NEWPORT CORP
Form 10-Q
November 06, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 27, 2014

OR

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

For the transition period from _______________ to ______________

Commission File Number: 000-01649

NEWPORT CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**94-0849175**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

1791 Deere Avenue, Irvine, California 92606

(Address of principal executive offices) (Zip Code)

(949) 863-3144

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 ý 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 definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No ý

As of October 31, 2014, 39,847,342 shares of the registrant s sole class of common stock were outstanding.

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FORM 10-Q

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEWPORT CORPORATION

Consolidated Statements of Income and Comprehensive Income

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net sales	$ 146,299	$ 139,037	$ 446,421	$ 405,878
Cost of sales	80,334	79,306	245,109	233,778
Gross profit	65,965	59,731	201,312	172,100
Selling, general and administrative expenses	39,122	35,649	120,413	111,324
Research and development expense	14,082	13,129	42,538	39,807
Loss (gain) on sale of assets	-	4,517	(411)	4,517
Operating income	12,761	6,436	38,772	16,452
Loss on extinguishment of debt	-	(3,355)	-	(3,355)
Interest and other expense, net	(958)	(1,293)	(2,592)	(5,472)
Income before income taxes	11,803	1,788	36,180	7,625
Income tax provision	2,330	1,199	9,769	1,697
Net income	9,473	589	26,411	5,928
Net income attributable to non-controlling interests	3	152	103	83
Net income attributable to Newport Corporation	$ 9,470	$ 437	$ 26,308	$ 5,845
Net income	$ 9,473	$ 589	$ 26,411	$ 5,928
Other comprehensive income:				
Foreign currency translation gains (losses)	(7,203)	2,995	(7,567)	1,320
Unrecognized net pension gains (losses), net of tax	204	(67)	306	161
Unrealized gains (losses) on marketable securities, net of tax	(155)	22	(177)	(126)
Comprehensive income	$ 2,319	$ 3,539	$ 18,973	$ 7,283
Comprehensive income (loss) attributable to non-controlling interests	$ (5)	$ 154	$ 110	$ 8
Comprehensive income attributable to Newport Corporation	2,324	3,385	18,863	7,275
Comprehensive income	$ 2,319	$ 3,539	$ 18,973	$ 7,283

Net income per share attributable to Newport Corporation:				
Basic	$ 0.24	$ 0.01	$ 0.66	$ 0.15
Diluted	$ 0.23	$ 0.01	$ 0.65	$ 0.15
Shares used in per share calculations:				
Basic	39,921	39,121	39,776	38,935
Diluted	40,612	39,657	40,546	39,426

See accompanying notes.

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NEWPORT CORPORATION

Consolidated Balance Sheets

(In thousands, except share and per share data)

(Unaudited)

	September 27, 2014	December 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,980	$ 53,710
Restricted cash	1,622	2,305
Marketable securities	300	8,219
Accounts receivable, net of allowance for doubtful accounts of $1,602 and $1,441 as of September 27, 2014 and December 28, 2013, respectively	98,722	96,388
Inventories	112,653	103,383
Deferred income taxes	22,381	22,437
Prepaid expenses and other current assets	16,228	14,769
Total current assets	320,886	301,211
Property and equipment, net	82,836	80,516
Goodwill	78,303	78,801
Deferred income taxes	4,236	4,474
Intangible assets, net	60,077	67,342
Investments and other assets	29,664	32,885
	$ 576,002	$ 565,229
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	$ 2,180	$ 4,861
Accounts payable	33,957	31,714
Accrued payroll and related expenses	33,371	31,015
Accrued expenses and other current liabilities	34,038	35,341
Total current liabilities	103,546	102,931
Long-term debt	71,148	83,646
Pension liabilities	26,509	27,093
Deferred income taxes and other liabilities	20,366	23,182
Commitments and contingencies		
Stockholders equity:		
Common stock, par value $0.1167 per share, 200,000,000 shares authorized; 39,819,550 and 39,394,196 shares issued and outstanding as of September 27, 2014 and December 28, 2013, respectively	4,650	4,598
Capital in excess of par value	467,891	459,562
Accumulated other comprehensive loss	(11,064)	(3,619)
Accumulated deficit	(107,265)	(133,573)
Total stockholders equity of Newport Corporation	354,212	326,968
Non-controlling interests	221	1,409
Total stockholders equity	354,433	328,377

	$	576,002	$	565,229

See accompanying notes.

