

VALMONT INDUSTRIES INC
Form 10-Q
October 27, 2011

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

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 24, 2011

Or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-31429

Valmont Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

47-0351813

(I.R.S. Employer
Identification No.)

**One Valmont Plaza,
Omaha, Nebraska**

(Address of principal executive offices)

68154-5215

(Zip Code)

402-963-1000

(Registrant's telephone number, including area code)

(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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that 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 Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

26,443,449

Outstanding shares of common stock as of October 18, 2011

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 24, 2011	September 25, 2010	September 24, 2011	September 25, 2010
Product sales	\$ 595,064	\$ 492,997	\$ 1,685,440	\$ 1,280,824
Services sales	77,128	34,834	223,310	95,968
Net sales	672,192	527,831	1,908,750	1,376,792
Product cost of sales	453,462	374,678	1,285,629	955,611
Services cost of sales	51,340	20,632	151,256	59,284
Cost of sales	504,802	395,310	1,436,885	1,014,895
Gross profit	167,390	132,521	471,865	361,897
Selling, general and administrative expenses	95,357	85,378	285,912	245,803
Operating income	72,033	47,143	185,953	116,094
Other income (expenses):				
Interest expense	(7,671)	(8,487)	(26,715)	(22,878)
Interest income	3,141	1,733	6,919	3,181
Other	(1,670)	58	(776)	28
	(6,200)	(6,696)	(20,572)	(19,669)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	65,833	40,447	165,381	96,425
Income tax expense (benefit):				
Current	25,119	15,694	62,156	39,652
Deferred	(1,346)	(1,914)	(11,544)	(4,744)
	23,773	13,780	50,612	34,908
Earnings before equity in earnings of nonconsolidated subsidiaries	42,060	26,667	114,769	61,517
Equity in earnings of nonconsolidated subsidiaries	2,354	1,068	4,509	1,987
Net earnings	44,414	27,735	119,278	63,504
Less: Earnings attributable to noncontrolling interests	(2,273)	(1,800)	(5,701)	(3,991)
Net earnings attributable to Valmont Industries, Inc.	\$ 42,141	\$ 25,935	\$ 113,577	\$ 59,513
	\$ 1.60	\$ 0.99	\$ 4.32	\$ 2.28

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Earnings per share attributable to Valmont Industries, Inc. Basic								
Earnings per share attributable to Valmont Industries, Inc. Diluted	\$	1.59	\$	0.98	\$	4.28	\$	2.25
Cash dividends per share	\$	0.180	\$	0.165	\$	0.525	\$	0.480
Weighted average number of shares of common stock outstanding Basic (000 omitted)		26,351		26,133		26,318		26,084
Weighted average number of shares of common stock outstanding Diluted (000 omitted)		26,579		26,404		26,567		26,420

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	September 24, 2011	December 25, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 336,908	\$ 346,904
Receivables, net	449,431	410,566
Inventories	377,525	280,223
Prepaid expenses and other current assets	28,832	23,806
Refundable and deferred income taxes	35,216	32,727
 Total current assets	 1,227,912	 1,094,226
Property, plant and equipment, at cost	889,857	865,287
Less accumulated depreciation and amortization	452,718	425,678
 Net property, plant and equipment	 437,139	 439,609
Goodwill	315,140	314,847
Other intangible assets, net	174,946	185,535
Other assets	54,040	56,526
 Total assets	 \$ 2,209,177	 \$ 2,090,743
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 236	\$ 238
Notes payable to banks	11,022	8,824
Accounts payable	221,909	179,814
Accrued employee compensation and benefits	75,392	75,981
Accrued expenses	82,844	77,705
Dividends payable	4,760	4,352
 Total current liabilities	 396,163	 346,914
Deferred income taxes	85,531	89,922
Long-term debt, excluding current installments	494,775	468,596
Defined benefit pension liability	96,990	104,171
Deferred compensation	29,401	23,300
Other noncurrent liabilities	43,068	47,713
Shareholders' equity:		
Preferred stock		
Authorized 500,000 shares; none issued		
Common stock of \$1 par value		
Authorized 75,000,000 shares; 27,900,000 issued	27,900	27,900
Retained earnings	966,872	850,269
Accumulated other comprehensive income	41,768	63,645
Treasury stock	(25,117)	(25,922)

