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

# FORM 8-K/A

**(Amendment No. 1)**

## CURRENT REPORT

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

**Date of Report: December 14, 2016**
**(Date of earliest event reported)**

# APOGEE ENTERPRISES, INC.

**(Exact name of registrant as specified in its charter)**

**Commission File Number: 0-6365**

| | |
|---|---|
| **Minnesota**<br>**(State or other jurisdiction of incorporation)** | **41-0919654**<br>**(IRS Employer Identification No.)** |

**4400 West 78th Street – Suite 520**
**Minneapolis, Minnesota 55435**
**(Address of principal executive offices, including zip code)**

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

**Not Applicable**
**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## EXPLANATORY NOTE

On December 20, 2016, Apogee Enterprises, Inc. (the "Company") filed with the Securities and Exchange Commission a Current Report on Form 8-K (the "Initial 8-K") to report, among other things, the signing and simultaneous closing on December 14, 2016 of an asset purchase agreement (the "Purchase Agreement") by and between the Company's wholly owned subsidiary, WPP Acquisition Corporation, an Ontario corporation ("WPP"), Sotawall Inc., an Ontario corporation ("Sotawall"), and Juan A. Speck. Pursuant to the Purchase Agreement, WPP acquired the assets and business of Sotawall's high-performance, modular, pre-glazed curtainwall systems design, manufacturing and installation business. The Initial 8-K omitted the financial statements of the business acquired and the pro forma combined financial information as permitted by Item 9.01(a)(4) and Item 9.01(b)(2) of Form 8-K. This amendment to the Initial 8-K is being filed to provide the financial statements and pro forma financial information required by Item 9.01 of Form 8-K. The Initial 8-K otherwise remains the same and the Items therein, including Item 9.01, are hereby incorporated by reference into this Current Report on Form 8-K/A.

**Item 9.01 Financial Statements and Exhibits.**

(a) Financial Statement of Business Acquired.

The financial statements of Sotawall required by Item 9.01(a) of Form 8-K are attached hereto as Exhibit 99.1 and incorporated herein by reference.

(b) Pro Forma Financial Information

The pro forma financial information required by Item 9.01 (b) of Form 8-K is attached hereto as Exhibit 99.2 and incorporated herein by reference.

(d) Exhibits.

| | |
|---|---|
| 23.1 | Consent of BDO Canada LLP* |
| 99.1 | Audited financial statements of Sotawall Inc. as of and for the eleven months ended November 30, 2016 and unaudited financial statements of Sotawall Inc. as of and for the twelve months ended December 31, 2015.* |
| 99.2 | Unaudited pro forma condensed combined balance sheet as of November 26, 2016 and statement of operations for the nine months ended November 26, 2016 and the year ended February 27, 2016 of Apogee Enterprises, Inc.* |

* Filed herewith.

## SIGNATURE

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 hereunto duly authorized.

APOGEE ENTERPRISES, INC.

By: /s/ James S. Porter

James S. Porter
Executive Vice President and Chief Financial Officer

Date: February 28, 2017

**EXHIBIT INDEX**

| | |
|---|---|
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* Filed herewith.

**Exhibit 23.1**

## Consent of Independent Auditor

Apogee Enterprises, Inc.
Minneapolis, Minnesota

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 Nos. 333-58181, 333-95863, 333-137982, 333-160205, 333-169944, 333-175404, 333-190179, 333-197617, 333-197618, 333-207364, and 333-207369 of Apogee Enterprises, Inc. ("Apogee") of our report dated February 23, 2017, relating to the financial statements of Sotawall Inc. as of and for the eleven month period ended November 30, 2016, which is included in this Current Report on Form 8-K/A filed on February 28, 2017.

/s/ BDO Canada LLP
BDO Canada LLP

February 28, 2017

# SOTAWALL INC.

## Financial Statements

## Eleven Month Period Ended November 30, 2016

**SOTAWALL INC.**

**Index to Financial Statements**

**Eleven Month Period Ended November 30, 2016**


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# Independent Auditor's Report

**To the Shareholder of**
**Sotawall Inc.**

We have audited the accompanying financial statements of Sotawall Inc., which comprise the balance sheet as of November 30, 2016 and the related statements of income and retained earnings and cash flows for the eleven month period then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sotawall Inc. as at November 30, 2016 and the results of its operations and cash flows for the eleven month period then ended in accordance with Canadian accounting standards for private enterprises.

