by a net benefit of approximately \$0.9 million, or 0.7 percentage points, resulting from recoveries of costs incurred in the second and third quarters to resolve architectural glass product quality issues from a vendor-supplied material. For the nine-month period, the segment was negatively impacted by approximately \$1.1 million, or 0.3 percentage points, of net expenses incurred related to this issue.

Architectural backlog at November 27, 2010, decreased to \$165.7 million from \$246.4 million in the prior-year period and from \$193.0 million reported at the end of the second quarter. Bidding activity remains solid; however, bid-to-award and contract timing continues to be slow. Although backlog declined from the second quarter, the dollar value of awarded projects awaiting final signed contracts increased by more than \$20 million from the second quarter. This work is primarily scheduled for fiscal 2012. Reduced lead times for smaller architectural glass and standard window projects, as well as the quick turns required for many of the international jobs, are resulting in a higher proportion of book-and-bill work, which is not reflected in backlog. We expect approximately \$87 million of the November 27, 2010 backlog to flow during the remainder of fiscal 2011.

Large-Scale Optical Technologies (LSO)

Third quarter revenues were \$21.5 million, flat to the prior year of \$21.6 million. For the nine months ended November 27, 2010, revenues were \$55.5 million, a 5.5 percent increase over the prior-year. The increase for the year-to-date period was primarily due to improved mix, as new and ongoing value-added product customers continued to convert to our best value-added picture framing products; volume was also up year-on-year.

Operating income of \$7.4 million in the quarter was flat to the prior-year period and operating margins remained relatively constant at 34.5 percent compared to 34.4 percent in the pre-holiday, seasonally strong quarter for this segment. For the nine-month period, operating income of \$15.0 million was up 13.1 percent over the prior year and operating margins increased to 27.1 percent compared to 25.2 percent in the prior year. The increases in operating income and margins for the nine-month period were due to the strong mix of our best value-added picture framing products, as we continued to convert this market to these products, as well as improved productivity.

Consolidated Backlog

At November 27, 2010, our consolidated backlog was \$168.2 million, down 33.3 percent from the prior-year period and down 14.0 percent compared to the \$195.5 million reported at the end of the second quarter.

The backlog of the Architectural segment represented more than 98 percent of consolidated backlog.

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We view backlog as an important statistic in evaluating the level of sales activity and short-term sales trends in our business. However, as backlog is only one indicator, and is not an effective indicator of our ultimate profitability, we do not believe that backlog should be used as the sole indicator of future earnings of the Company.

Goodwill

We evaluate the goodwill on our balance sheet annually or more frequently if indicators exist that would suggest that goodwill could be impaired in accordance with accounting standards. During the third quarter of fiscal 2011, our market capitalization was below net book value, which is considered a possible impairment indicator. Accordingly, we performed an analysis of each of our reporting units to assess goodwill for possible impairment. Based on the results of this analysis, we concluded that the fair value of each of our reporting units continues to exceed its carrying value and thus further analysis of goodwill was not required as of November 27, 2010.

In connection with completing this analysis during the third quarter of fiscal 2011, we determined that the fair values of our architectural glass and storefront and entrance businesses did not exceed their carrying values by a significant amount. Goodwill for these reporting units was \$24.2 million and \$21.7 million, respectively, at November 27, 2010. As part of our step one process for determining the estimated fair value of our reporting units, we make several

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assumptions, including our earnings and cash flow projections and discount rate, each of which have a significant impact on these values. For our architectural glass business, if cash flow projections decreased by 1.8 percent or if the discount rate, currently estimated at 14.0 percent, was 0.2 percentage points higher, we would have failed step one of the impairment test for this reporting unit, requiring a step two analysis. Likewise, for our storefront and entrance business, if cash flow projections decreased by 7.6 percent or if the discount rate, currently estimated at 14.0 percent, was 0.8 percentage points higher, we would have failed step one of the impairment test for this reporting unit, requiring a step two analysis.

