SPIRE Corp
Form 10-Q
August 13, 2013

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

FORM 10-Q

R Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2013; 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: 0-12742

Spire Corporation
(Exact name of registrant as specified in its charter)

Massachusetts	04-2457335
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One Patriots Park, Bedford, Massachusetts	01730-2396
(Address of principal executive offices)	(Zip Code)

781-275-6000
(Registrant's telephone number including area code)

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 R 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 R 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £	Accelerated filer £	Non-accelerated filer £	Smaller reporting company R

(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 R

The number of shares of the registrant’s common stock outstanding as of August 6, 2013 was 9,207,874.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

SPIRE CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	June 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$1,735	$3,030
Accounts receivable – trade, net	1,453	2,137
Inventories, net	4,966	5,316
Deferred cost of goods sold	92	185
Deposits on equipment for inventory	87	69
Prepaid expenses and other current assets	478	617
Current assets of discontinued operations	—	718
Total current assets	8,811	12,072
Property and equipment, net	1,039	1,197
Intangible and other assets, net	401	393
Available-for-sale investments, at quoted market value (cost of $2,882 and $2,741 at June 30, 2013 and December 31, 2012, respectively)	3,211	2,963
Total assets	$13,462	$16,625
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of capital lease obligation	$14	$13
Revolving line of credit	589	590
Accounts payable	1,955	1,424
Accrued liabilities	2,450	2,221
Advances on contracts in progress	1,175	1,037
Liabilities of discontinued operations	21	171
Total current liabilities	6,204	5,456
Long-term portion of capital lease obligation	1	8
Deferred compensation	3,211	2,963
Other long-term liabilities	736	746
Total long-term liabilities	3,948	3,717
Total liabilities	10,152	9,173
Stockholders' equity		
Common stock, $0.01 par value; 20,000,000 shares authorized; 9,207,874 and 9,062,633 shares issued and outstanding on June 30, 2013 and December 31, 2012, respectively	92	91
Additional paid-in capital	23,244	23,084
Accumulated deficit	(20,355)	(15,945)
Accumulated other comprehensive income	329	222
Total stockholders' equity	3,310	7,452
Total liabilities and stockholders' equity	$13,462	$16,625

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SPIRE CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales and revenues				
Sales of goods	$1,467	$4,449	$2,437	$9,938
Contract research and service revenues	2,107	2,171	4,375	4,157
Total net sales and revenues	3,574	6,620	6,812	14,095
Cost of sales and revenues				
Cost of goods sold	1,902	4,134	3,693	8,422
Cost of contract research and services	1,159	1,240	2,381	2,474
Total cost of sales and revenues	3,061	5,374	6,074	10,896
Gross margin	513	1,246	738	3,199
Operating expenses				
Selling, general and administrative expenses	2,271	2,940	5,085	6,404
Internal research and development expenses	10	93	23	191
Total operating expenses	2,281	3,033	5,108	6,595
Operating loss from continuing operations	(1,768)	(1,787)	(4,370)	(3,396)
Interest expense, net	(13)	(36)	(29)	(67)
Foreign exchange gain (loss)	(1)	1	(9)	3
Total other expense, net	(14)	(35)	(38)	(64)
Loss from continuing operations before income tax benefit (provision)	(1,782)	(1,822)	(4,408)	(3,460)
Income tax benefit (provision) - continuing operations	—	—	(2)	1,992
Loss from continuing operations	(1,782)	(1,822)	(4,410)	(1,468)
Loss from discontinued operations before sale of business unit	—	—	—	(430)
Gain on sale of business unit, net of transaction expenses	—	—	—	5,449
Income tax provision - discontinued operations	—	—	—	(2,008)
Income from discontinued operations, net of tax	—	—	—	3,011
Net income (loss)	$(1,782)	$(1,822)	$(4,410)	$1,543
Basic and diluted income (loss) per share:				
From continuing operations, net of tax	$(0.19)	$(0.21)	$(0.48)	$(0.17)
From discontinued operations, net of tax	—	—	—	0.35
Basic and diluted income (loss) per share	$(0.19)	$(0.21)	$(0.48)	$0.18
Weighted average number of common and common equivalent shares outstanding – basic and diluted	9,207,874	8,562,633	9,144,482	8,562,633

