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

# FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 3, 2001

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-6365

APOGEE ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

| Minnesota | 41-0919654 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | IRS Employer Identification Number |

| 7900 Xerxes Avenue South - Suite 1800 Minneapolis, Minnesota | 55431 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock $.33-1/3 Par Value
Title of Class

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 __X__ No _____ .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_].

The aggregate market value of voting and non-voting stock of the registrant on April 30, 2001 was $239,536,860 (based on closing stock price of $8.490 per share as reported by Nasdaq).

The number of shares outstanding of the registrant's Common Stock, $0.33 1/3 par value per share, outstanding at April 30, 2001 was 28,214,000.

## DOCUMENTS INCORPORATED BY REFERENCE

Part III hereof incorporate information by reference from the Proxy Statement for the Annual Meeting of Shareholders to be held June 19, 2001.

APOGEE ENTERPRISES, INC.
FORM 10-K

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# PART I

## ITEM 1. BUSINESS

### The Company

Apogee Enterprises, Inc. was incorporated under the laws of the State of Minnesota in 1949. The Company, through its subsidiaries, is a leader in technologies involving the design and development of value-added glass products, services and systems for the non-residential building, commercial and automotive markets. Unless the context otherwise requires, the terms "Company" and "Apogee" as used herein refer to Apogee Enterprises, Inc. and its subsidiaries.

During fiscal 2001, the Company realigned its reporting segments to match the markets they serve in order to underscore the Company's growth potential and to reflect its changing business mix and focus. The new segments are Architectural Products and Services (Architectural), Large-Scale Optical Technologies (LSO) and Automotive Replacement Glass and Services (Auto Glass). The Architectural segment designs, engineers, fabricates and installs the walls of glass and windows comprising the outside skin of commercial and institutional buildings. The LSO segment develops and produces high technology glass that enhances the visual performance of products for the display, imaging and picture framing industries. The Auto Glass segment fabricates, repairs and replaces automobile windshields and windows. Financial information about the Company's segments can be found in Note 17 to the Consolidated Financial Statements of Apogee Enterprises, Inc. contained elsewhere in this report. See "Index of Financial Statements and Schedules." Prior periods have been restated to reflect these new segments.

During fiscal 2001, the Company completed the sale of substantially all of the assets of VIS'N Service Corporation (VIS'N), a non-auto glass focused, third-party administered claims processor, in two separate transactions. In fiscal 2000, the Company completed the sale of 100% of the stock of its large-scale domestic curtainwall business, Harmon, Ltd., and the divestiture of the detention/security operations. Combined with the fiscal 1998 exit from international curtainwall operations, these transactions effectively removed the Company from the large-scale construction business and the third-party administered claims processing business. Accordingly, these businesses are presented as discontinued operations in the consolidated financial statements and notes. Prior periods have been restated.

### Architectural Products and Services (Architectural)

The companies within the Architectural segment design, engineer, fabricate and install the walls of glass and windows comprising the outside skin of commercial and institutional buildings. The businesses in this segment include: Viracon, the leading global fabricator of coated, high-performance architectural glass; Harmon, Inc., the Company's full service building glass installation and maintenance business; Wausau Window & Wall Systems, a manufacturer of custom, non-residential aluminum window systems and curtainwall; and Linetec, one of the largest U.S. architectural paint and anodizing finishers.

Viracon fabricates finished glass products and provides glass-coating services. This operating unit purchases flat, unprocessed glass in bulk quantities from which a variety of glass products are fabricated, including insulated, heat-processed and laminated architectural glass, security glass and laminated industrial glass.

The Viracon unit is able to fabricate all types of architectural glass (insulated, laminated and combinations of both) at its Owatonna, Minnesota and its Statesboro, Georgia facilities. Combined with its glass coating capabilities, the unit is able to provide a full range of products from these facilities. Viracon will continue to meet complex requirements and lead in

innovation with an increase in silkscreening capacity and the introduction of a highly reflective, energy-efficient glass in fiscal 2002.

Insulated glass, comprised of two or more pieces of glass separated by a sealed air space, is used in architectural and residential applications for thermal control. Laminated glass consists of two or more pieces of glass fused with a plastic interlayer and is used primarily for strength and safety in skylights and in security applications. Viracon's reflective and low-emissivity coatings reduce energy costs and provide innovative design features for window and curtainwall systems. Low-emissivity coatings are an invisible, metallic film deposited on glass which selectively limits the transfer of heat through the glass. Low-emissivity coated glass represents a fast-growing segment of both residential and nonresidential glass markets.