We continue to monitor our market capitalization, along with other operational performance measures and general economic conditions. Our assumptions include pricing increases that we initiated in fiscal 2011 impacting the fiscal 2012 architectural glass business and a recovery of the commercial construction markets in fiscal 2013, consistent with external data we have historically considered for this testing. The inability to gain market acceptance of our price increases and/or a significant downward trend in the market factors could cause us to reduce the estimated fair value of some or all of our reporting units and recognize a corresponding impairment of our goodwill in connection with a future goodwill impairment test. We will update this analysis for any changes in fair value assumptions or carrying amounts during our annual impairment test conducted during the fourth quarter.

Acquisition

On November 19, 2010, we acquired 100 percent of the stock of Glassec Vidros de Seguranca Ltda. (Glassec), a privately held business, for \$21.2 million, net of cash acquired of \$0.6 million. Glassec is a leading architectural glass fabricator in Brazil and have estimated annual sales of approximately \$30 million with margins consistent with our Architectural segment. The business is called Glassec Viracon and operates as part of our architectural glass business. Glassec's fiscal year ends December 31 and will be reported in the consolidated financial statements on a two-month lag. As a result, the consolidated results of operations and statement of cash flows at November 27, 2010, do not include the earnings or cash flows of Glassec.

The estimated assets and liabilities of Glassec were recorded in the consolidated balance sheet within the Architectural segment at November 27, 2010. The preliminary purchase price allocation was based on estimates of the fair value of assets acquired and liabilities assumed and included total assets of \$30.7 million, including estimated goodwill of \$6.2 million and estimated intangibles of \$6.2 million, and total liabilities of \$9.2 million, including long-term debt of \$1.2 million. Because the acquisition was completed near quarter-end, all balances recorded are estimated amounts; the purchase price allocation will be finalized subsequent to the third quarter as the valuation of identifiable assets and liabilities is completed.

Discontinued Operations

In several transactions in fiscal years 1998 through 2000, we completed the sale of our large-scale domestic curtainwall business, the sale of our detention/security business and the exit from international curtainwall operations. The remaining estimated cash expenditures related to these discontinued operations are recorded as liabilities of discontinued operations, and a majority of the remaining cash expenditures related to discontinued operations is expected to be paid within the next three years. The majority of these liabilities relate to the international curtainwall operations, including bonds outstanding, of which the precise degree of liability related to these matters will not be known until they are settled within the U.K. courts. The reserve for discontinued operations also covers warranty issues relating to these and other international construction projects.

During the second quarter of fiscal 2011, favorable resolution of an outstanding tax exposure related to a foreign operation discontinued in 1998 provided non-cash income from discontinued operations of \$4.9 million. During the second quarter of fiscal 2010, a favorable resolution of an outstanding lease claim resulted in income from discontinued operations of \$0.3 million.

Liquidity and Capital Resources

(Cash effect, in thousands)	Nine months ended	
	November 27, 2010	November 28, 2009
Net cash (used in) provided by continuing operating activities	\$ (25,126)	\$ 73,865
Acquisition of business, net of cash acquired	(21,162)	
Capital expenditures	(7,539)	(7,682)
Purchases of restricted investments, net	(11,839)	

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Net sales (purchases) of short-term investments and marketable securities	29,040	(14,259)
Net proceeds from borrowings	12,000	

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Operating activities. Cash used by operating activities of continuing operations was \$25.1 million for the first nine months of fiscal 2011, compared to cash provided of \$73.9 million in the prior-year period. Lower earnings, as well as slower collection of receivables and tax benefits that are not yet recoverable as cash impacted cash flow from operations in the current year.

Non-cash working capital (current assets, excluding cash and short-term investments, less current liabilities), our key metric for measuring working capital efficiency, was \$52.4 million at November 27, 2010, or 9.0 percent of last 12-month sales. This compares to 2.2 percent at February 27, 2010 and 3.6 percent at November 28, 2009. The deterioration from year-end was due to a decrease in our accrued expenses due to payments made to fund annual incentive compensation and retirement plan contributions during the first half of the year. As indicated in our Form 10-K for the year ended February 27, 2010, we continue to believe this metric will be negatively impacted during fiscal 2011 by the downturn in the U.S. commercial construction market, as some customers, general contractors and building owners may experience ongoing liquidity issues and as we are unable to improve our leverage of working capital over a smaller revenue base.