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Total Valmont Industries, Inc. shareholders' equity	1,011,423	915,892
Noncontrolling interest in consolidated subsidiaries	51,826	94,235
Total shareholders' equity	1,063,249	1,010,127
Total liabilities and shareholders' equity	\$ 2,209,177	\$ 2,090,743

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	September 24, 2011	September 25, 2010
Cash flows from operating activities:		
Net earnings	\$ 119,278	\$ 63,504
Adjustments to reconcile net earnings to net cash flow from operations:		
Depreciation and amortization	53,193	41,829
Stock-based compensation	3,962	4,712
Defined benefit pension plan expense	4,544	
Contribution to defined benefit pension plan	(11,754)	
Loss (gain) on sale of assets	(295)	1,513
Equity in earnings of nonconsolidated subsidiaries	(4,509)	(1,987)
Deferred income taxes	(11,544)	(4,744)
Changes in assets and liabilities, net of the effects of acquisitions:		
Receivables	(41,606)	(44,046)
Inventories	(99,559)	4,390
Prepaid expenses	(5,378)	1,063
Accounts payable	33,782	(22,674)
Accrued expenses	11,484	19,230
Other noncurrent liabilities	(4,492)	10,254
Income taxes payable/refundable	17,009	12,295
Net cash flows from operating activities	64,115	85,339
Cash flows from investing activities:		
Purchase of property, plant and equipment	(46,366)	(20,283)
Proceeds from sale of assets	2,903	11,090
Acquisitions, net of cash acquired	(1,539)	(249,057)
Dividends from nonconsolidated subsidiaries	590	9,606
Other, net	793	2,062
Net cash flows from investing activities	(43,619)	(246,582)
Cash flows from financing activities:		
Net borrowings (payments) under short-term agreements	2,152	2,549
Proceeds from long-term borrowings	213,832	491,000
Principal payments on long-term obligations	(187,234)	(168,271)
Purchase of noncontrolling interest	(25,253)	
Settlement of financial derivative	(3,568)	
Dividends paid	(13,467)	(12,240)
Dividends to noncontrolling interests	(4,958)	(12,265)
Debt issuance costs	(1,284)	(3,858)
Proceeds from exercises under stock plans	18,659	3,390
Excess tax benefits from stock option exercises	2,799	1,479

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Purchase of treasury shares	(4,802)	(878)
Purchase of common treasury shares stock plan exercises	(19,829)	(2,144)
Net cash flows from financing activities	(22,953)	298,762
Effect of exchange rate changes on cash and cash equivalents	(7,539)	4,845
Net change in cash and cash equivalents	(9,996)	142,364
Cash and cash equivalents beginning of year	346,904	180,786
Cash and cash equivalents end of period	\$ 336,908	\$ 323,150

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest in consolidated subsidiaries	Total shareholders' equity
Balance at December 26, 2009	\$ 27,900	\$	\$ 767,398	\$ 16,953	\$ (25,990)	\$ 22,046	\$ 808,307
Comprehensive income:							
Net earnings			59,513			3,991	63,504
Currency translation adjustment				7,503		2,503	10,006
Total comprehensive income							73,510
Cash dividends (\$0.480 per share)			(12,641)				(12,641)
Dividends to noncontrolling interests						(12,265)	(12,265)
Purchase of noncontrolling interest		(3,754)				(3,311)	(7,065)
Acquisition of Delta plc						79,529	79,529
Purchase of 12,351 treasury shares					(878)		(878)
Stock options exercised; 84,900 shares issued		(2,437)	2,847		2,980		3,390
Stock plan exercises; 29,095 shares purchased					(2,144)		(2,144)
Tax benefit from exercise of stock options		1,479					1,479
Stock option expense		3,675					3,675
Stock awards; 9,088 shares issued		1,037			650		1,687
Balance at September 25, 2010	\$ 27,900	\$	\$ 817,117	\$ 24,456	\$ (25,382)	\$ 92,493	\$ 936,584
Balance at December 25, 2010	\$ 27,900	\$	\$ 850,269	\$ 63,645	\$ (25,922)	\$ 94,235	\$ 1,010,127
Comprehensive income:							
Net earnings			113,577			5,701	119,278
Currency translation adjustment				(18,442)		(1,831)	(20,273)
Loss on cash flow hedge				(3,568)			(3,568)
Amortization of loss				133			133
Total comprehensive income							95,570