Viracon markets its products nationally and overseas to glass distributors, contractors and industrial glass fabricators. A substantial portion of its glass product is delivered to customers by Viracon's fleet of company-owned trucks, providing "backhaul" capability for its raw materials, thereby reducing shipping time, transportation costs and breakage expense.

Harmon, Inc. offers complete design, engineering, installation and replacement or glazing services for commercial, institutional and other buildings. Harmon, Inc. emphasizes projects that are relatively small in comparison to Apogee's discontinued large-scale curtainwall operations. While the installation of building glass in new construction projects is the core business, service and retrofit



construction of older buildings are adding to growth. This unit offers 24-hour replacement service for storm or vandalism damage. In-house engineering capabilities allow Harmon, Inc. to duplicate the original design or create a completely new appearance for renovated buildings.

Wausau Window & Wall Systems (Wausau) designs and manufactures high-quality, thermally-efficient aluminum window and curtainwall systems. These products meet high standards of wind load capacity and resistance to air and moisture infiltration. Wausau's aluminum window frame designs are engineered to be thermally efficient, utilizing high-strength polyurethane to limit the transfer of heat or cold through the window frame. Products are marketed through a nationwide network of distributors and a direct sales staff. Sales are made to building contractors and to building owners for retrofitting older buildings. Wausau maintains design and product engineering staffs to prepare aluminum window and curtainwall system designs to fit customers' needs and to originate new product designs.

Linetec has two metal-coating facilities which provide anodized and fluoropolymer coatings to metal. Anodizing is the electrolytic process of putting a protective, often colored, oxide film on light metal, typically aluminum. Fluoropolymer coatings are high quality paints which are sometimes preferred over anodizing because of the wider color selection. Coatings are applied to window and curtainwall components for industrial metal fabricators (including Wausau), as well as other companies' metal, plastic, wood or glass products. A significant portion of Linetec's revenues are generated from painting home and commercial shutters.

## Large-Scale Optical Technologies (LSO)

LSO companies develop and produce high technology glass that enhances the visual performance of products for the display, imaging and picture framing industries. Businesses in this segment include: Tru Vue, a leading U.S. value-added glass and matboard manufacturer for the art and framing industry; and Viratec Thin Films, a leading global producer of optical thin film coatings for the display and imaging markets.

Tru Vue is one of the largest domestic manufacturers of value-added picture framing glass. Tru Vue provides its customers with a full array of picture framing glass products, including clear, reflection control, which diminishes reflection and enhances clarity, and conservation glass, which substantially blocks ultraviolet rays to protect artwork. Tru Vue compliments its glass product offering with sales of conservation picture framing matboard. The products are distributed primarily through independent distributors which, in turn, supply local picture framing markets. In fiscal 2001, Tru Vue expanded its pre-framed art business through the acquisitions of Balangier Fine Art and Designs, and Corporate Art Services, Inc. Also, by demonstrating the financial benefit of moving to value-added glass, Tru Vue converted three mass merchandisers and 1,000 frame shops from plain framing glass to TruGuard(TM), its proprietary glass that protects pictures and art from deteriorating in sunlight, in fiscal 2001. In anticipation of converting additional frame shops and mass merchandisers this year, Tru Vue will install a second production line for this product.

Viratec develops advanced, optical-display and imaging coatings for glass and other surfaces. These products are used in anti-glare computer screens, high-quality optical components and high performance mirror products for the imaging industry. Viratec markets optical display and imaging products to both domestic and overseas customers. These customers provide further assembly, marketing and distribution to end-users. Viratec's Optium(TM) coating line was relocated in fiscal 1999 from Minnesota to southern California, a location closer to the flow of customers' computer monitor supply chains. This facility will be closed during fiscal 2002 following notice received in late fiscal 2001 that its primary customer planned to discontinue its computer monitor operations in southern California, thereby eliminating the need for Viratec's facility in southern California. The facility closing is not expected to have a significant impact on the Company's fiscal 2002 operating results.

## Automotive Replacement Glass and Services (Auto Glass)

Auto Glass companies fabricate, repair and replace automobile windshields and windows. Businesses in this segment include: Harmon AutoGlass, the nation's second largest chain of retail auto glass replacement and repair stores; and Viracon/Curvlite, a leading U.S. fabricator of aftermarket foreign and domestic car windshields.