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NEWPORT CORPORATION

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended September 27, 2014	Nine Months Ended September 28, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 26,411	$ 5,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,271	23,079
Loss (gain) on sale of assets	(411)	4,517
Provision for losses on inventories	4,429	5,610
Stock-based compensation expense	8,588	6,590
Provision for doubtful accounts	585	198
Loss on disposal of property and equipment	370	516
Loss on extinguishment of debt	-	3,355
Deferred income taxes	(929)	16
Excess tax benefits from stock-based compensation	(4,403)	-
Increase (decrease) in cash, net of divestiture, due to changes in:		
Accounts receivable	(7,576)	(6,987)
Inventories	(20,183)	(3,897)
Prepaid expenses and other assets	27	(3,938)
Accounts payable	3,763	329
Accrued payroll and related expenses	2,569	(1,123)
Accrued expenses and other liabilities	4,447	5,760
Other long-term liabilities	(977)	119
Net cash provided by operating activities	38,981	40,072
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(17,993)	(10,972)
Restricted cash	600	(278)
Proceeds from divestiture of business	5,030	-
Purchase of marketable securities	(1,414)	(2,485)
Proceeds from the sale or maturity of marketable securities	8,509	5,784
Net cash used in investing activities	(5,268)	(7,951)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	4,000	120,000
Debt issuance costs	-	(1,484)
Repayment of long-term debt and obligations under capital leases	(20,200)	(191,936)
Proceeds from short-term borrowings	5,766	4,510
Repayment of short-term borrowings	(5,635)	(7,642)
Purchases of non-controlling interests	(1,863)	-
Proceeds from the issuance of common stock under employee plans	4,156	4,482
Tax withholding payments related to net share settlement of equity awards	(2,940)	(1,994)
Purchases of the Company s common stock	(4,480)	-
Excess tax benefits from stock-based compensation	4,403	-
Net cash used in financing activities	(16,793)	(74,064)

Impact of foreign exchange rate changes on cash balances		(1,650)		504
Net increase in cash and cash equivalents		15,270		(41,439)
Cash and cash equivalents at beginning of period		53,710		88,767
Cash and cash equivalents at end of period	$	68,980	$	47,328
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	$	1,490	$	4,171
Cash paid during the period for income taxes, net	$	4,065	$	2,637
Property and equipment accrued in accounts payable	$	123	$	173

See accompanying notes.

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NEWPORT CORPORATION

Notes to Consolidated Financial Statements

September 27, 2014

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Newport Corporation and its subsidiaries (collectively referred to as the Company) and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions of Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for a fair presentation have been included. All intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements do not include certain footnotes and financial presentations normally required under generally accepted accounting principles (GAAP) and, therefore, should be read in conjunction with the consolidated financial statements and related notes contained in the Company s Annual Report on Form 10-K for the year ended December 28, 2013. The results for the interim periods are not necessarily indicative of the results the Company will have for the full year ending January 3, 2015. The December 28, 2013 balances reported herein are derived from the audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 28, 2013.

Non-Controlling Interests

During the first quarter of 2014, the Company purchased all shares owned by the holders of the non-controlling interests in its Optical Metrology Ltd. subsidiary for $0.9 million.