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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SPIRE CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Comprehensive income (loss):				
Net income (loss)	$(1,782)	$(1,822)	$(4,410)	$1,543
Other comprehensive income (loss):				
Change in fair value of available for sale marketable securities, net of tax	(132)	(223)	107	109
Total comprehensive income (loss)	$(1,914)	$(2,045)	$(4,303)	$1,652

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SPIRE CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30, 2013	2012
Cash flows from operating activities:		
Net income (loss)	$(4,410)	$1,543
Less: Net income from discontinued operations, net of tax	—	3,011
Loss from continuing operations	(4,410)	(1,468)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	243	410
Deferred tax benefit	—	(2,008)
Deferred compensation	107	109
Share-based compensation	77	121
Provision for accounts receivable reserve	18	21
Provision for inventory reserve	175	192
Changes in assets and liabilities:		
Restricted cash	—	21
Accounts receivable	666	1,133
Inventories	175	895
Deferred cost of goods sold	93	116
Deposits, prepaid expenses and other current assets	121	679
Accounts payable, accrued liabilities and other liabilities	834	(1,877)
Deposit - related party	—	300
Advances on contracts in progress	138	(1,203)
Net cash used in operating activities of continuing operations	(1,763)	(2,559)
Net cash used in operating activities of discontinued operations	(150)	(1,724)
Net cash used in operating activities	(1,913)	(4,283)
Cash flows from investing activities:		
Purchase of property and equipment	(58)	(100)
Additions to intangible and other assets	(35)	(11)
Net cash used in investing activities of continuing operations	(93)	(111)
Net cash provided by investing activities of discontinued operations	718	6,859
Net cash provided by investing activities	625	6,748
Cash flows from financing activities:		
Principal payments on capital lease obligations	(6)	(24)
Principal payments on revolving line of credit, net	(1)	—
Net cash used in financing activities	(7)	(24)
Net increase (decrease) in cash and cash equivalents	(1,295)	2,441
Cash and cash equivalents, beginning of period	3,030	4,758
Cash and cash equivalents, end of period	$1,735	$7,199
Supplemental disclosures of cash flow information:		
Interest paid	$29	$67
Income taxes paid	$1	$5
Supplemental disclosures of non-cash flow information:		

Liabilities settled with common stock	$84	$—

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SPIRE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012

1. Description of the Business

Spire Corporation ("Spire" or the "Company") develops, manufactures and markets highly-engineered products and services in two principal business areas: (i) capital equipment and systems for the photovoltaic solar industry and (ii) biomedical, generally bringing to bear expertise in materials technologies, surface science and thin films across both business areas, discussed below.

In the photovoltaic solar area, the Company develops, manufactures and markets specialized equipment for the production of terrestrial photovoltaic modules from solar cells and provide photovoltaic systems for grid connected applications in the commercial markets. The Company's equipment has been installed in approximately 200 factories in 50 countries. The equipment market is very competitive with major competitors located in the U.S., Japan and Europe. The Company's flagship product is its Sun Simulator which tests module performance. The Company's other product offerings include turn-key module lines and to a lesser extent other individual equipment. To compete the Company offers other services such as training and assistance with module certification. The Company also provides turn-key services to its customers to backward integrate to solar cell manufacturing.

In the biomedical area, the Company provides value-added surface treatments to manufacturers of orthopedic and other medical devices that enhance the durability, antimicrobial characteristics or other material characteristics of their products; and performs sponsored research programs into practical applications of advanced biomedical and biophotonic technologies.

On March 9, 2012, the Company completed the sale of its semiconductor business unit, which provided semiconductor foundry services, operated a semiconductor foundry and fabrication facility and was engaged in the business of wafer epitaxy, foundry services, and device fabrication for the defense, medical, telecommunications and consumer products markets (the “Semiconductor Business Unit”), to Masimo Corporation ("Masimo"). Accordingly, the results of operations and assets and liabilities of the Semiconductor Business Unit are being presented herein as discontinued operations. See Note 13 to the unaudited condensed consolidated financial statements.