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Cash dividends (\$0.525 per share)		(13,875)		(13,875)		
Dividends to noncontrolling interests			(4,958)	(4,958)		
Purchase of noncontrolling interest	16,592		(41,845)	(25,253)		
Acquisitions			524	524		
Purchase of 53,847 treasury shares			(4,802)	(4,802)		
Stock options exercised; 291,208 shares issued	(23,353)	16,901	25,111	18,659		
Stock plan exercises; 181,603 shares purchased			(19,829)	(19,829)		
Tax benefit from exercise of stock options	2,799			2,799		
Stock option expense	3,732			3,732		
Stock awards; 2,992 shares issued	230		325	555		
Balance at September 24, 2011	\$ 27,900	\$ 966,872	\$ 41,768	\$ (25,117)	\$ 51,826	\$ 1,063,249

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies*Condensed Consolidated Financial Statements*

The Condensed Consolidated Balance Sheet as of September 24, 2011, the Condensed Consolidated Statements of Operations for the thirteen and thirty-nine week periods ended September 24, 2011 and September 25, 2010, the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the thirty-nine week periods then ended have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of September 24, 2011 and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2010. The accounting policies and methods of computation followed in these interim financial statements are the same as those followed in the financial statements for the year ended December 25, 2010. The results of operations for the periods ended September 24, 2011 are not necessarily indicative of the operating results for the full year.

Inventories

At September 24, 2011, approximately 36% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured and finished goods. The excess of replacement cost of inventories over the LIFO value was \$50,775 and \$42,559 at September 24, 2011 and December 25, 2010, respectively.

Inventories consisted of the following:

	September 24, 2011	December 25, 2010
Raw materials and purchased parts	\$ 193,469	\$ 133,380
Work-in-process	28,939	25,891
Finished goods and manufactured goods	205,892	163,511
Subtotal	428,300	322,782
LIFO reserve	50,775	42,559
Net inventory	\$ 377,525	\$ 280,223

Stock Plans

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Human Resource Committee of the Board of Directors may grant incentive stock

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies (Continued)

options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At September 24, 2011, 861,939 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the market price at the date of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant. Expiration of grants is from six to ten years from the date of grant. The Company's compensation expense (included in selling, general and administrative expenses) and associated income tax benefits related to stock option for the thirteen and thirty-nine weeks ended September 24, 2011 and September 25, 2010, respectively, were as follows:

	Thirteen Weeks Ended September 24, 2011	Thirteen Weeks Ended September 25, 2010	Thirty-nine Weeks Ended September 24, 2011	Thirty-nine Weeks Ended September 25, 2010
Compensation expense	\$ 1,265	\$ 1,218	\$ 3,732	\$ 3,675
Income tax benefits	487	469	1,437	1,415

Fair Value

The Company applies the provisions of Accounting Standards Codification 820, *Fair Value Measurements* ("ASC 820") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC 820 apply to other accounting pronouncements that require or permit fair value measurements. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refers broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies (Continued)

Trading Securities: The assets and liabilities recorded for the investments held in the Valmont Deferred Compensation Plan represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Accounting Standards Codification 320, *Accounting for Certain Investments in Debt and Equity Securities*, considering the employee's ability to change investment allocation of their deferred compensation at any time. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

	Carrying Value September 24, 2011	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading Securities	\$ 18,051	\$ 18,051	\$	\$

	Carrying Value December 25, 2010	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading Securities	\$ 18,433	\$ 18,433	\$	\$

Accumulated Other Comprehensive Income (Loss)

Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. "Accumulated other comprehensive income (loss)" consisted of the following at September 24, 2011 and December 25, 2010:

	September 24, 2011	December 25, 2010
Foreign currency translation adjustment	\$ 16,278	\$ 34,693
Actuarial gain in defined benefit pension plan	28,925	28,952
Loss on cash flow hedge	(3,435)	
	\$ 41,768	\$ 63,645

Derivative Instrument

During the second quarter of 2011, the Company executed a contract to lock in the treasury rate related to the issuance of the \$150,000 of principal amount of senior notes due in 2020. The contract, for a notional amount of \$130,000, was executed to hedge the risk of potential fluctuations in the treasury rates which would change the amount of net proceeds received from the debt offering. As the benchmark rate component of the fixed rate debt issuance and the cash flow hedged risk is based on

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies (Continued)

that same benchmark, this was deemed an effective hedge at inception. On June 8, 2011, this contract was settled with the Company paying approximately \$3,568 to the counterparty. The Company recorded the \$3,568 in accumulated other comprehensive income and is amortizing this loss to interest expense over the term of the debt.