During the second quarter of 2014, the Company purchased all shares owned by the holder of the non-controlling interest in its Ophir Japan Ltd. subsidiary for $0.9 million.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08, *Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposal of Components of an Entity*, which updates the guidance in Topics 205 and 360. ASU No. 2014-08 requires that the disposal of a component of an entity or a group of components of an entity be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the entity s operations and financial results. ASU No. 2014-08 also requires additional disclosures regarding discontinued operations. ASU

No. 2014-08 is required to be applied prospectively for fiscal years and interim periods beginning after December 15, 2014. The adoption of ASU No. 2014-08 is not expected to have a material impact on the Company s financial position or results of operations.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which created Topic 606. ASU No. 2014-09 establishes a core principle that a company should recognize revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In order to achieve that core principle, companies are required to apply the following steps: (1) identify the contract with the customer; (2) identify performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the company satisfies a performance obligation. ASU No. 2014-09 will become effective for interim and annual periods beginning after December 15, 2016 and can be applied either (i) retrospectively to each prior reporting period, or (ii) retrospectively with the cumulative effect of initial application recognized on the date of adoption. Early adoption is not permitted. The Company is currently evaluating the expected impact of ASU No. 2014-09 on its financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern*, which provides guidance on management s responsibility in evaluating whether there is substantial doubt about a company s ability to continue as a going concern and to provide related footnote disclosures. ASU No. 2014-15 will become effective for annual periods beginning after December 15, 2016 and early adoption is permitted. The adoption of ASU No. 2014-15 will not have an impact on the Company s financial position or results of operations.

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Notes to Consolidated Financial Statements

September 27, 2014

NOTE 3 ACQUISITION AND DIVESTITURE

During the third quarter of 2013, the Company developed a plan to sell its advanced packaging systems business and, based on negotiations for the sale of this business that occurred during the second half of 2013, the Company considered the assets and liabilities of this business as held for sale as of December 28, 2013. The Company completed the sale of this business in January 2014 for $5.7 million, consisting of an initial purchase price of $6.0 million, less an adjustment of $0.3 million based on the net assets of the business at closing. The initial purchase price consisted of $5.35 million in cash and an unsecured note receivable of $0.65 million, and the net asset adjustment was repaid to the purchaser in cash. The Company incurred $0.4 million in transaction costs. The net book value of this business was $9.5 million as of December 28, 2013; however, because these assets were held for sale at such time, the Company wrote them down to their net realizable value as of December 28, 2013 based on the terms that had been negotiated with the purchaser and expected transaction costs, resulting in a loss of $4.7 million during 2013. During the first quarter of 2014, the Company recognized a gain of $0.4 million to reduce the loss on the sale to $4.3 million, based on the final terms of the transaction and the net assets of the business on the closing date. The net sales, operating income and cash flows of this business were not significant to the operations of the Company.

In July 2014, the Company entered into an agreement to acquire all of the capital stock of V-Gen Ltd. (V-Gen), and the transaction subsequently closed in the Company s fourth quarter, on September 29, 2014. The final purchase price of $36.6 million was paid in cash and consisted of an initial purchase price of $34.0 million, plus an adjustment of $2.6 million based on a calculation of V-Gen s net working capital and cash balances at the closing date. The Company incurred $0.3 million in transaction costs, which have been expensed as incurred and are included in *selling, general and administrative expenses* in the accompanying statements of operations and comprehensive income. V-Gen enhances the Company s fiber laser products and technology and is included in the Company s Lasers Group as of September 29, 2014. The Company has not disclosed the fair value of assets and liabilities acquired or supplemental pro forma financial information for this acquisition, as the initial accounting for this transaction has not been completed.

NOTE 4 MARKETABLE SECURITIES

All marketable securities of the Company were classified as available for sale and were recorded at market value using the specific identification method, and unrealized gains and losses are reflected in *accumulated other comprehensive loss* in the accompanying consolidated balance sheets. The aggregate fair value of available for sale securities and the aggregate amount of unrealized gains and losses in available for sale securities at September 27, 2014 were as follows:

(In thousands)	**Aggregate Fair Value**	**Aggregate Amount of Unrealized Gains**	**Aggregate Amount of Unrealized Losses**
Money market funds	$ 7	$ -	$ -
Certificates of deposit	293	-	-

	$	300	$	-	$	-

The aggregate fair value of available for sale securities and the aggregate amount of unrealized gains and losses in available for sale securities at December 28, 2013 were as follows:

(In thousands)		**Aggregate Fair Value**		**Aggregate Amount of Unrealized Gains**		**Losses**
Money market funds	$	8,052	$	85	$	-
Certificates of deposit		167		-		-
	$	8,219	$	85	$	-

The Company s certificates of deposit mature within one year. Money market funds do not have a maturity date.