/s/ BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

February 23, 2017
Toronto, Ontario

**SOTAWALL INC.**

**Balance Sheet**

**As at November 30, 2016**

| | *November 30* **2016** | *December 31* 2015 *Unaudited* |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash and cash equivalents | **$ 24,752,303** | $ 13,814,169 |
| Accounts receivable *(Notes 2, 7)* | **29,128,421** | 18,016,576 |
| Harmonized sales tax receivable | **878,752** | 1,359,118 |
| Inventories - raw materials | **1,939,775** | 1,447,512 |
| Revenue earned in excess of amounts billed | **3,219,583** | 3,819,695 |
| Prepaid expenses and deposits | **1,044,338** | 1,475,243 |
| Future income taxes | **502,419** | 3,242,414 |
| Holdbacks receivable | **83,086** | 4,209,540 |
| | **61,548,677** | 47,384,267 |
| PROPERTY, PLANT AND EQUIPMENT *(Note 3)* | **9,205,152** | 7,661,113 |
| FUTURE INCOME TAXES | **98,120** | 191,320 |
| | **$ 70,851,949** | $ 55,236,700 |
| **LIABILITIES** | | |
| Current | | |
| Accounts payable and accrued liabilities *(Note 7)* | **$ 11,130,284** | $ 7,909,465 |
| Income taxes payable | **3,450,283** | 3,088,840 |
| Amounts billed in excess of revenue earned | **9,099,084** | 15,220,495 |
| Warranty provision *(Note 5)* | **98,020** | 191,220 |
| Future income taxes | **-** | 1,003,580 |
| Fair value of derivative instruments | **1,911,657** | 12,834,323 |
| | **25,689,328** | 40,247,923 |
| WARRANTY PROVISION *(Note 5)* | **392,078** | 764,879 |
| FUTURE INCOME TAXES | **1,569,178** | 994,338 |
| | **27,650,584** | 42,007,140 |
| **SHAREHOLDER'S EQUITY** | | |
| Share capital *(Note 6)* | **300** | 300 |
| Retained earnings | **43,201,065** | 13,229,260 |
| | **43,201,365** | 13,229,560 |
| | **$ 70,851,949** | $ 55,236,700 |

COMMITMENTS, GUARANTEE, SUBSEQUENT EVENTS *(Notes 9, 11, 12)*

**APPROVED BY THE SOLE DIRECTOR**

/s/ Juan A. Speck *Director*

See notes to financial statements

**SOTAWALL INC.**

**Statement of Income and Retained Earnings**

**Eleven Month Period Ended November 30, 2016**

| | *November 30* **2016** | *December 31* 2015 *(12 Months)* *Unaudited* |
|---|---|---|
| **SALES** *(Note 7)* | **$ 123,710,675** | $ 95,172,351 |
| COST OF SALES *(Note 7)* | **74,905,812** | 65,571,901 |
| GROSS PROFIT | **48,804,863** | 29,600,450 |
| **EXPENSES** | | |
| Amortization | **1,466,821** | 1,160,330 |
| Foreign currency exchange losses (gains) | **(3,944,961)** | 10,030,547 |
| General and administrative *(Note 7)* | **11,395,014** | 8,826,218 |
| Interest *(Note 8)* | **(45,478)** | (66,685) |
| | **8,871,396** | 19,950,410 |
| INCOME BEFORE INCOME TAXES | **39,933,467** | 9,650,040 |
| INCOME TAXES | | |
| Current | **7,557,207** | 4,883,239 |
| Future | **2,404,455** | (2,468,589) |
| | **9,961,662** | 2,414,650 |
| **NET INCOME** | **29,971,805** | 7,235,390 |
| RETAINED EARNINGS - BEGINNING OF PERIOD | **13,229,260** | 15,993,870 |
| | **43,201,065** | 23,229,260 |
| DIVIDENDS PAID ON COMMON SHARES | **-** | (10,000,000) |
| **RETAINED EARNINGS - END OF PERIOD** | **$ 43,201,065** | $ 13,229,260 |