Operating results will depend upon revenue growth or decline and product mix, as well as the timing of shipments of higher priced products from the Company's solar equipment line and delivery of solar systems. Export sales, which amounted to 37% and 34% of net sales and revenues for the three and six months ended June 30, 2013, respectively, and 65% of net sales and revenues for both the three and six months ended June 30, 2012, respectively, continue to constitute a significant portion of the Company's net sales and revenues.

The Company has incurred operating losses from continuing operations. Operating loss from continuing operations was $1.8 million and $4.4 million for the three and six months ended June 30, 2013, respectively. Operating loss from continuing operations was $1.8 million and $3.4 million for the three and six months ended June 30, 2012, respectively. Net cash used in operating activities was $1.9 million for the six months ended June 30, 2013, which includes $150 thousand of cash used in operating activities of discontinued operations. Net cash used in operating activities was $4.3 million for the six months ended June 30, 2012, which includes $1.7 million of cash used in operating activities of discontinued operations. As of June 30, 2013, the Company had unrestricted cash and cash equivalents of $1.7 million compared to $3.0 million as of December 31, 2012. The maturity date of the Company's credit facilities is August 30, 2013. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company currently believes that its existing cash resources at June 30, 2013, will be sufficient to fund its operations into the second half of 2013; however, the Company cannot assure you of this.

The Company has various options on how to fund future operational losses or working capital needs, including but not limited to sales of equity, bank debt, the sale or license of assets and technology, or joint ventures involving cash infusions, as it has done in the past; however, there are no assurances that the Company will be able to sell equity, obtain or access bank debt, sell or license assets or technology or enter into such joint ventures on a timely basis and at appropriate values. The Company has developed several plans including potential strategic alternatives, cost reduction efforts and expanding revenue in other solar markets to offset a decline in business due to global economic conditions. The Company's inability to successfully implement its cost reduction strategies, expand revenue in other solar markets or to renew its credit facilities, could adversely impact the Company's ability to continue as a going concern.

Based on the forecasts and estimates underlying the Company's current operating plan, the financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2012, included in the Company's Annual Report on Form 10-K filed with the SEC.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to fairly present the Company's financial position as of June 30, 2013 and December 31, 2012 and the results of its operations for the three and six months ended June 30, 2013 and 2012. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2013. The unaudited condensed consolidated balance sheet as of December 31, 2012 has been derived from audited financial statements as of that date. During the second quarter of 2009, the Company began pursing an exclusive sales process of its Medical Products Business Unit. On December 14, 2009, the Company completed the sale of the Medical Products Business Unit to Bard. During the first quarter of 2012, the Company began pursing an exclusive sales process of its Semiconductor Business Unit and on March 9, 2012, the Company completed the sale of the Semiconductor Business Unit to Masimo. Accordingly, the results of operations and assets and liabilities of the Semiconductor Business Unit and the liabilities of the Medical Products Business Unit are being presented herein as discontinued operations. See Note 13 to the unaudited condensed consolidated financial statements.

Summary of Significant Accounting Policies

The significant accounting policies followed by the Company are set forth in Note 2 to the Company's consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC.

New Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2013-11 ("ASU 2013-11"), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The update requires, unless certain conditions exists, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective prospectively for reporting periods beginning after December 15, 2013, with early adoption permitted. Retrospective application is permitted. The Company is currently evaluating the impact of ASU 2013-11 yet there are no uncertain tax positions included in the unaudited condensed consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11 ("ASU 2011-11"), Disclosures about Offsetting Assets and Liabilities. The update requires companies to disclose information about financial instruments that have been offset and related arrangements to enable users of their financial statements to understand the effect of those arrangements on their financial position. Companies will be required to provide both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset. In January 2013, the FASB issued ASU No. 2013-01 (ASU 2013-01"), Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities. The update limits the scope of the offsetting disclosures required by ASU 2011-11. ASU 2011-11 and ASU 2013-01 is effective for interim and annual periods beginning after December 31, 2012. As the requirements of these ASUs relate only to disclosures, the application of the updates did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-12 ("ASU 2011-12"), Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 deferred the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. As part of this update, the FASB did not defer the requirement to report comprehensive income in either a single continuous statement or in two separate but consecutive statements. In February 2013, the FASB issued ASU No. 2013-02 ("ASU 2013-02"), Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 is effective for interim and annual periods beginning after December 31, 2012. As ASU

2013-02 relates to disclosure requirements only, the application of this update did not have a material impact on the Company's unaudited condensed consolidated financial statements.