Recently Issued Accounting Pronouncements

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220)*, requiring entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. Reclassification adjustments between net income and other comprehensive income must be shown on the face of the statement(s), with no resulting change in net earnings. ASU 2011-05 is effective for statements issued by the Company after January 1, 2012. The Company will provide the required financial reporting presentation upon the effective date.

In September 2011, the FASB issued ASU No. 2011-08, *Testing Goodwill for Impairment*, permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Accounting Standards Codification Topic 350. This guidance will become effective for annual or interim goodwill impairment tests for fiscal years beginning after December 15, 2011. The Company will adopt this starting in fiscal 2012 and it is not expected to have a significant effect on its financial position, results of operations or cash flows.

2. Acquisitions

On May 12, 2010, the Company acquired Delta, plc. ("Delta") a public limited company incorporated in Great Britain, and listed on the London Stock Exchange (LSE: DLTA). The price paid per share was 185 pence in cash for each Delta share, or £284,463, or \$436,736 based on the contracted average exchange rate of \$1.5353 / £. Delta has manufacturing operations employing over 2,500 people in Australia, Asia, South Africa and the United States. Delta's businesses include engineered steel products, galvanizing services and manganese materials.

The Company's pro forma results of operations for the thirty-nine weeks ended September 25, 2010, assuming that the acquisition occurred at the beginning of fiscal 2010 was as follows:

	Thirty-nine Weeks Ended September 25, 2010
Net sales	\$ 1,569,210
Net earnings	64,512
Earnings per share diluted	\$ 2.49

On June 24, 2011, the Company acquired the remaining 40% of Donhad Pty. Ltd. ("Donhad") that it did not own for \$25,253. As this transaction was the acquisition of the remaining shares of a

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Acquisitions (Continued)

consolidated subsidiary with no change in control, it was recorded within shareholders' equity. On June 1, 2011, the Company acquired 60% of an irrigation monitoring services company for \$1,539. This acquisition did not have and is not expected to have a significant effect on the Company's fiscal 2011 financial results.

3. Goodwill and Intangible Assets

The Company's annual impairment testing of goodwill was performed and completed during the third quarter of 2011. As a result of that testing, it was determined that the goodwill on the Company's Condensed Consolidated Balance Sheet was not impaired. The Company continues to monitor changes in the global economy and its reporting units that could impact future operating results of its reporting units and related components.

Amortized Intangible Assets

The components of amortized intangible assets at September 24, 2011 and December 25, 2010 were as follows:

	As of September 24, 2011		Weighted Average Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$ 155,651	\$ 47,083	13 years
Proprietary Software & Database	2,609	2,609	6 years
Patents & Proprietary Technology	9,524	3,486	8 years
Non-compete Agreements	1,683	1,236	6 years
	\$ 169,467	\$ 54,414	

	As of December 25, 2010		Weighted Average Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$ 155,664	\$ 37,932	13 years
Proprietary Software & Database	2,609	2,568	6 years
Patents & Proprietary Technology	9,486	2,336	8 years
Non-compete Agreements	1,674	1,054	6 years
	\$ 169,433	\$ 43,890	

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Goodwill and Intangible Assets (Continued)

Amortization expense for intangible assets for the thirteen and thirty-nine weeks ended September 24, 2011 and September 25, 2010, respectively was as follows:

Thirteen Weeks Ended September 24, 2011	Thirteen Weeks Ended September 25, 2010	Thirty-nine Weeks Ended September 24, 2011	Thirty-nine Weeks Ended September 25, 2010
\$ 3,659	\$ 3,521	\$ 10,855	\$ 8,295

	Estimated Amortization Expense
2011	\$ 14,373
2012	13,886
2013	12,992
2014	12,569
2015	11,730

The useful lives assigned to finite-lived intangible assets included consideration of factors such as the Company's past and expected experience related to customer retention rates, the remaining legal or contractual life of the underlying arrangement that resulted in the recognition of the intangible asset and the Company's expected use of the intangible asset.