See notes to financial statements

**SOTAWALL INC.**

**Cash Flow Statement**

**Eleven Month Period Ended November 30, 2016**

| | ***November 30*** **2016** | *December 31* 2015 *(12 Months) Unaudited* |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | **$ 29,971,805** | $ 7,235,390 |
| Items not affecting cash: | | |
| Amortization of property, plant and equipment | **1,466,821** | 1,160,330 |
| Loss on disposal of property, plant and equipment | **13,407** | 44,894 |
| Future income taxes | **2,404,455** | (2,468,589) |
| | **33,856,488** | 5,972,025 |
| Changes in non-cash operating accounts: | | |
| Accounts receivable | **(11,111,845)** | (169,071) |
| Inventories - raw materials | **(492,263)** | (452,056) |
| Revenue earned in excess of amounts billed | **600,112** | (2,690,523) |
| Accounts payable and accrued liabilities | **3,220,818** | (6,204,547) |
| Income taxes payable | **361,443** | 4,287,573 |
| Amounts billed in excess of revenue earned | **(6,121,411)** | 7,834,390 |
| Prepaid expenses and deposits | **430,905** | 38,093 |
| Harmonized sales taxes receivable | **480,366** | (1,359,118) |
| Holdbacks receivable | **4,126,454** | (876,063) |
| Warranty provision | **(466,001)** | 46,009 |
| | **(8,971,422)** | 454,687 |
| Cash flow from operating activities | **24,885,066** | 6,426,712 |
| **INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | **(3,051,616)** | (3,582,331) |
| Proceeds on disposal of property, plant and equipment | **27,350** | 37,840 |
| Net receipts (payments) to settle derivative instruments | **(10,922,666)** | 9,578,892 |
| Cash flow from (used by) investing activities | **(13,946,932)** | 6,034,401 |
| **FINANCING ACTIVITY** | | |
| Dividends paid | **-** | (10,000,000) |
| **INCREASE IN CASH** | **10,938,134** | 2,461,113 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD | **13,814,169** | 11,353,056 |
| **CASH AND CASH EQUIVALENTS - END OF PERIOD** | **$ 24,752,303** | $ 13,814,169 |

See notes to financial statements

Sotawall Inc. (the "company") is incorporated under the Business Corporations Act of Ontario. The company specializes in the design, engineering, fabrication, assembly, and installation of pre-glazed unitized curtainwall systems for industrial, commercial, institutional, residential, and mixed-use buildings. Sotawall Inc. supplies a full range of proprietary unitized curtainwall systems and develops, through technological innovation, custom curtainwall applications to meet specific project needs.

## 1. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the company's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- the determination of the contract revenues and costs of completing large fixed price contracts;
- the useful lives of property, plant and equipment;
- the allowance for doubtful accounts;
- the allowance for inventory obsolescence;
- the warranty provisions.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits, which are unrestricted as to withdrawal and use. The company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Revenue recognition

The company records revenue from fixed price contracts using the percentage of completion method, on the basis of costs incurred. The stage of completion for recording revenue from each project is based on the total costs incurred divided by total estimated contract costs. Contract costs include all materials, labour and delivery costs directly relating to contract performance. Anticipated losses, if any, on contracts in progress are fully provided in the year in which they become evident. Revenue earned in excess of amounts billed represents the excess of costs incurred and profit earned over amounts billed on uncompleted projects. Amounts billed in excess of revenue earned represents the excess of amounts billed over costs incurred and profit earned on uncompleted projects.

Inventories - raw materials

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories include all costs to purchase, convert and bring the inventories to their present location and condition. Cost is determined on a first-in, first-out basis. The carrying value of the inventory is recognized as an expense and included in cost of sales when it is transferred to production. Inventory valuation reserves are maintained for inventories that are slow moving or obsolete.

*(continues)*

1. **SUMMARY OF ACCOUNTING POLICIES *(continued)***

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

| | | |
|---|---|---|
| Automotive equipment | 30% | declining balance method |
| Computer hardware and software | 30% | declining balance method |
| Leasehold improvements | 20% | straight-line method |
| Manufacturing equipment | 10% | straight-line method |
| Office equipment | 20% | declining balance method |

Impairment of long-lived assets

The company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future undiscounted net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Warranty provision

A provision for potential warranty claims is calculated and adjusted at the end of each reporting period based on warranty terms and costs incurred. A major assumption underlying the estimate is that failure rates will remain constant. The method used to establish the provision is based on average historical warranty claims experienced in the preceding five years. Occasionally, warranty claims falling outside the warranty period are honoured at the discretion of management. If warranty costs exceed the provision in any year, the excess is expensed.

Future income taxes

Income taxes are reported using the future income taxes method, as follows: current income tax expense is the estimated income taxes payable for the current period after any refunds or the use of losses incurred in previous years, and future income taxes reflect:

- the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes;

- the benefit of unutilized tax losses that will more likely than not be realized and carried forward to future years to reduce income taxes.

Future income taxes are estimated using the rates enacted by tax law and those substantively enacted for the years in which future income tax assets are likely to be realized, or future income tax liabilities settled. The effect of a change in tax rates on future income tax assets and liabilities is included in net income in the year when the change is substantively enacted.

*(continues)*

## 1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Realized and unrealized foreign exchange gains and losses on monetary assets and liabilities are included in the determination of net income.

Financial instruments

*Measurement*

The company initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

Foreign currency derivatives are subsequently measured at fair value. All gains and losses resulting from changes in the fair value of these financial instruments are recognized in net income.