Harmon AutoGlass, a Minneapolis-based company, is the second largest auto glass retailer in the United States. Harmon AutoGlass opened its first shop over 50 years ago in downtown Minneapolis and today has grown to 454 retail service centers, including co-branded facilities, in 44 states and 820 mobile installation vehicles. In addition to its own shops, Harmon AutoGlass has a network of more than 4,000 affiliated auto glass retailers across the country.

In an effort to enhance efficiency, geographic coverage and customer service in the distribution of auto replacement glass, the Company and PPG Industries combined their U.S. automotive replacement glass distribution businesses in July 2000 to create a new entity, PPG Auto Glass, LLC (PPG Auto Glass), of which the Company has a 34 percent interest. As part of the arrangements with this joint venture, Harmon has committed, under a long-term contract, to purchase a majority of its replacement windshield needs from the joint venture. Harmon AutoGlass also eliminated two layers of field management to bring leadership closer to the customer



and closed 37 under-performing shops, or about 11 percent of total facilities while maintaining service coverage in all impacted markets. Harmon AutoGlass has also outsourced to APAC Customer Services, Inc. for call center insurance claims processing to improve customer service and obtain a technological advantage.

Harmon AutoGlass has a diverse customer base, including insurance companies,

commercial fleets and consumers. While Harmon AutoGlass' primary business is windshield repair and replacement, some Harmon AutoGlass retail stores also offer an inventory of flat glass for home window repair and table tops. Harmon AutoGlass' Web site provides information on safety and technology, and allows customers to locate stores and conveniently schedule appointments online.

Harmon AutoGlass is committed to its values of safety, quality, expertise and customer service. Harmon AutoGlass believes that it has one of the best customer satisfaction ratings in the industry. Harmon AutoGlass is an industry leader in employee training by having all of its technicians participate in a rigorous internal certification program. Harmon AutoGlass also requires technicians to be certified by the National Auto Glass Association.

Viracon/Curvlite (Curvlite) fabricates replacement windshields for foreign and domestic automobiles and laminated glass parts for the RV and bus industries. Under a long-term agreement with PPG Industries, Inc. (PPG), Curvlite's automotive replacement glass production is dedicated to PPG, and Curvlite is now fabricating approximately 500 different parts, about half the number manufactured previously.

## Sources and Availability of Raw Materials

None of the Company's operating units are significantly dependent upon any one supplier. The Company believes a majority of its raw materials (bulk flat glass, aluminum extrusions, automotive glass and related materials) are available from a variety of domestic sources.

## Trademarks and Patents

The Company has several nationally recognized trademarks and trade names which it believes have significant value in the marketing of its products. Harmon AutoGlass(R), Viratec(R), Tru Vue(R), TruGuard(R), Linetec(R) and Glass Depot(R) are registered trademarks and Optium(TM) is a listed trademark of the Company. PPG Auto Glass is a trademark of PPG Industries. Viratec Thin Films has obtained several patents pertaining to its glass coating methods. However, no single patent is considered to be material to the Company.

## Customers

The customer base of the Company is a diverse group which includes retailers, distribution outlets, general and sub-contractors, OEM manufacturers and end-users. No one customer accounts for 10% or more of the Company's consolidated revenues, although, due to the auto glass distribution joint venture with PPG, PPG Auto Glass has become the primary customer of Curvlite, the Auto Glass segment's manufacturer of replacement windshields for the automobiles. In the opinion of management, the loss of any single customer would not have a material long-term adverse effect on the Company.

## Backlog

At March 3, 2001, the Company's total backlog of orders considered to be firm was $200,218,000 compared with $175,137,000 at February 26, 2000. Of this amount, approximately $190,000,000 of orders were in the Architectural segment.

## Competition

The Company's businesses are in industries that are, in general, fairly mature and highly competitive. Businesses in the Architectural and LSO segments (Viracon, Viratec and Tru Vue) compete with several large integrated glass manufacturers and numerous smaller specialty fabricators. Product pricing and service are the primary competitive factors in these markets. Harmon, Inc. competes against local and regional construction companies where primary competitive factors are quality engineering and service. Wausau competes against

several major aluminum window manufacturers while Linetec competes against regional paint and anodizing companies. These companies primarily serve the custom portion of the construction market in which the primary competitive factors are product quality, reliable service and the ability to provide technical engineering and design services. The Auto Glass segment competes with other auto glass shops, glass warehouses, car dealers, body shops and fabrication facilities on the basis of pricing and customer service. Its competition consists of national and regional chains as well as significant local competition.