Non-amortized intangible assets

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at September 24, 2011 and December 25, 2010 were as follows:

	September 24, 2011	December 25, 2010
Webforge	\$ 16,563	\$ 16,478
Newmark	11,111	11,111
Ingal EPS/Ingal Civil Products	8,794	8,795
Donhad	6,634	6,635
PiRod	4,750	4,750
Industrial Galvanizers	4,628	4,632
Other	7,413	7,591
	\$ 59,893	\$ 59,992

The Company's trade names were tested for impairment separately from goodwill in the third quarter of 2011. The values of the trade names were determined using the relief-from-royalty method. The Company has not completed its evaluation of trade names as of the end of the third quarter of 2011, as it is considering its future use of certain trade names. This evaluation is planned to be completed during the fourth quarter of 2011.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Goodwill and Intangible Assets (Continued)

In its determination of these intangible assets as indefinite-lived, the Company considered such factors as its expected future use of the intangible asset, legal, regulatory, technological and competitive factors that may impact the useful life or value of the intangible asset and the expected costs to maintain the value of the intangible asset. The Company expects that these intangible assets will maintain their value indefinitely. Accordingly, these assets are not amortized.

Goodwill

The carrying amount of goodwill as of September 24, 2011 was as follows:

	Engineered Infrastructure Products Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Balance December 25, 2010	\$ 152,062	\$ 77,141	\$ 64,868	\$ 2,064	\$ 18,712	\$ 314,847
Acquisition				939		939
Foreign currency translation	(478)		129	(155)	(142)	(646)
Balance September 24, 2011	\$ 151,584	\$ 77,141	\$ 64,997	\$ 2,848	\$ 18,570	\$ 315,140

4. Cash Flows

The Company considers all highly liquid temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the thirty-nine weeks ended were as follows:

	September 24, 2011	September 25, 2010
Interest	\$ 17,597	\$ 10,258
Income taxes	46,605	25,543

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

5. Earnings Per Share

The following table reconciles Basic and Diluted earnings per share (EPS):

	Basic EPS	Dilutive Effect of Stock Options	Diluted EPS
Thirteen weeks ended September 24, 2011:			
Net earnings attributable to Valmont Industries, Inc.	\$ 42,141		\$ 42,141
Shares outstanding	26,351	228	26,579
Per share amount	\$ 1.60	(.01)	\$ 1.59
Thirteen weeks ended September 25, 2010:			
Net earnings attributable to Valmont Industries, Inc.	\$ 25,935		\$ 25,935
Shares outstanding	26,133	271	26,404
Per share amount	\$ 0.99	(.01)	\$ 0.98
Thirty-nine weeks ended September 24, 2011:			
Net earnings attributable to Valmont Industries, Inc.	\$ 113,577		\$ 113,577
Shares outstanding	26,318	249	26,567
Per share amount	\$ 4.32	(.04)	\$ 4.28
Thirty-nine weeks ended September 25, 2010:			
Net earnings attributable to Valmont Industries, Inc.	\$ 59,513		\$ 59,513
Shares outstanding	26,084	336	26,420
Per share amount	\$ 2.28	(.03)	\$ 2.25

At September 24, 2011 there were 218,007 shares of outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share for the thirteen and thirty-nine weeks ended September 24, 2011. At September 24, 2010 there were 403,867 of outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share for the thirteen and thirty-nine weeks ended September 24, 2010.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

6. Long-term Debt

	September 24, 2011	December 25, 2010
6.625% Senior Unsecured Notes(a)	\$ 450,000	\$ 300,000
Unamortized premium on senior unsecured notes(a)	14,437	
6.875% Senior Subordinated Notes(b)		150,000
Revolving credit agreement(c)	20,000	8,000
IDR Bonds(d)	8,500	8,500
1.75% to 3.485% notes	2,074	2,334
Total long-term debt	495,011	468,834
Less current installments of long-term debt	236	238
Long-term debt, excluding current installments	\$ 494,775	\$ 468,596

-
- (a) The senior unsecured notes include an aggregate principal amount of \$450,000 on which interest is paid and an unamortized premium balance of \$14,437 at September 24, 2011. \$300,000 principal amount of the notes were issued in April 2010 and \$150,000 principal amount of the notes were issued in June 2011. The notes bear interest at 6.625% per annum and are due in April 2020. The premium will be amortized against interest expense as interest payments are made over the term of the notes. These notes may be repurchased at specified prepayment premiums. These notes and the senior subordinated notes are guaranteed by certain subsidiaries of the Company.
- (b) The \$150,000 of senior subordinated notes were redeemed on June 16, 2011 at a redemption price of 101.146% of the principal amount plus accrued and unpaid interest thereon. The redemption premium of approximately \$1,700 was recorded in interest expense.
- (c) The revolving credit agreement is with a group of banks for up to \$280,000. The Company may increase the credit agreement by up to an additional \$100,000 at any time, subject to the participating banks increasing the amount of their lending commitments. The interest rate on outstanding borrowings is, at the Company's option, either:
- (i) LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by the Company) plus 125 to 200 basis points (inclusive of facility fees), depending on the Company's ratio of debt to EBITDA, or;
- (ii) the higher of
- The higher of (a) the prime lending rate and (b) the Federal Funds rate plus 50 basis points plus, in each case, 25 to 100 basis points (inclusive of facility fees), depending on the Company's ratio of debt to EBITDA, or