3. Accounts Receivable/Advances on Contracts in Progress

Net accounts receivable, trade and advances on contracts in progress consists of the following:

(in thousands)	June 30, 2013	December 31, 2012
Amounts billed	$1,265	$1,927
Accrued revenue	234	238
Gross accounts receivable - trade	1,499	2,165
Less: Allowance for doubtful accounts	(46)	(28)
Net accounts receivable - trade	$1,453	$2,137
Advances on contracts in progress	$1,175	$1,037

Accrued revenue represents revenues recognized on contracts for which billings have not been presented to customers as of the balance sheet date. These amounts are billed and generally collected within one year.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to pay amounts due. The Company actively pursues collection of past due receivables as the circumstances warrant. Customers are contacted to determine the status of payment and senior accounting and operations management are included in these efforts as is deemed necessary. A specific reserve will be established for past due accounts when it is probable that a loss has been incurred and the Company can reasonably estimate the amount of the loss. The Company does not record an allowance for government receivables and invoices backed by letters of credit as collection is reasonably assured. Bad debts are written off against the allowance when identified. There is no dollar threshold for account balance write-offs. While rare, a write-off is only recorded when all efforts to collect the receivable have been exhausted. The Company received payments of zero and $5 thousand for the six months ended June 30, 2013 and 2012, respectively, against amounts which had been previously reserved for in allowance for doubtful accounts.

Advances on contracts in progress represent billings that have been presented to the customer, as either deposits or progress payments against future shipments, but revenue has not been recognized.

4. Inventories and Deferred Costs of Goods Sold

Inventories, net of $1.0 million and $860 thousand of reserves at June 30, 2013 and December 31, 2012, respectively, and deferred cost of goods sold consist of the following at:

(in thousands)	June 30, 2013	December 31, 2012
Raw materials	$1,524	$1,784
Work in process	2,086	2,103
Finished goods	1,356	1,429
Net inventory	$4,966	$5,316
Deferred cost of goods sold	$92	$185

The Company wrote-off $29 thousand of excess and obsolete inventory for the six months ended June 30, 2012 and had no write-offs for the six months ended June 30, 2013.

Deferred cost of goods sold represents costs of equipment that has shipped to the customer and title has passed but not all revenue recognition criteria have yet been met. The Company defers these costs until the related revenue is recognized.

5. Income (Loss) Per Share

The following table provides a reconciliation of the denominators of the Company’s reported basic and diluted income (loss) per share computations for the periods ended:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Weighted average number of common and common equivalent shares outstanding – basic	9,207,874	8,562,633	9,144,482	8,562,633
Add: Net additional common shares upon assumed exercise of common stock options	—	—	—	—
Adjusted weighted average number of common and common equivalents shares outstanding – diluted	9,207,874	8,562,633	9,144,482	8,562,633

For the three and six months ended June 30, 2013, 3,554 and 4,375 shares of common stock, respectively, and for the three and six months ended June 30, 2012, 878 and 2,287 shares of common stock, respectively, issuable relative to stock options were excluded from the calculation of diluted shares because their inclusion would have been anti-dilutive, due to the Company's net loss position.

In addition, for the three and six months ended June 30, 2013, 632,446 and 622,446 shares of common stock, respectively, and for the three and six months ended June 30, 2012, 668,446 and 658,446 shares of common stock, respectively, issuable relative to stock options were excluded from the calculation of diluted shares because their inclusion would have been anti-dilutive, due to the Company's net loss position and their exercise prices exceeding the average market price of the stock for the period.

6. Operating Segments and Related Information

The Company's operations are focused on two primary business areas: Spire Solar (comprised of solar equipment, solar systems and solar research) and Spire Biomedical (comprised of biomedical surface treatments and biophotonics research). Spire Solar and Spire Biomedical operate out of the Company's facility in Bedford, Massachusetts. Each business area is independently managed and has separate financial results that are reviewed by the Board of Directors and Chief Executive Officer and the chief executive officers of each operating division.