## Markets

The Architectural Products and Services (Architectural) companies design, engineer, fabricate and install the walls of glass and windows comprising the outside skin of commercial and institutional buildings. The markets that these businesses serve are very competitive, price sensitive and affected by changes in the commercial construction industry as well as, in general, economic conditions.

The Large-Scale Optical Technologies (LSO) companies develop and produce high technology glass that enhances the visual performance of products for display, imaging and picture framing industries. The markets that these businesses serve are very competitive, highly responsive to new products and price sensitive.

The Automotive Replacement Glass and Services (Auto Glass) companies fabricate, repair and replace automobile windshields and windows. The market that these businesses serve tends to be cyclical in nature and is influenced by a variety of factors, including weather, new car sales, speed limits, road conditions, the economy, and average annual number of miles driven. This market's pricing structure has changed significantly in recent years as insurance companies seek volume pricing at discounted rates from historical levels and attempt to enter into preferred or exclusive provider arrangements with a limited number of providers. Consequently, margins have narrowed at the retail, wholesale and manufacturing levels, in which the Auto Glass segment operates.

## Research and Development

The amount spent on research and development activities over the past three fiscal years was $3.0 million in fiscal 2001, $2.4 million in fiscal 2000 and $2.9 million in fiscal 1999. The Company's investment in TerraSun LLC relates to a research and development venture of which the Company has a 50 percent ownership. TerraSun is developing holographic optical technologies for lighting and energy systems applications.

## Environment

To comply with environmental regulations, Linetec's paint facility utilizes an oxidizer to remove volatile organic compounds (VOC's) generated from the spraying of solvent based paints. Linetec also sends excess paint and area liquids to a certified waste treatment facility for disposal. In addition to these processes, caustic soda is used in Linetec's anodizing operation. This is then neutralized prior to discharge into a waste water treatment facility.

The Company's Tru Vue facility also has a process in which caustic soda is neutralized prior to discharge into a waste water treatment facility. Tru Vue also removes acid fumes through a wet-scrubbing system.

The Company's Viracon facility ships its scrap glass to a company that recycles glass.

## Employees

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The Company employed 5,912 persons at March 3, 2001, of whom approximately 696 were represented by labor unions. The Company is a party to 44 collective bargaining agreements with several different unions. Approximately 18% of the collective bargaining agreements will expire during fiscal 2002. The number of collective bargaining agreements to which the Company is a party will vary with the number of cities with active nonresidential construction contracts. The Company considers its employee relations to be very good and has not recently experienced any significant loss of work days due to strike.

## Foreign Operations and Export Sales

During the years ended March 3, 2001, February 26, 2000 and February 27, 1999, the Company's export sales, principally from Architectural operations, amounted to approximately $40,001,000, $42,096,000 and $40,316,000, respectively.



## ITEM 2. PROPERTIES

The following table lists, by segment, the Company's major facilities as of March 3, 2001, the general use of the facility and whether it is owned or leased by the Company.

| Facility | Location | Owned/Leased | Function |
|---|---|---|---|
| **Architectural Products and Services** | | | |
| Viracon | Owatonna, MN | Owned | Mfg./Admin. |
| Viracon | Statesboro, GA | Owned | Mfg. |
| Viracon - Temp II Bldg. | Owatonna, MN | Owned | Mfg. |
| Harmon Inc. Headquarters | Minneapolis, MN | Leased | Mfg. |
| Wausau Window & Wall Systems | Wausau, WI | Owned | Mfg./Admin. |
| Wausau Window & Wall Systems - Plant II | Wausau, WI | Owned | Mfg. |
| Wausau Window & Wall Systems - Plant III | Wausau, WI | Owned | Mfg. |
| Linetec (Painting) | Wausau, WI | Owned | Mfg./Admin. |
| Linetec (Anodizing) | Wausau, WI | Owned | Mfg. |
| **Large-Scale Optical Technologies** | | | |
| Tru Vue | McCook, IL | Owned | Mfg./Admin. |
| Tru Vue | Winter Park, FL | Leased | Mfg./Admin. |
| Balangier Designs, Inc. | Little Ferry, NJ | Leased | Mfg./Admin. |
| Viratec Thin Films, Inc. | Faribault, MN | Owned | Mfg./Admin. |
| Viratec Thin Films, Inc. | San Diego, CA | Leased | Mfg. |
| **Automotive Replacement Glass and Services** | | | |
| Harmon AutoGlass Headquarters | Minneapolis, MN | Leased | Administrative |
| Viracon/Curvlite | Owatonna, MN | Owned | Mfg./Admin. |
| National Distribution Center (1) | Owatonna, MN | Owned | Warehouse/Admin. |
| Harmon Solutions-Call Center (2) | Orlando, FL | Owned | Administrative |
| Harmon Solutions-Call Center (2) | Eau Claire, WI | Leased | Administrative |
| **Other** | | | |
| Apogee Corporate Office | Minneapolis, MN | Leased | Administrative |