Investing Activities. Through the first nine months of fiscal 2011, investing activities used \$11.3 million of cash, compared to \$21.8 million in the same period last year. New capital investments through the first nine months of fiscal 2011 totaled \$7.5 million, down slightly from \$7.7 million in the prior-year period. Both current and prior-year spending were primarily for safety and maintenance project expenditures, as well as quick pay-back productivity improvements. The purchases of restricted investments of \$11.8 million were related to the funds received as a result of the recovery zone facility bonds that were made available for future investment in our architectural glass fabrication facility in Utah. The net position of our investments for the nine-month period resulted in \$29.0 million in net sales proceeds versus \$14.3 million in net purchases in the prior year. This change in our investment position was due to activities to increase the amount of investments in cash equivalents in the current year to fund the acquisition of Glassec.

During the current-year quarter, we acquired 100 percent of the stock of Glassec, a privately held business, for \$21.2 million, net of cash acquired of \$0.6 million. Note 7 of the Notes to Consolidated Financial Statements contains further information regarding this acquisition.

We expect fiscal 2011 maintenance and safety related capital expenditures to be less than \$12 million. We will consider additional strategic capital expenditures during fiscal 2011.

We continue to review our portfolio of businesses and their assets in comparison to our internal strategic and performance objectives. As part of this review, we may acquire other businesses, further invest in, fully divest and/or sell parts of our current businesses.

Financing Activities. Total outstanding borrowings at November 27, 2010, were \$23.5 million compared to \$8.4 million as of February 27, 2010 and November 28, 2009. The increase in the current year was due to \$12.0 million of recovery zone facility bonds issued during the first quarter for future investment in our architectural glass fabrication facility in Utah. We also assumed approximately \$3.1 million in debt, of which \$1.2 million is long-term, as part of the Glassec acquisition. The remaining \$8.4 million consists solely of industrial development bonds. Our debt-to-total-capital ratio was 6.6 percent at November 27, 2010, compared to 2.4 percent at February 27, 2010.

During fiscal 2004, the Board of Directors authorized a share repurchase program of 1,500,000 shares of common stock. The Board of Directors increased this authorization by 750,000 shares in January 2008 and by 1,000,000 in October 2008. There were no share repurchases during the first nine months of fiscal 2011 or during fiscal 2010. We have purchased a total of 2,004,123 shares, at a total cost of \$27.3 million, since the inception of this program. We have remaining authority to repurchase 1,245,877 shares under this program, which has no expiration date.

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Other Financing Activities. The following summarizes our significant contractual obligations that impact our liquidity as of November 27, 2010:

(In thousands)	Future Cash Payments Due by Fiscal Period						Total
	2011 Remaining	2012	2013	2014	2015	Thereafter	
Continuing operations							
Industrial revenue bonds	\$	\$	\$	\$	\$	\$ 8,400	\$ 8,400
Recovery zone facility bonds						12,000	12,000
Other debt obligations	591	1,884	163	67	67	352	3,124
Operating leases (undiscounted)	1,189	4,371	3,654	2,621	1,958	4,382	18,175
Purchase obligations	6,366	8,276	9				14,651
Total cash obligations	\$ 8,146	\$ 14,531	\$ 3,826	\$ 2,688	\$ 2,025	\$ 25,134	\$ 56,350

We maintain a \$100.0 million revolving credit facility, which expires in November 2011. No borrowings were outstanding as of November 27, 2010. The credit facility requires that we 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 November 27, 2010, was \$270.8 million, whereas our net worth as defined in the credit facility was \$332.9 million. The credit facility also requires that we maintain a debt-to-cash flow ratio of no more than 2.75. This ratio is computed daily, with cash flow computed on a rolling 12-month basis. Our ratio was 1.54 at November 27, 2010. If we are not in compliance with either of these covenants, the lender may terminate the commitment and/or declare any loan then outstanding to be immediately due and payable. At November 27, 2010, we were in compliance with all of the financial covenants of the credit facility.