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LIBOR (based on a 1 week interest period) plus 125 to 200 basis points (inclusive of facility fees), depending on the Company's ratio of debt to EBITDA

At September 24, 2011, the Company had \$20,000 in outstanding borrowings under the revolving credit agreement, at an annual interest rate of 2.94%, not including facility fees. The

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

6. Long-term Debt (Continued)

revolving credit agreement has a termination date of October 16, 2013 and contains certain financial covenants that may limit additional borrowing capability under the agreement. At September 24, 2011, the Company had the ability to borrow an additional \$240,869 under this facility.

- (d) The Industrial Development Revenue Bonds were issued to finance the construction of a manufacturing facility in Jasper, Tennessee. Variable interest is payable until final maturity June 1, 2025. The effective interest rates at September 24, 2011 and December 25, 2010 were 0.31% and 0.50%, respectively.

The lending agreements include certain maintenance covenants, including financial leverage and interest coverage. The Company was in compliance with all debt covenants at September 24, 2011.

The minimum aggregate maturities of long-term debt for each of the four years following 2011 are: \$291, \$20,256, \$262 and \$275.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Business Segments

The Company aggregates its operating segments into four reportable segments. Aggregation is based on similarity of operating segments as to economic characteristics, products, production processes, types or classes of customer and the methods of distribution. Net corporate expense is net of certain service-related expenses that are allocated to business units generally on the basis of employee headcounts and sales dollars.

Reportable segments are as follows:

ENGINEERED INFRASTRUCTURE PRODUCTS: This segment consists of the manufacture of engineered metal structures and components for the global lighting and traffic, wireless communication, roadway safety and access systems applications;

UTILITY SUPPORT STRUCTURES: This segment consists of the manufacture of engineered steel and concrete structures for the global utility industry;

COATINGS: This segment consists of galvanizing, anodizing and powder coating services on a global basis; and

IRRIGATION: This segment consists of the manufacture of agricultural irrigation equipment and related parts and services for the global agricultural industry.

In addition to these four reportable segments, the Company has other businesses and activities that individually are not more than 10% of consolidated sales. These include the manufacture of forged steel grinding media for the mining industry, tubular products for industrial customers, the electrolytic manganese dioxide for disposable batteries and the distribution of industrial fasteners and are reported in the "Other" category.

In the fourth quarter of 2010, the Company reorganized its segment reporting structure to reflect the management structure as a result of the acquisition of Delta plc. The main business units of Delta are organized as follows in the reportable segment structure:

Engineered Infrastructure Products segment includes Delta's lighting, communication, access systems and roadway safety products;

Coatings segment includes Delta's galvanizing operations in the U.S., Australia and Asia;

Delta's forged steel grinding media and electrolytic manganese dioxide operations are included an "Other", and;

Delta's management administration expenses are included in "Net corporate expense".

Fiscal 2010 figures have been reclassified to conform to the fiscal 2011 segment presentation.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its business segments based upon operating income and

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Business Segments (Continued)

invested capital. The Company does not allocate interest expense, non-operating income and deductions, or income taxes to its business segments.