1. Space has been vacated, due to PPG Auto Glass joint venture, and is being considered for alternative uses or sale.
2. Space has been vacated since the outsourcing arrangement with APAC and is being considered for alternative uses or sale.

In addition to the locations indicated above, at fiscal year-end, the Automotive Replacement Glass and Services segment operated 287 Harmon AutoGlass retail locations and 167 co-branded facilities nationally. The majority of such

locations are leased. Also, Architectural Products and Services' Harmon, Inc. unit operated 14 leased locations. The Company owns 4 distribution centers that are currently leased to PPG Auto Glass.

The Viracon/Curvlite plant, a Wausau Window & Wall Systems facility, the Linetec paint facility, and the Call Center in Florida were constructed with the use of proceeds from industrial revenue bonds issued by those cities. These properties are considered owned, since at the end of the bond term, title reverts to the Company.

## ITEM 3. LEGAL PROCEEDINGS

Apogee has been a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction industry, the Company's discontinued construction business is routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages. Although it is impossible to predict the outcome of such proceedings, the Company believes, based on facts currently available to management, that none of such claims will result in losses that would have a material adverse effect on its financial condition.



## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter ended March 3, 2001.

## EXECUTIVE OFFICERS OF THE REGISTRANT

| NAME | AGE | POSITION |
|---|---|---|
| Russell Huffer | 51 | Chairman, President and Chief Executive Officer |
| Michael B. Clauer | 44 | Executive Vice President and Chief Financial Officer |
| Joseph T. Deckman | 57 | Executive Vice President |
| Larry D. Stordahl | 58 | Executive Vice President |
| Patricia A. Beithon | 47 | General Counsel and Secretary |
| Gary R. Johnson | 39 | Vice President and Treasurer |
| James S. Porter | 40 | Corporate Controller |

Executive officers are elected annually by the Board of Directors and serve for a one-year period. There are no family relationships between the executive officers or directors of the Company.

Mr. Huffer has been an employee of the Company for more than the last five years. Mr. Clauer joined the Company in November 2000. Prior to joining the Company, Mr. Clauer held a management position at Open Port and several financial management positions at Budget Group, Inc. and PepsiCo, Inc. Mr. Deckman has been an employee of the Company for more than the last five years. Mr. Stordahl joined the Company in August 1998. Prior to joining the Company, Mr. Stordahl held several management positions with SPX Corporation in Owatonna, Minnesota. Mr. Johnson has been an employee of the Company for more than the last five years. Ms. Beithon joined the Company in September 1999. Prior to joining the Company, Ms. Beithon held a divisional legal counsel position with

Pfizer, Inc. subsidiaries, American Medical Systems, Inc. and Schneider (USA), Inc. in Minneapolis, Minnesota. Mr. Porter joined the Company in August 1997. Prior to joining the Company, Mr. Porter held financial management positions at Rollerblade, Inc. in Minneapolis, Minnesota.

# PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

### Market Information

Apogee common stock is traded on the Nasdaq National Market, under the ticker symbol APOG. Stock price quotations are printed daily in major newspapers. During the fiscal year ended March 3, 2001, the average trading volume of Apogee common stock was 3,545,000 shares per month, according to Nasdaq.

As of April 30, 2001, there were 28,214,000 shares of common stock outstanding, of which about 8.6 percent were owned by officers and directors of Apogee. At that date, there were approximately 2,082 shareholders of record and 7,200 shareholders for whom securities firms acted as nominees.