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The gross realized gains and losses were as follows:

(In thousands)	**Three Months Ended September 27, 2014**	**Three Months Ended September 28, 2013**	**Nine Months Ended September 27, 2014**	**Nine Months Ended September 28, 2013**
Gross realized gains	$ 134	$ -	$ 134	$ -
Gross realized losses	-	-	-	-
	$ 134	$ -	$ 134	$ -

NOTE 5 FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements and Disclosures,* requires that for any assets and liabilities stated at fair value on a recurring basis in the Company s financial statements, the fair value of such assets and liabilities be measured based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Level 1 asset and liability values are derived from quoted prices in active markets for identical assets and liabilities and Level 2 asset and liability values are derived from quoted prices in inactive markets or based on other observable inputs.

The Company s assets and liabilities measured at fair value on a recurring basis are categorized in the table below based upon their level within the fair value hierarchy as of September 27, 2014.

(In thousands)		Fair Value Measurements at Reporting Date Using		
Description	September 27, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Restricted Cash	$ 1,622	$ 1,622	$ -	$ -
Marketable securities:				
Money market funds	7	7	-	-
Certificates of deposit	293	-	293	-
	300	7	293	-
Derivative assets:				
Option contracts	38	-	38	-
Funds in investments and other assets:				
Israeli pension funds	11,430	-	11,430	-
Group insurance contracts	6,509	-	6,509	-

		17,939		-		17,939		-
	$	19,899	$	1,629	$	18,270	$	-
Liabilities:								
Derivative liabilities:								
Option contracts		(14)		-		(14)		-
Forward contracts		(298)		-		(298)		-
	$	(312)	$	-	$	(312)	$	-

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Notes to Consolidated Financial Statements

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The Company s assets and liabilities measured at fair value on a recurring basis are categorized in the table below based upon their level within the fair value hierarchy as of December 28, 2013.

(In thousands)		Fair Value Measurements at Reporting Date Using		
Description	December 28, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Restricted Cash	$ 2,305	$ 2,305	$ -	$ -
Marketable securities:				
Money market funds	8,052	8,052	-	-
Certificates of deposit	167	-	167	-
	8,219	8,052	167	-
Derivative assets:				
Option contracts	269	-	269	-
Funds in investments and other assets:				
Israeli pension funds	11,489	-	11,489	
Group insurance contracts	6,895	-	6,895	-
	18,384	-	18,384	-
	$ 29,177	$ 10,357	$ 18,820	$ -
Liabilities:				
Derivative liabilities:				
Option contracts	$ 10	$ -	$ 10	$ -

The Company s other financial instruments include short-term borrowings and long-term debt. The fair value of these financial instruments was estimated based on current rates for similar issues or on the current rates offered to the Company for debt of similar remaining maturities. The estimated fair values of these financial instruments were as follows:

	September 27, 2014		**December 28, 2013**	
(In thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Short-term borrowings	$ 2,180	$ 2,176	$ 4,861	$ 4,851
Long-term debt	$ 71,148	$ 69,536	$ 83,646	$ 82,658

NOTE 6 SUPPLEMENTAL BALANCE SHEET INFORMATION

Inventories

Inventories that are expected to be sold within one year are classified as current inventories and are included in *inventories* in the accompanying consolidated balance sheets. Such inventories were as follows:

(In thousands)	**September 27, 2014**	**December 28, 2013**
Raw materials and purchased parts	$ 66,635	$ 61,819
Work in process	19,176	19,577
Finished goods	26,842	21,987
Short-term inventories	$ 112,653	$ 103,383

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Notes to Consolidated Financial Statements

September 27, 2014

Inventories that are not expected to be sold within one year are classified as long-term inventories and are included in *investments and other assets* in the accompanying consolidated balance sheets. Such inventories were as follows:

(In thousands)	**September 27, 2014**	**December 28, 2013**
Raw materials and purchased parts	$ 2,057	$ 1,850
Finished goods	3,198	4,489
Long-term inventories	$ 5,255	$ 6,339

Accrued Warranty Obligations

Unless otherwise stated in the Company s product literature or in its agreements with customers, products sold by the Company s Photonics and Optics Groups generally carry a one-year warranty from the original invoice date on all product materials and workmanship, other than filters and gratings products, which generally carry a 90-day warranty, and laser beam profilers and dental CAD/CAM scanners, which generally carry a two-year warranty. Products sold by the Photonics and Optics Groups to original equipment manufacturer (OEM) customers carry warranties generally ranging from 15 to 19 months. Products sold by the Company s Lasers Group carry warranties that vary by product and product component, but generally range from 90 days to two years. In certain cases, such warranties for Lasers Group products are limited by either a set time period or a maximum amount of hourly usage of the product, whichever occurs first. Defective products will be either repaired or replaced, generally at the Company s option, upon meeting certain criteria. The Company accrues a provision for the estimated costs that may be incurred for warranties relating to a product (based on historical experience) as a component of cost of sales. Short-term accrued warranty obligations, which expire within one year, are included in *accrued expenses and other current liabilities* and long-term warranty obligations are included in *deferred income taxes and other liabilities* in the accompanying consolidated balance sheets.

The activity in accrued warranty obligations was as follows:

	Nine Months Ended	
(In thousands)	**September 27, 2014**	**September 28, 2013**
Balance at beginning of year	$ 3,285	$ 3,528
Additions charged to cost of sales	2,134	1,817
Warranty claims	(2,487)	(2,112)
Balance at end of period	$ 2,932	$ 3,233

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were as follows:

(In thousands)	**September 27, 2014**	**December 28, 2013**
Deferred revenue	$ 13,059	$ 13,609
Deferred lease liability	5,165	5,448
Accrued and deferred taxes	4,144	3,130
Short-term accrued warranty obligations	2,760	3,093
Other	8,910	10,061
	$ 34,038	$ 35,341

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NEWPORT CORPORATION

Notes to Consolidated Financial Statements

September 27, 2014

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of the following:

(In thousands)	September 27, 2014	December 28, 2013
Cumulative foreign currency translation losses	$ (9,870)	$ (2,296)
Unrecognized net pension losses, net of tax	(2,093)	(2,399)
Unrealized gains on marketable securities, net of tax	899	1,076
	$ (11,064)	$ (3,619)

NOTE 7 INTANGIBLE ASSETS

Intangible assets were as follows:

(In thousands)	September 27, 2014	December 28, 2013
Intangible assets subject to amortization:		
Developed technology, net of accumulated amortization of $16,143 and $14,079 as of September 27, 2014 and December 28, 2013, respectively	$ 24,227	$ 26,805
Customer relationships, net of accumulated amortization of $36,327 and $32,614 as of September 27, 2014 and December 28, 2013, respectively	9,971	13,795
In-process research and development, net of accumulated amortization of $1,310 and $759 as of September 27, 2014 and December 28, 2013, respectively	6,576	7,162
Other, net of accumulated amortization of $6,334 and $6,324 as of September 27, 2014 and December 28, 2013, respectively	998	1,275
	41,772	49,037
Intangible assets not subject to amortization:		
Trademarks and trade names	18,305	18,305
Intangible assets, net	$ 60,077	$ 67,342

Developed technology is amortized on a straight line basis over 10 to 20 years, depending on the life of the product technology. Intangible assets related to customer relationships are generally amortized over a period of up to 10 years on an accelerated basis. In-process research and development is amortized on a straight line basis over the product s estimated useful life upon completion of the technology. Other intangible assets include acquired backlog, product trademarks and trade names, non-competition agreements and defensible assets. With the exception of product trademarks and trade names, such assets are amortized on a straight line basis over a period of three months to 10 years, depending on the asset. Trademarks and trade names associated with products are amortized on a straight line basis over the estimated remaining life of the product technology, which ranges from 10 to 20 years. Trademarks and trade names associated with a business have indefinite lives and are not amortized.