During the first quarter of 2012, the Company began pursuing an exclusive sales process of our semiconductor business and on March 9, 2012, the Company completed the sale of the Semiconductor Business Unit to Masimo Corporation. The Company reported the Semiconductor Business Unit as discontinued operations beginning with our financial results presented in our Quarterly Report on Form 10-Q for the first quarter of fiscal 2012. The Semiconductor Business Unit was previously reported as our optoelectronics segment. Accordingly, the results of operations and assets and liabilities of the Semiconductor Business Unit are being presented herein as discontinued operations and are not included in the table below. See Note 13 to the unaudited condensed consolidated financial statements.

The following table presents certain continuing operating division information in accordance with the provisions of ASC 280, Segments Reporting.

(in thousands)	Solar	Biomedical	Total Company
For the three months ended June 30, 2013			
Net sales and revenues	$1,892	$1,682	3,574
Operating income (loss) from continuing operations	$(1,938)	$170	(1,768)
For the three months ended June 30, 2012			
Net sales and revenues	$4,881	$1,739	6,620
Operating income (loss) from continuing operations	$(1,999)	$212	(1,787)
For the six months ended June 30, 2013			
Net sales and revenues	$3,338	$3,474	$6,812
Operating income (loss) from continuing operations	$(4,730)	$360	$(4,370)
For the six months ended June 30, 2012			
Net sales and revenues	$10,734	$3,361	$14,095
Operating income (loss) from continuing operations	$(3,543)	$147	$(3,396)

Operating income (loss) from continuing operations is net sales less cost of sales and selling, general and administrative expenses, but is not affected by non-operating income (expense), by income taxes or by net income (loss) from discontinued operations. In calculating operating income (loss) from continuing operations for individual business units, substantial administrative expenses incurred at the operating level that are common to more than one segment are allocated on a net sales basis. Certain corporate expenses of an operational nature are also allocated to the divisions based on factors including occupancy, employment, and purchasing volume. All intercompany transactions have been eliminated.

The following table shows net sales and revenues by geographic area (based on customer location):

	Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands)	2013	%	2012	%	2013	%	2012	%
United States	$2,261	63 %	$2,352	35 %	$4,534	66 %	$4,949	35 %
Europe/Africa	454	13	444	7	790	12	2,686	19
Asia	662	19	3,824	58	1,271	19	6,407	46
Rest of the world	197	5	—	—	217	3	53	—
	$3,574	100 %	$6,620	100 %	$6,812	100 %	$14,095	100 %

Revenues from contracts with United States government agencies for the three months ended June 30, 2013 and 2012 were approximately $197 thousand and $448 thousand or 6% and 7% of total net sales and revenues, respectively.

Revenues from contracts with United States government agencies for the six months ended June 30, 2013 and 2012 were approximately $643 thousand and $872 thousand or 9% and 6% of total net sales and revenues, respectively.

Revenues from the delivery of biomedical services to two customers accounted for 20% and 11% of total net sales and revenues for the three month period ended June 30, 2013.

Revenues from the delivery of biomedical services to two customers accounted for 21% and 13% of total net sales and revenues for the six month period ended June 30, 2013.

Revenues from the delivery of solar equipment to two customers account for 22% and 13% of total net sales and revenues for the three month period ended June 30, 2013. Revenues from the delivery of biomedical services to one customer accounted for 12% of total net sales and revenues for the three month period ended June 30, 2013.

Revenues from the delivery of solar equipment to four customers account for 13%, 13% , 13% and 10% of total net sales and revenues for the six month period ended June 30, 2012. Revenues from the delivery of biomedical services to one customer accounted for 11% of total net sales and revenues for the six month period ended June 30, 2012.

Three customers represented approximately 22%, 12% and 12% , respectively, of net accounts receivable, trade at June 30, 2013 and one customer represented approximately 24% of net accounts receivable, trade at December 31, 2012.