All other financial assets and financial liabilities are subsequently measured at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, harmonized sales tax receivable, revenue earned in excess of amounts billed and holdbacks receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

*Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

*Transaction Costs*

The company recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

## 2. ACCOUNTS RECEIVABLE

| | ***November 30*** **2016** | *December 31* 2015 *Unaudited* |
|---|---|---|
| Accounts receivable | **$ 29,161,421** | $ 18,090,162 |
| Less: allowance for doubtful accounts | **(33,000)** | (73,586) |
| | **$ 29,128,421** | $ 18,016,576 |

## 3. PROPERTY, PLANT AND EQUIPMENT

| | Cost | Accumulated amortization | *November 30* **2016** **Net book value** | *December 31* 2015 Net book value *Unaudited* |
|---|---|---|---|---|
| Automotive equipment | $ 409,189 | $ 322,152 | **$ 87,037** | $ 120,719 |
| Computer hardware and software | 1,531,427 | 915,909 | **615,518** | 649,649 |
| Leasehold improvements | 801,126 | 256,033 | **545,093** | 661,662 |
| Manufacturing equipment | 14,413,171 | 7,202,737 | **7,210,434** | 5,461,668 |
| Office equipment | 1,433,589 | 686,519 | **747,070** | 767,415 |
| | $ 18,588,502 | $ 9,383,350 | **$ 9,205,152** | $ 7,661,113 |

## 4. BANK CREDIT FACILITIES

The company has various forms of bank credit facilities, including demand operating facilities of up to $8,000,000, capital asset term financing by way of purchase or lease of up to $1,000,000 each and foreign currency hedging instruments (forward contracts) of up to US $100,000,000 for contracts with maturity dates not to exceed 36 months. Interest payable on demand facilities is at the bank's prime rate for both Canadian or US dollar denominated loans. Interest payable on term facilities is subject to pricing determined by the bank.

Security for these facilities includes a general assignment of book debts, a general security agreement forming a first ranking over all the company's assets listed on the balance sheet, assignment of all risk insurance, assignment and postponement of claim by the parent company, priority agreements with bonding insurance providers, and an unlimited guarantee provided by a related party.

There were no loan balances payable as at November 30, 2016 or December 31, 2015.

## 5. WARRANTY PROVISION

| | *November 30* **2016** | *December 31* 2015 *Unaudited* |
|---|---|---|
| Opening balance | **$ 956,099** | $ 910,090 |
| Warranty costs incurred during the period | **(62,855)** | (25,440) |
| Warranty provision adjustment | **(403,146)** | 71,449 |
| | **490,098** | 956,099 |
| Less: current portion | **(98,020)** | (191,220) |
| | **$ 392,078** | $ 764,879 |

## 6. SHARE CAPITAL

| | | | November 30 2016 | | December 31 2015 Unaudited |
|---|---|---|---|---|---|
| Issued: | | | | | |
| 150 | Class A common shares | $ | **150** | $ | 150 |
| 150 | Class B common shares | | **150** | | 150 |
| | | $ | **300** | $ | 300 |

## 7. RELATED PARTY TRANSACTIONS

In the normal course of its operations, the company conducts business transactions with various related parties. These transactions are measured at the exchange amounts agreed to by the related parties, and are summarized as follows:

| | | November 30 2016 | | December 31 2015 Unaudited |
|---|---|---|---|---|
| *Transactions during the period* | | | | |
| Sales to companies controlled by the shareholder | $ | **20,238** | $ | 80,955 |
| Purchases from companies controlled by the shareholder | | **6,622,411** | | 7,752,192 |
| Rent paid to a company owned 50% by a director | | **377,286** | | 588,791 |
| Rent paid to a company controlled by the shareholder | | **2,968,089** | | 2,916,059 |
| *Balances at end of period* | | | | |
| Rent deposits paid to a company controlled by the shareholder | $ | **313,622** | $ | 180,000 |
| Accounts payable to companies controlled by the shareholder | | **675,259** | | 1,829,511 |

## 8. INTEREST

Interest expense (income) is comprised of:

| | | November 30 2016 | | December 31 2015 Unaudited |
|---|---|---|---|---|
| Interest paid | $ | **26,068** | $ | 32,756 |
| Interest earned | | **(71,546)** | | (99,441) |
| | $ | **(45,478)** | $ | (66,685) |

## 9. COMMITMENTS

The company is committed to arm's length parties under the terms of four operating real property leases, including office facilities, to the following minimum rentals:

| | |
|---|---|
| 2017 | $ 686,069 |
| 2018 | 674,655 |
| 2019 | 667,614 |
| 2020 | 612,410 |
| 2021 | 246,838 |
| | $ 2,887,586 |

## 10. SIGNIFICANT BUSINESS RELATIONSHIPS

Sotawall Inc., by the nature if its industry and the relative size of its contracts, works with several large contractors which account for a significant portion of its revenues. During the period, approximately 91% of the company's sales were attributed to contracts with two contractors (2015 - 98%, with five contractors).