The following chart shows the quarterly range and year-end closing bids for one share of the Company's common stock over the past five fiscal years.

| | Quarter I | Quarter II | Quarter III | Quarter IV | Year End |
|---|---|---|---|---|---|
| 1997 | 9.625 - 14.250 | 13.250 - 18.250 | 15.250 - 22.625 | 17.250 - 23.750 | 19.875 |
| 1998 | 14.000 - 21.250 | 17.750 - 22.625 | 21.125 - 25.000 | 10.375 - 23.250 | 12.938 |
| 1999 | 11.813 - 15.250 | 11.125 - 15.500 | 8.125 - 12.875 | 8.750 - 12.375 | 8.750 |
| 2000 | 8.750 - 13.750 | 7.875 - 14.313 | 5.688 - 8.625 | 4.000 - 6.313 | 5.000 |
| 2001 | 3.313 - 5.500 | 3.250 - 4.531 | 4.313 - 6.063 | 4.625 - 9.500 | 9.000 |

### Dividends

It is Apogee's policy, subject to Board review and approval, to pay quarterly cash dividends in May, August, November and February. Cash dividends have been paid each quarter since 1974. The chart below shows quarterly and annual cumulative, cash dividends per share for the past five fiscal years. Subject to future operating results, available funds and the Company's future financial condition, the Company intends to continue paying cash dividends as, when and if declared by its Board of Directors.

| | Quarter I | Quarter II | Quarter III | Quarter IV | Year |
|---|---|---|---|---|---|
| 1997 | 0.043 | 0.043 | 0.045 | 0.045 | 0.175 |
| 1998 | 0.045 | 0.045 | 0.050 | 0.050 | 0.190 |
| 1999 | 0.050 | 0.050 | 0.053 | 0.053 | 0.205 |
| 2000 | 0.053 | 0.053 | 0.053 | 0.053 | 0.210 |
| 2001 | 0.053 | 0.053 | 0.053 | 0.053 | 0.210 |



## ITEM 6. SELECTED FINANCIAL DATA

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The following information should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 - Financial Statements and Supplementary Data.

| (In thousands, except per share data)* | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|
| Operating Results | | | | | |
| Net sales | $ 865,200 | $ 840,488 | $ 788,062 | $ 731,094 | $ 642,226 |
| Gross profit | 178,997 | 167,235 | 170,415 | 165,139 | 143,761 |
| Operating income | 31,894 | 19,418 | 43,352 | 45,659 | 44,628 |
| Earnings (loss) from continuing operations | 13,361 | 3,071 | 20,245 | 24,114 | 26,827 |
| Earnings (loss) from discontinued operations | 1,641 | 9,104 | 4,988 | (75,169) | (607) |
| Net earnings (loss) | 15,002 | 12,175 | 25,233 | (51,055) | 26,220 |
| Earnings (loss) per share - basic | | | | | |
| From continuing operations | 0.48 | 0.11 | 0.73 | 0.87 | 0.98 |
| From discontinued operations | 0.06 | 0.33 | 0.18 | (2.70) | (0.02) |
| Net earnings (loss) | 0.54 | 0.44 | 0.91 | (1.84) | 0.96 |
| Earnings (loss) per share - diluted | | | | | |
| From continuing operations | 0.48 | 0.11 | 0.73 | 0.85 | 0.96 |
| From discontinued operations | 0.06 | 0.33 | 0.18 | (2.65) | (0.02) |
| Net earnings (loss) | 0.54 | 0.44 | 0.91 | (1.80) | 0.93 |
| Effective tax rate - % | 39.9 | 50.8 | 37.6 | 37.4 | 31.5 |
| Operating Ratios | | | | | |
| Gross margin - % | 20.7 | 19.9 | 21.6 | 22.6 | 22.4 |
| Operating margin - % | 3.7 | 2.3 | 5.5 | 6.2 | 6.9 |
| Net margin - continuing operations - % | 1.5 | 0.4 | 2.6 | 3.3 | 4.2 |
| Net margin - % | 1.7 | 1.4 | 3.2 | (7.0) | 4.1 |
| Return on: | | | | | |
| Average shareholders' equity - % | 10.5 | 9.1 | 21.0 | (36.2) | 16.9 |
| Average invested capital - % | 5.0 | 3.7 | 8.3 | (16.7) | 9.2 |
| Average total assets - % | 3.3 | 2.6 | 5.8 | (12.5) | 7.1 |
| Funds Flow Data | | | | | |
| Depreciation and amortization | $ 34,229 | $ 33,019 | $ 25,798 | $ 22,463 | $ 17,860 |
| Capital expenditures | 14,823 | 44,025 | 77,392 | 37,892 | 34,203 |
| Dividends | 5,834 | 5,833 | 5,666 | 5,251 | 4,806 |
| Year-End Data | | | | | |
| Total assets | $ 432,679 | $ 481,154 | $ 466,389 | $ 405,526 | $ 410,522 |
| Current assets | 175,191 | 214,422 | 204,308 | 206,858 | 159,095 |
| Current liabilities | 137,437 | 135,397 | 119,796 | 97,750 | 86,178 |
| Working capital | 37,754 | 79,025 | 84,512 | 109,108 | 72,916 |
| Current ratio | 1.3 | 1.6 | 1.7 | 2.1 | 1.8 |
| Long-term debt | 104,206 | 164,371 | 165,097 | 151,967 | 127,640 |
| % of invested capital | 37.6 | 50.2 | 51.0 | 53.1 | 39.4 |
| Shareholders' equity | 148,292 | 137,772 | 130,664 | 109,600 | 172,150 |
| % of invested capital | 53.5 | 42.1 | 40.4 | 38.3 | 53.1 |
| Investment Information | | | | | |
| Dividends per share | $ 0.210 | $ 0.210 | $ 0.205 | $ 0.190 | $ 0.175 |
| Book value per share | 5.33 | 4.97 | 4.73 | 3.99 | 6.17 |
| Price range during year: | | | | | |
| High | 9 1/2 | 14 5/16 | 15 1/2 | 25 | 23 3/4 |
| Low | 3 1/4 | 4 | 8 1/8 | 10 3/8 | 9 5/8 |
| Close | 9 | 5 | 8 3/4 | 12 15/16 | 19 7/8 |
| Price/earnings ratio at year-end | 17 | 11 | 10 | NM | 21 |
| Dividend yield at year-end - % | 2.3 | 4.2 | 2.4 | 1.5 | 0.9 |
| Shares outstanding at year-end | 27,825,000 | 27,743,000 | 27,623,000 | 27,453,000 | 27,882,000 |
| Average monthly trading volume | 3,545,000 | 2,666,000 | 1,962,000 | 4,065,092 | 4,795,244 |