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 24, 2011	September 25, 2010	September 24, 2011	September 25, 2010
Sales:				
Engineered Infrastructure Products segment:				
Lighting & Traffic	\$ 157,273	\$ 139,387	\$ 420,122	\$ 344,873
Communication Structures	28,612	26,803	77,332	73,946
Access Systems	36,358	31,411	100,136	49,140
Engineered Infrastructure Products segment	222,243	197,601	597,590	467,959
Utility Support Structures segment				
Steel	140,926	106,943	374,045	307,850
Concrete	18,889	15,298	47,977	42,457
Utility Support Structures segment	159,815	122,241	422,022	350,307
Coatings segment	80,806	75,665	238,417	158,036
Irrigation segment	150,618	88,255	485,367	309,053
Other	88,870	61,328	246,977	131,613
Total	702,352	545,090	1,990,373	1,416,968
Intersegment Sales:				
Engineered Infrastructure Products segment	6,611	2,936	18,035	4,712
Utility Support Structures segment	4,480	1,465	6,739	2,100
Coatings segment	11,852	9,204	34,283	21,721
Irrigation segment		1	8	7
Other	7,217	3,653	22,558	11,636
Total	30,160	17,259	81,623	40,176
Net Sales:				
Engineered Infrastructure Products segment	215,632	194,665	579,555	463,247
Utility Support Structures segment	155,335	120,776	415,283	348,207
Coatings segment	68,954	66,161	204,134	136,315
Irrigation segment	150,618	88,254	485,359	309,046
Other	81,653	57,975	224,419	119,977
Total	\$ 672,192	\$ 527,831	\$ 1,908,750	\$ 1,376,792
Operating Income:				
Engineered Infrastructure Products segment	\$ 17,189	\$ 17,169	\$ 30,907	\$ 31,862
Utility Support Structures segment	14,731	9,740	41,214	36,988
Coatings segment	14,238	13,577	39,600	27,993

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Irrigation segment	23,765	10,590	80,623	42,584
Other	12,607	7,124	32,901	20,096
Net corporate expense	(10,497)	(11,057)	(39,292)	(43,429)
Total	\$ 72,033	\$ 47,143	\$ 185,953	\$ 116,094

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Guarantor/Non-Guarantor Financial Information

On April 8, 2010, the Company issued \$300,000 of senior unsecured notes at a coupon interest rate of 6.625% per annum. In June 2011, the Company issued an additional \$150,000 principal amount of these notes to redeem the Senior Subordinated Notes that were issued in 2004. The notes are guaranteed, jointly, severally, fully and unconditionally by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

On May 4, 2004, the Company completed a \$150,000 offering of 6⁷/₈% Senior Subordinated Notes. The notes were redeemed on June 16, 2011 at a redemption price of 101.146% of the principal amount plus accrued and unpaid interest thereon. The notes were guaranteed, jointly, severally, fully and unconditionally, on a senior subordinated basis by the Guarantors.

Condensed consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**For the Thirteen Weeks Ended September 24, 2011**

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 277,350	\$ 98,619	\$ 352,928	\$ (56,705)	\$ 672,192
Cost of sales	205,787	83,008	272,671	(56,664)	504,802
Gross profit	71,563	15,611	80,257	(41)	167,390
Selling, general and administrative expenses	37,169	11,212	46,976		95,357
Operating income	34,394	4,399	33,281	(41)	72,033
Other income (expense):					
Interest expense	(7,562)		(109)		(7,671)
Interest income	9	204	2,928		3,141
Other	(1,297)	12	(385)		(1,670)
	(8,850)	216	2,434		(6,200)
Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries	25,544	4,615	35,715	(41)	65,833
Income tax expense (benefit):					
Current	12,153	(724)	13,690		25,119
Deferred	(1,397)	2,710	(2,659)		(1,346)
	10,756	1,986	11,031		23,773
Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries	14,788	2,629	24,684	(41)	42,060

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Equity in earnings/(losses) of nonconsolidated subsidiaries	27,353	14,705	2,127	(41,831)	2,354
Net Earnings	42,141	17,334	26,811	(41,872)	44,414
Less: Earnings attributable to noncontrolling interests			(2,273)		(2,273)
Net Earnings attributable to Valmont Industries, Inc.	\$ 42,141	\$ 17,334	\$ 24,538	\$ (41,872)	\$ 42,141

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Thirty-nine Weeks Ended September 24, 2011

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 842,493	\$ 259,733	\$ 947,843	\$ (141,319)	\$ 1,908,750
Cost of sales	627,802	209,827	740,621	(141,365)	1,436,885
Gross profit	214,691	49,906	207,222	46	471,865
Selling, general and administrative expenses	115,422	33,473	137,017		285,912
Operating income	99,269	16,433	70,205	46	185,953
Other income (expense):					
Interest expense	(26,417)		(298)		(26,715)
Interest income	43	204	6,672		6,919
Other	(1,105)	42	287		(776)
	(27,479)	246	6,661		(20,572)
Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries	71,790	16,679	76,866	46	165,381
Income tax expense (benefit):					
Current	31,505	4,552	26,099		62,156
Deferred	(5,307)	1,742	(7,979)		(11,544)
	26,198	6,294	18,120		50,612
Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries	45,592	10,385	58,746	46	114,769
Equity in earnings/(losses) of nonconsolidated subsidiaries	67,985	35,042	4,247	(102,765)	4,509
Net Earnings	113,577	45,427	62,993	(102,719)	119,278
Less: Earnings attributable to noncontrolling interests			(5,701)		(5,701)
Net Earnings attributable to Valmont Industries, Inc.	\$ 113,577	\$ 45,427	\$ 57,292	\$ (102,719)	\$ 113,577