## 11. GUARANTEE

The company has provided an unlimited guarantee relating to a demand non-revolving loan held by Vankirk7080 Inc., a company related by common control. At November 30, 2016, the loan payable by Vankirk7080 Inc. amounted to $5,506,250 (2015 - $6,218,750).

## 12. SUBSEQUENT EVENTS

On December 14, 2016, the company sold all of its business assets, including equipment, working capital and goodwill, to Sotawall Limited, a corporation controlled by a US based public company. Under the terms of the sale agreement, the company received cash consideration in the amount of $180,000,000 less holdback of $12,600,000 in escrow, of which 25% ($3,150,000) is to be released 12 months after closing and the remaining 75% ($9,450,000) 24 months after closing.

As a condition of the sale agreement, all the unmatured foreign currency derivative instruments at the date of closing were cancelled at a cost of $1,138,589 which cost was reimbursed to the company by the purchaser.

## 13. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of November 30, 2016.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company has a significant amount of cash and cash equivalents held at one financial institution which exceeds the $100,000 Canadian Deposit Insurance Corporation coverage. Furthermore, the company is exposed to credit risk from customers. In order to reduce its credit risk, the company routinely conducts credit checks on new customers and maintains provisions for probable credit losses. The concentration of credit risk is limited as its customers tend to be large contractors servicing adequately funded projects over which the company may exercise lien rights. The extent of company's exposure to credit risk did not change significantly from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. In the opinion of management, the company is not exposed to significant interest rate risk. The extent of the company's exposure to interest rate risk did not change significantly from the prior year.

*(continues)*

**13. FINANCIAL INSTRUMENTS *(continued)***

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. As at November 30, 2016, the company is exposed to foreign currency exchange risk with respect to the following assets and liabilities denominated in US$:

| | **2016 US$** | **2016 CA$** | 2015 US$ | 2015 CA$ |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash | $ 2,189,790 | $ 2,940,670 | $ 3,398,690 | $ 4,703,787 |
| Accounts receivable | 20,387,792 | 27,378,766 | 11,522,650 | 15,947,347 |
| Revenue earned in excess of amounts billed | 2,092,721 | 2,810,315 | 1,954,518 | 2,705,053 |
| LIABILITIES | | | | |
| Accounts payable | (1,298,356) | (1,743,562) | (1,308,230) | (1,810,590) |
| Fair value of derivative instruments | (1,423,529) | (1,911,657) | (9,272,825) | (12,834,323) |
| Net asset position | $ 21,948,418 | $ 29,474,532 | $ 6,294,803 | $ 8,711,274 |

*Foreign Currency Derivatives*

The company realizes a significant portion of its revenue in foreign currencies and routinely enters into foreign currency derivatives to manage its exposure to changes in exchange rates. The company has chosen to not apply hedge accounting, however, the company believes that these derivatives hedge the related foreign currency risk inherent in these transactions.

As at November 30, 2016, the company is subject to contractual obligations under foreign currency derivatives to sell a total of US$53,850,000 (December 31, 2015 sell US$92,375,000 and buy US$1,625,000) in exchange for CA$69,691,149 (December 31, 2015 CA$114,733,928 and CA$2,227,175 respectively) at an average exchange rate of 1.2992 (December 31, 2015 - 1.2443). The maturity dates of the derivatives range between December 2016 and November 2018, to coincide with the anticipated cash flows projected by management for the settlement of current and future trade receivables.

As mentioned in the accounting policy note, these foreign currency derivatives are recognized at fair value. The company's derivative dealer established the foreign currency derivatives' fair value which the company accepts as the fair value of these instruments. The aggregate carrying amount of these foreign currency derivatives is a net liability of CA$1,911,657 (December 31, 2015 unaudited - net liability of CA$12,834,323)

The maturity and face value of the foreign currency derivative financial instruments are summarized as follows:

| | US$ | CA$ | Average rate |
|---|---|---|---|
| 2016 | $ 4,300,000 | $ 5,430,620 | 1.2629 |
| 2017 | 30,850,000 | 40,173,849 | 1.3022 |
| 2018 | 18,700,000 | 24,356,680 | 1.3025 |
| | $ 53,850,000 | $ 69,961,149 | 1.2992 |

## Unaudited Pro Forma Condensed Combined Financial Information

Apogee Enterprises, Inc. (we, our or the Company), through a wholly-owned subsidiary, acquired the assets of Sotawall, Inc. (Sotawall), a privately held company, for total cash consideration of approximately $138.1 million on December 14, 2016. Sotawall specializes in the design, engineering, fabrication, assembly and installation of unitized curtainwall systems for industrial, commercial, and institutional buildings. The acquisition was funded by a combination of cash and short-term investments of approximately $73.1 million and approximately $65.0 million from our committed revolving line of credit.