We assumed debt of \$3.1 million as part of the Glassec acquisition, of which \$1.9 is recorded as the current maturity of long-term debt. The acquired debt matures in fiscal years 2011 through 2021 and has a weighted average interest rate of 9.5 percent.

During the first quarter of fiscal 2011, \$12.0 million of recovery zone facility bonds were issued and made available for future investment in our architectural glass fabrication facility in Utah. Interest income on the bonds is excludable from gross income for federal income and alternative minimum tax purposes. 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 on April 1, 2035. The proceeds are reported as restricted investments in the consolidated balance sheet until disbursed; \$0.2 million was disbursed during the nine-month period.

Long-term debt at November 27, 2010, consists of \$12.0 million of recovery zone facility bonds, \$8.4 million of industrial development bonds and \$1.2 million of debt assumed as part of the Glassec acquisition. At February 27, 2010, long-term debt consisted of the \$8.4 million of industrial development bonds. The industrial development and recovery zone facility bonds mature in fiscal years 2021 through 2036.

From time to time, we acquire the use of certain assets, such as warehouses, automobiles, forklifts, vehicles, office equipment, hardware, software and some manufacturing equipment through operating leases. Many of these operating leases have termination penalties. However, because the assets are used in the conduct of our business operations, it is unlikely that any significant portion of these operating leases would be terminated prior to the normal expiration of their lease terms. Therefore, we consider the risk related to termination penalties to be minimal.

We have purchase obligations for raw material commitments and capital expenditures. As of November 27, 2010, these obligations totaled \$14.7 million.

We expect to make contributions of \$0.6 million to our defined benefit pension plans in fiscal 2011. The fiscal 2011 expected contributions will equal or exceed our minimum funding requirements.

As of November 27, 2010, we had \$11.7 million and \$2.0 million of unrecognized tax benefits and environmental liabilities, respectively. We are unable to reasonably estimate in which future periods these amounts will ultimately be settled.

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At November 27, 2010, we had ongoing letters of credit related to construction contracts and certain industrial development and recovery zone facility bonds. The Company's \$8.4 million of industrial revenue bonds are supported by \$8.7 million of letters of credit that reduce availability of funds under our \$100.0 million credit facility. The \$12.0 million of recovery zone facility bonds are supported by \$12.3 million of letters of credit that reduce availability under our \$100.0 million credit facility. The letters of credit by expiration period were as follows at November 27, 2010:

(In thousands)	Amount of Commitment Expiration Per Fiscal Period						Total
	2011 Remaining	2012	2013	2014	2015	Thereafter	
Standby letters of credit	\$ 1,437	\$	\$	\$	\$	\$ 22,982	\$ 24,419

In addition to the above standby letters of credit, which were predominantly issued for our industrial development and recovery zone facility bonds, we are required, in the ordinary course of business, to provide a surety or performance bond that commits payments to our customers for any non-performance by us. At November 27, 2010, \$89.6 million of our backlog was bonded by performance bonds with a face value of \$290.2 million. Performance bonds do not have stated expiration dates, as we are released from the bonds upon completion of the contract. We have never been required to pay on these performance-based bonds with respect to any of our current portfolio of businesses.

We self-insure our third-party product liability coverages. As a result, a material construction project rework event would have a material adverse effect on our operating results.

For fiscal 2011, we believe that current cash on hand, cash generated from operating activities and available capacity under our committed revolving credit facility will be adequate to fund our working capital requirements, planned capital expenditures and dividend payments. We have total cash and short-term investments of \$46.4 million and \$76.8 million available under our credit facility at November 27, 2010. We believe that this will provide us with the financial strength to work through the ongoing weak market conditions and to focus on our growth strategy for the recovery.

Outlook

We continue to face an unprecedented level of uncertainty. The following statements are based on our current expectations for full-year fiscal 2011 results. These statements are forward-looking, and actual results may differ materially.

Overall revenues for the year are expected to be down approximately 17 percent, with fourth-quarter revenues comparable to the prior-year period.

We anticipate a net loss for the fourth quarter and full year.