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Thirteen Weeks Ended September 25, 2010

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 200,302	\$ 84,440	\$ 280,704	\$ (37,615)	\$ 527,831
Cost of sales	147,511	64,990	220,474	(37,665)	395,310
Gross profit	52,791	19,450	60,230	50	132,521
Selling, general and administrative expenses	31,801	11,126	42,451		85,378
Operating income	20,990	8,324	17,779	50	47,143
Other income (expense):					
Interest expense	(8,515)	187	(159)		(8,487)
Interest income	4	4	1,725		1,733
Other	254	428	(624)		58
	(8,257)	619	942		(6,696)
Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries	12,733	8,943	18,721	50	40,447
Income tax expense (benefit):					
Current	4,594	3,081	8,019		15,694
Deferred	(183)	(91)	(1,640)		(1,914)
	4,411	2,990	6,379		13,780
Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries	8,322	5,953	12,342	50	26,667
Equity in earnings/(losses) of nonconsolidated subsidiaries	17,613	5,751	1,021	(23,317)	1,068
Net Earnings	25,935	11,704	13,363	(23,267)	27,735
Less: Earnings attributable to noncontrolling interests			(1,800)		(1,800)
Net Earnings attributable to Valmont Industries, Inc.	\$ 25,935	\$ 11,704	\$ 11,563	\$ (23,267)	\$ 25,935

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Thirty-nine Weeks Ended September 25, 2010

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 616,823	\$ 217,203	\$ 640,764	\$ (97,998)	\$ 1,376,792
Cost of sales	456,108	165,722	491,763	(98,698)	1,014,895
Gross profit	160,715	51,481	149,001	700	361,897
Selling, general and administrative expenses	113,581	33,765	98,457		245,803
Operating income	47,134	17,716	50,544	700	116,094
Other income (expense):					
Interest expense	(22,198)		(680)		(22,878)
Interest income	116	31	3,034		3,181
Other	476	(72)	(376)		28
	(21,606)	(41)	1,978		(19,669)
Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries	25,528	17,675	52,522	700	96,425
Income tax expense (benefit):					
Current	15,637	6,441	17,574		39,652
Deferred	(3,101)	(376)	(1,267)		(4,744)
	12,536	6,065	16,307		34,908
Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries	12,992	11,610	36,215	700	61,517
Equity in earnings/(losses) of nonconsolidated subsidiaries	46,521	10,077	1,383	(55,994)	1,987
Net Earnings	59,513	21,687	37,598	(55,294)	63,504
Less: Earnings attributable to noncontrolling interests			(3,991)		(3,991)
Net Earnings attributable to Valmont Industries, Inc.	\$ 59,513	\$ 21,687	\$ 33,607	\$ (55,294)	\$ 59,513

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

September 24, 2011

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 25,593	\$ 18,520	\$ 292,795	\$	\$ 336,908
Receivables, net	116,840	50,984	281,607		449,431
Inventories	107,916	64,013	205,596		377,525
Prepaid expenses	5,231	1,245	22,356		28,832
Refundable and deferred income taxes	16,567	4,484	14,165		35,216
Total current assets	272,147	139,246	816,519		1,227,912
Property, plant and equipment, at cost					
	419,978	105,995	363,884		889,857
Less accumulated depreciation and amortization	280,599	54,004	118,115		452,718
Net property, plant and equipment	139,379	51,991	245,769		437,139
Goodwill	20,108	107,542	187,490		315,140
Other intangible assets	701	63,865	110,380		174,946
Investment in subsidiaries and intercompany accounts	1,231,763	594,194	(27,206)	(1,798,751)	
Other assets	28,334		25,706		54,040
Total assets	\$ 1,692,432	\$ 956,838	\$ 1,358,658	\$ (1,798,751)	\$ 2,209,177
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current installments of long-term debt	\$ 187	\$	\$ 49	\$	\$ 236
Notes payable to banks			11,022		11,022