The following unaudited pro forma condensed combined financial statements are based on our historical consolidated financial statements and Sotawall's historical financial statements adjusted to give effect to the Company's acquisition of Sotawall and the related financing. The unaudited pro forma condensed combined statements of operations for the nine months ended November 26, 2016 and the 12 months ended February 27, 2016 give effect to these transactions as if they had occurred on March 1, 2015, the beginning of Apogee's fiscal year 2016. The unaudited pro forma condensed combined balance sheet as of November 26, 2016 gives effect to these transactions as if they had occurred on November 26, 2016.

The assumptions and estimates underlying the unaudited adjustments to the pro forma condensed combined financial statements are described in the accompanying notes, which should be read together with the pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements should be read together with the Company's historical financial statements, which are included in the Company's latest annual report on Form 10-K and quarterly report on 10-Q, and Sotawall's historical information included herein.

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**
**AS OF NOVEMBER 26, 2016**

| *In thousands* | Apogee Enterprises, Inc. Historical | Sotawall (Acquiree) Historical (1) | Pro Forma Adjustments | Notes | Pro Forma Combined |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | $ 51,599 | $ 18,297 | $ (61,158) | a | $ 8,738 |
| Short-term available for sale securities | 30,635 | - | (30,260) | a | 375 |
| Restricted cash | 14,884 | - | - | | 14,884 |
| Receivables, net of allowance for doubtful accounts | 188,442 | 21,531 | - | | 209,973 |
| Inventories | 73,161 | 3,814 | - | | 76,975 |
| Other current assets | 6,770 | 1,854 | (371) | f | 8,253 |
| Total current assets | 365,491 | 45,496 | (91,789) | | 319,198 |
| Property, plant and equipment, net | 229,556 | 6,804 | 903 | c | 237,263 |
| Available for sale securities | 10,962 | - | - | | 10,962 |
| Goodwill | 74,308 | - | 31,276 | d | 105,584 |
| Intangible assets | 19,460 | - | 89,148 | e | 108,608 |
| Other non-current assets | 17,468 | 72 | 955 | f | 18,495 |
| Total assets | $ 717,245 | $ 52,373 | $ 30,492 | | $800,110 |
| **Liabilities and Shareholders' Equity** | | | | | |
| Current liabilities | | | | | |
| Accounts payable | $ 65,087 | $ 8,227 | $ (3,701) | b | $ 69,613 |
| Accrued payroll and related benefits | 42,132 | - | - | | 42,132 |
| Accrued self-insurance reserves | 8,581 | - | - | | 8,581 |
| Other current liabilities | 32,369 | 1,486 | 63,514 | a, b | 97,369 |
| Billings in excess of costs and earnings on uncompleted contracts | 36,786 | 6,726 | - | | 43,512 |
| Accrued income taxes | 3,439 | 2,550 | 3,036 | f | 9,025 |
| Total current liabilities | 188,394 | 18,989 | 62,849 | | 270,232 |
| Long-term debt | 20,400 | - | - | | 20,400 |
| Long-term self-insurance reserves | 8,008 | - | - | | 8,008 |
| Deferred tax liabilities | - | 1,160 | (133) | f | 1,027 |
| Other non-current liabilities | 48,266 | 290 | (290) | b | 48,266 |
| Commitments and contingent liabilities | | | | | |
| Shareholders' equity | | | | | |
| Common stock | 9,549 | - | - | | 9,549 |
| Additional paid-in capital | 148,379 | - | - | | 148,379 |
| Retained earnings | 323,070 | 31,934 | (31,934) | g | 323,070 |
| Common stock held in trust | (863) | - | - | | (863) |
| Deferred compensation obligations | 863 | - | - | | 863 |
| Accumulated other comprehensive loss | (28,821) | - | - | | (28,821) |
| Total shareholders' equity | 452,177 | 31,934 | (31,934) | | 452,177 |
| Total liabilities and shareholders' equity | $ 717,245 | $ 52,373 | $ 30,492 | | $800,110 |

*See accompanying notes to the unaudited pro forma condensed combined financial information.*

(1) Sotawall balance sheet as of November 30, 2016.