Amortization expense related to intangible assets totaled $1.9 million and $6.8 million for the three and nine months ended September 27, 2014, respectively, and $2.6 million and $7.7 million for the three and nine months ended September 28, 2013, respectively.

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Estimated aggregate amortization expense for future fiscal years is as follows:

(In thousands)	Estimated Aggregate Amortization Expense
2014 (remaining)	$ 1,755
2015	6,857
2016	6,484
2017	5,521
2018	3,396
Thereafter	17,355
	$ 41,368

The Company has excluded $0.4 million of estimated amortization expense related to certain in-process research and development from the table above, as it was uncertain as of September 27, 2014 when the technology will be completed and when the amortization will begin.

NOTE 8 INTEREST AND OTHER EXPENSE, NET

Interest and other expense, net, was as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Interest expense	$ (522)	$ (1,087)	$ (1,779)	$ (4,670)
Interest and dividend income	129	46	252	151
Derivative gain (loss)	(372)	167	(248)	541
Bank and portfolio asset management fees	(293)	(245)	(819)	(631)
Other income (expense), net	100	(174)	2	(863)
	$ (958)	$ (1,293)	$ (2,592)	$ (5,472)

NOTE 9 STOCK-BASED COMPENSATION

During the nine months ended September 27, 2014, the Company granted 0.6 million restricted stock units and 0.6 million stock-settled stock appreciation rights with weighted average grant date fair values of $18.31 and $7.85, respectively.

The total stock-based compensation expense included in the Company s consolidated statements of income and comprehensive income was as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	**September 27, 2014**	**September 28, 2013**	**September 27, 2014**	**September 28, 2013**
Cost of sales	$ 271	$ 233	$ 762	$ 686
Selling, general and administrative expenses	2,508	1,921	6,809	5,114
Research and development expense	362	291	1,017	790
	$ 3,141	$ 2,445	$ 8,588	$ 6,590

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September 27, 2014

At September 27, 2014, the total compensation cost related to unvested stock-based awards granted to employees, officers and directors under the Company s stock-based benefit plans that had not yet been recognized was $22.4 million, net of estimated forfeitures. This future compensation expense will be amortized over a weighted-average period of 2.1 years using the straight-line attribution method. The actual compensation expense that the Company will recognize in the future related to unvested stock-based awards outstanding at September 27, 2014 will be adjusted for actual forfeitures and will be adjusted based on the Company s determination as to the extent to which performance conditions applicable to any stock-based awards have been or will be achieved.

At September 27, 2014, 0.2 million stock options with a weighted-average exercise price of $13.64 per share, intrinsic value of $0.6 million and remaining contractual term of 0.6 years were outstanding and were exercisable. At September 27, 2014, 2.3 million stock-settled stock appreciation rights with a weighted-average base value of $13.94 per share, intrinsic value of $8.6 million and remaining contractual term of 4.6 years were outstanding, of which 1.2 million stock-settled stock appreciation rights with a weighted-average base value of $11.54 per share, intrinsic value of $7.0 million and remaining contractual term of 3.2 years were exercisable.

NOTE 10 DEBT AND LINES OF CREDIT

Total short-term debt was as follows:

(In thousands)		**September 27, 2014**		**December 28, 2013**
Japanese revolving lines of credit	$	640	$	666
Japanese receivables financing facilities		715		615
Current portion of long-term debt		825		3,580
Total short-term borrowings	$	2,180	$	4,861

Total long-term debt was as follows:

(In thousands)		**September 27, 2014**		**December 28, 2013**
U.S. revolving line of credit expiring July 2018	$	71,000	$	83,000

Israeli loans due through October 2015	973	2,110
Japanese private placement bonds	-	1,902
Japanese loans	-	214
Total long-term debt	71,973	87,226
Current portion of long-term debt	825	3,580
Total long-term debt, less current portion	$ 71,148	$ 83,646

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NOTE 11 NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share:

	Three Months Ended	Nine Months Ended
	September 27,	