Full-year maintenance capital expenditures are projected to be less than \$12 million, excluding additional strategic investments.

Related Party Transactions

No material changes have occurred in the disclosure with respect to our related party transactions set forth in our Annual Report on Form 10-K for the fiscal year ended February 27, 2010.

Critical Accounting Policies

No material changes have occurred in the disclosure of our critical accounting policies set forth in our Annual Report on Form 10-K for the fiscal year ended February 27, 2010.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

No material changes have occurred to the disclosures of quantitative and qualitative market risk set forth in our Annual Report on Form 10-K for the fiscal year ended February 27, 2010.

Item 4: Controls and Procedures

- a) Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report (the Evaluation Date), we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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- b) Changes in internal controls: There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended November 27, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company acquired 100 percent of the stock of Glassec Vidros de Seguranca Ltda. on November 19, 2010, which will not be part of the fiscal 2011 internal control assessment.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

The Company has been a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction supply industry, the Company's architectural segment businesses are routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages or product replacement. The Company has also been subject to litigation arising out of employment practices, workers compensation, general liability and automobile claims. Although it is difficult to accurately predict the outcome of such proceedings, facts currently available indicate that no such claims will result in losses that would have a material adverse effect on the results of operations or financial condition of the Company.

Item 1A. Risk Factors

We have added the risk factor below due to the acquisition of Glassec Vidros de Seguranca Ltda. during the third quarter of fiscal 2011. Other than the addition of this new risk factor, there have been no material changes or additions to our risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended February 27, 2010.

The Architectural results could be adversely impacted by integration and other volatilities associated with the acquisition of a foreign operation. The Architectural segment's near-term performance depends on its ability to successfully integrate the recently acquired business in Brazil. If we are unable to successfully integrate the business into our current business model, or do not realize projected efficiencies and cost-savings from the business we acquired, we may be unable to meet our growth or profit objectives. Additionally, our increased presence in South America may result in our revenues and net income to be adversely affected by the volatility of the exchange rate between the U.S. Dollar and the Brazilian Real and the economic, political and tax conditions prevalent in the region.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to purchases made by the Company of its own stock during the third quarter of fiscal 2011:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
Aug. 29, 2010 through Sept. 25, 2010	194	\$ 9.62		1,245,877
Sept. 26, 2010 through Oct. 23, 2010	89	9.15		1,245,877
Oct. 24, 2010 through Nov. 27, 2010				1,245,877
Total	283	\$ 9.39		1,245,877

(a)

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The shares in this column represent shares that were surrendered to us by plan participants to satisfy stock-for-stock option exercises or withholding tax obligations related to stock-based compensation.

- (b) In April 2003, the Board of Directors authorized the repurchase of 1,500,000 shares of Company stock, which was announced on April 10, 2003. In January 2008, the Board of Directors increased the authorization by 750,000 shares, which was announced on January 24, 2008. In October 2008, the Board of Directors increased the authorization by 1,000,000 shares, which was announced on October 8, 2008. The Company's repurchase program does not have an expiration date.

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Item 6. Exhibits

- 10.1 Apogee Enterprises, Inc. 2011 Deferred Compensation Plan, effective January 1, 2011. Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on October 12, 2010.
- 10.2 Third Amendment of Apogee Enterprises, Inc. Deferred Incentive Compensation Plan (2005 Restatement). Incorporated by reference to Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on October 12, 2010.
- 10.3 Fourth Amendment of Apogee Enterprises, Inc. Deferred Incentive Compensation Plan (2005 Restatement).
- 10.4 Third Amendment of Apogee Enterprises, Inc. Partnership Plan (2005 Restatement).
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APOGEE ENTERPRISES, INC.

Date: January 6, 2011

By: /s/ RUSSELL HUFFER
Russell Huffer
Chairman, President and Chief Executive Officer

(Principal Executive Officer)

Date: January 6, 2011

By: /s/ JAMES S. PORTER
James S. Porter
Chief Financial Officer

(Principal Financial and Accounting Officer)

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Exhibit Index to Form 10-Q for the Period Ended November 27, 2010

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