**UNAUDITED PRO FORMA CONDENSED COMBINED RESULTS OF OPERATIONS**
**NINE MONTHS ENDED NOVEMBER 26, 2016**

| *In thousands, except per share information* | Apogee Enterprises, Inc. Historical | Sotawall (Acquiree) Historical (1) | Pro Forma Adjustments | Notes | Pro Forma Combined |
|---|---|---|---|---|---|
| Net sales | $ 800,407 | $ 94,627 | $ - | | $895,034 |
| Cost of sales | 590,581 | 57,296 | 218 | c | 648,095 |
| Gross profit | 209,826 | 37,331 | (218) | | 246,939 |
| Selling, general and administrative expenses | 117,269 | 9,838 | 2,813 | e, h | 129,920 |
| Operating income | 92,557 | 27,493 | (3,031) | | 117,019 |
| Other income (expense), net | 654 | 3,052 | (4,027) | i | (321) |
| Earnings before income taxes | 93,211 | 30,545 | (7,058) | | 116,698 |
| Income tax expense | 30,540 | 7,620 | (1,764) | f | 36,395 |
| Net earnings | $ 62,671 | $ 22,925 | $ (5,293) | | $ 80,303 |
| Earnings per share - basic | $ 2.18 | N/A | | | $ 2.79 |
| Earnings per share - diluted | $ 2.17 | N/A | | | $ 2.78 |
| Weighted-average basic shares outstanding | 28,807 | N/A | | | 28,807 |
| Weighted-average diluted shares outstanding | 28,913 | N/A | | | 28,913 |

*See accompanying notes to the unaudited pro forma condensed combined financial information.*

(1) Sotawall results of operations for the eleven months ended November 30, 2016.

**UNAUDITED PRO FORMA CONDENSED COMBINED RESULTS OF OPERATIONS**
**YEAR ENDED FEBRUARY 27, 2016**

| *In thousands, except per share information* | Apogee Enterprises, Inc. Historical | Sotawall (Acquiree) Historical | Pro Forma Adjustments | Notes | Pro Forma Combined |
|---|---|---|---|---|---|
| Net sales | $ 981,189 | $ 73,054 | $ - | | $1,054,243 |
| Cost of sales | 737,619 | 50,333 | 113 | c | 788,065 |
| Gross profit | 243,570 | 22,721 | (113) | | 266,178 |
| Selling, general and administrative expenses | 146,177 | 7,665 | 4,070 | e | 157,913 |
| Operating income | 97,393 | 15,056 | (4,183) | | 108,265 |
| Other (expense) income, net | (69) | (7,648) | 6,348 | i | (1,369) |
| Earnings before income taxes | 97,324 | 7,407 | 2,165 | | 106,896 |
| Income tax expense | 31,982 | 1,854 | 541 | f | 34,377 |
| Net earnings | $ 65,342 | $ 5,554 | $ 1,624 | | $ 72,519 |
| Earnings per share - basic | $ 2.25 | N/A | | | $ 2.50 |
| Earnings per share - diluted | $ 2.22 | N/A | | | $ 2.47 |
| Weighted-average basic shares outstanding | 29,058 | N/A | | | 29,058 |
| Weighted-average diluted shares outstanding | 29,375 | N/A | | | 29,375 |

*See accompanying notes to the unaudited pro forma condensed combined financial information.*

(1) Sotawall results of operations for the twelve months ended December 31, 2015.

## Notes to Unaudited Pro Forma Condensed Combined Financial Information

**Note 1: Basis of presentation**

Our historical consolidated financial statements have been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) expected to have a continuing impact on the combined results following the business combination.

The business combination was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. As the acquirer for accounting purposes, the Company has allocated the total purchase price to Sotawall's tangible and intangible assets acquired and liabilities assumed, based on their fair values at the date of the acquisition, and conformed the accounting policies of Sotawall to its own accounting policies.

The Company's fiscal year ends on the Saturday closest to the last day of February, or as determined by the Board of Directors, and the Company's third quarter interim period end was November 26, 2016. Sotawall's historical year-end is December 31. The balance sheet for Sotawall included in the pro forma condensed combined balance sheet is as of November 30, 2016 and the results of operations for Sotawall included in the pro forma condensed combined results of operations are for the 11 months ended November 30, 2016 and the 12 months ended December 31, 2015.

The pro forma condensed combined financial statements do not necessarily reflect what the combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The Unaudited Pro Forma Condensed Combined Statements of Income do not reflect the costs of any integration activities or benefits that may result from realization of potential future synergies that may result from the acquisition.