7. Intangible and Other Assets

Patents amounted to $86 thousand and $111 thousand, net of accumulated amortization of $847 thousand and $822 thousand, at June 30, 2013 and December 31, 2012, respectively. Licenses amounted to $58 thousand and $60 thousand, net of accumulated amortization of $17 thousand and $15 thousand, at June 30, 2013 and December 31, 2012, respectively. Patent cost is primarily composed of cost associated with securing and registering patents that the Company has been awarded or that have been submitted to, and the Company believes will be approved by the government. License cost is composed of the cost to acquire rights to the underlying technology or know-how. These costs are capitalized and amortized over their useful lives or terms, ordinarily five years using the straight-line method. There are no expected residual values related to these patents. Amortization expense from continuing operations, relating to patents and licenses, was approximately $14 thousand and $27 thousand for the three months ended June 30, 2013 and 2012, respectively. Amortization expense from continuing operations, relating to patents and licenses, was approximately $27 thousand and $40 thousand for the six months ended June 30, 2013 and 2012, respectively.

For disclosure purposes, the table below includes future amortization expense for patents and licenses owned by the Company as well as estimated amortization expense related to patents that remain pending at June 30, 2013 of $107 thousand. This estimated expense for patents pending assumes that the patents are issued immediately, and therefore are being amortized over five years on a straight-line basis. Estimated amortization expense for the periods ending December 31, is as follows:

(in thousands)	Amortization Expense
2013 remaining 6 months	$38
2014	68
2015	44
2016	30
2017	27
2018	16
Thereafter	28
	$251

Also included in other assets are refundable deposits made by the Company of approximately $150 thousand and $154 thousand at June 30, 2013 and December 31, 2012, respectively.

8. Available-for-Sale Investments

Available-for-sale investments consist of assets held as part of the Spire Corporation Non-Qualified Deferred Compensation Plan. These investments have been classified as available-for-sale investments and are reported at fair value, with unrealized gains and losses included in accumulated other comprehensive income. The unrealized gain on these marketable securities was $329 thousand and $222 thousand as of June 30, 2013 and December 31, 2012, respectively. Additionally, the Company settled $84 thousand of accrued liabilities through issuance of common stock to available-for-sale investments during the six month period ended June 30, 2013.

9. Fair Value Measurements

The hierarchy established under ASC 820-10, Fair Value Measures and Disclosures ("ASC 820-10") gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). As required by ASC 820-10, the Company's available-for-sale investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy under ASC 820-10, and its applicability to the Company's available-for-sale investments, are described below:

Level 1 - Pricing inputs are quoted prices available in active markets for identical investments as of the reporting date. As required by ASC 820-10, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Level 2 - Pricing inputs are quoted prices for similar investments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to these investments.

Level 3 - Pricing inputs are unobservable for the investment, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes investments that are supported by little or no market activity.

Valuation Techniques

Fair value is a market-based measure considered from the perspective of a market participant who would buy the asset or assume the liability rather than the Company's own specific measure. All of the Company's fixed income securities are priced using a variety of daily data sources, largely readily-available market data and broker quotes. To validate these prices, the Company compares the fair market values of the Company's fixed income investments using market data from observable and corroborated sources. The Company also performs the fair value calculations for its common stock and mutual fund securities using market data from observable and corroborated sources. In periods of market inactivity, the observability of prices and inputs may be reduced for certain instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3. During the six months ended June 30, 2013, none of the Company's instruments were reclassified between Level 1, Level 2, Level 3 and there have been no changes in valuation techniques.

The following table presents the financial instruments related to the Company’s available-for-sale investment carried at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 by ASC 820-10 valuation hierarchy (as defined above).

(in thousands)	Balance as of June 30, 2013	Level 1	Level 2	Level 3
Cash and short term investments	$70	$70	$—	$—
Common stock				
Basic Materials	28	28	—	—
Consumer Goods	126	126	—	—
Energy	124	124	—	—
Financial	114	114	—	—
Healthcare	140	140	—	—
Industrial Goods	141	141	—	—
Services	54	54	—	—
Technology	607	607	—	—
Transportation	9	9	—	—
Utilities	16	16	—	—
Total Common Stock	1,359			