**Note 2: Preliminary purchase price allocation**

We have performed a preliminary allocation of the purchase price for Sotawall to the acquired assets and assumed liabilities, as shown in the following table as of the acquisition date, using the exchange rate in effect on that date:

| *In thousands* | | December 14, 2016 |
|---|---|---|
| Net working capital | $ | 10,846 |
| Property, plant and equipment, net | | 8,303 |
| Goodwill | | 27,137 |
| Other intangible assets | | 91,813 |
| Total purchase price | $ | 138,100 |

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the unaudited pro forma condensed combined financial information (refer to Note 4 regarding exchange rates used). The preliminary purchase price may change based on the final working capital valuations and necessary calculations. Thus, the preliminary measures of fair value reflected are subject to changes and such changes could be significant to the unaudited pro forma condensed combined financial information. The final allocation may include (1) changes in allocations to intangible assets and (2) changes to income tax related accounts, as well as changes to other assets and liabilities, which may impact pro forma adjustments to the unaudited pro forma condensed combined financial information.

**Note 3: Pro forma adjustments**

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

(a) Reflects the elimination of cash at Sotawall and the cash, short-term investments and line of credit at Apogee used to fund the acquisition.

(b) Reflects the adjustment for liabilities not assumed as part of the acquisition.

(c) Represents the estimated adjustment to increase the basis in the acquired property, plant and equipment to estimated fair value and the change in depreciation due to changes in estimated carrying value and remaining useful lives. The estimated useful lives of assets acquired range from three to seven years.

(d) Reflects adjustment to record preliminary estimate of goodwill resulting from the acquisition.

(e) As part of the preliminary valuation analysis, the Company identified intangible assets, including technology, backlog, trade names, and customer relationships. The fair value of identifiable intangible assets is determined primarily using the "income approach," which requires a forecast of the expected future cash flows. The following table summarizes the preliminary estimated fair values of Sotawall's identifiable intangible assets and their estimated useful lives and estimated pro forma amortization expense using a straight-line method:

| | | | Amortization Expense | |
|---|---|---|---|---|
| *In thousands* | Estimated fair value | Estimated Useful Life in Years | Nine Months Ended November 26, 2016 | Year Ended February 27, 2016 |
| Technology | $ 6,135 | 10.0 | $ 460 | $ 614 |
| Backlog | 12,271 | 1.5 | 4,090 | 8,180 |
| Trade name | 11,975 | Indefinite | - | - |
| Customer relationships | 58,766 | 17.0 | 2,593 | 3,457 |
| Total | $ 89,148 | | 7,143 | 12,251 |
| Less: Backlog which does not have a continuing impact | | | 4,090 | 8,180 |
| Pro forma adjustment to amortization expense | | | $ 3,053 | $ 4,070 |

These preliminary estimates of fair value and estimated useful lives may differ from final amounts the Company will calculate after completing a detailed valuation analysis, and the difference could have a significant impact on the accompanying unaudited pro forma condensed combined financial statements. These amounts also may not be useful in predicting the future financial condition and results of operations of the combined company.

(f) Adjusts the deferred tax assets and liabilities and taxes payable resulting from the acquisition. Also reflects the income tax effect of pro forma adjustments based on the estimated statutory tax rate of Sotawall of 25 percent. The tax rate does not take into account any historical or possible future tax events that may impact the combined company.

(g) Represents the elimination of the historical equity of Sotawall.

(h) Includes the removal of transaction costs related to the acquisition of $0.2 million for the nine-months ended November 26, 2016 since they do not have a continuing impact.

(i) Represents the net increase to interest expense resulting from drawing on our committed revolving line of credit to partially finance the acquisition at a rate of approximately 2.0 percent. A change in interest rate of 0.125 percent would impact interest by less than $0.1 million. Also reflects the removal of foreign currency exchange gains and losses and related interest expense as foreign currency derivative contracts were cancelled prior to acquisition and represents removal of interest income as the associated cash and cash equivalent balances were not included in the acquisition.

**Note 4: Foreign currency and US GAAP conversion adjustments**

The historical financial information of Sotawall was prepared in accordance with Canadian accounting standards for private enterprises and presented in Canadian dollars (CAD). The historical financial information was translated from CAD to U.S. dollars (USD) using the following historical exchange rates:

| | CAD to USD |
|---|---|
| Average exchange rate for year ended February 27, 2016 (results of operations): | $0.7676 |
| Average exchange rate for nine-months ended November 26, 2016 (results of operations): | $0.7649 |
| Period end exchange rate as of November 26, 2016 (balance sheet): | $0.7392 |

Significant adjustments to convert the Sotawall historical financial information from Canadian ASPE to accounting principles generally accepted in the United States (U.S. GAAP) were not required.