*Share and per share data have been adjusted for the fiscal 1997 stock dividend.
**Fiscal 1994 figures reflect the cumulative effect of a change in accounting for income taxes, which increased net earnings by $525,000, or 4 cents per share.



| (In thousands, except per share data)* | 1996 | 1995 | 1994** | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|---|
| Operating Results | | | | | | |
| Net sales | $ 567,823 | $ 516,022 | $ 426,400 | $ 367,878 | $ 364,578 | $ 368,094 |
| Gross profit | 116,426 | 102,400 | 84,184 | 71,141 | 67,193 | 74,816 |
| Operating income | 34,729 | 31,535 | 23,803 | 8,779 | 2,730 | 17,629 |
| Earnings (loss) from continuing operations | 20,656 | 19,160 | 16,279 | 6,657 | (1,300) | 7,391 |
| Earnings (loss) from discontinued operations | (2,820) | (6,110) | (12,446) | (2,143) | 9,805 | 9,626 |
| Net earnings (loss) | 17,836 | 13,050 | 3,833 | 4,514 | 8,505 | 17,017 |
| Earnings (loss) per share - basic | | | | | | |
| From continuing operations | 0.76 | 0.72 | 0.62 | 0.25 | (0.05) | 0.27 |
| From discontinued operations | (0.10) | (0.23) | (0.47) | (0.08) | 0.36 | 0.36 |
| Net earnings (loss) | 0.66 | 0.49 | 0.14 | 0.17 | 0.32 | 0.63 |
| Earnings (loss) per share - diluted | | | | | | |
| From continuing operations | 0.76 | 0.71 | 0.61 | 0.25 | (0.05) | 0.27 |
| From discontinued operations | (0.10) | (0.23) | (0.47) | (0.08) | 0.36 | 0.35 |
| Net earnings (loss) | 0.65 | 0.48 | 0.14 | 0.17 | 0.31 | 0.62 |
| Effective tax rate - % | 35.4 | 35.1 | 32.6 | 28.8 | (113.5) | 44.2 |
| Operating Ratios | | | | | | |
| Gross margin - % | 20.5 | 19.8 | 19.7 | 19.3 | 18.4 | 20.3 |
| Operating margin - % | 6.1 | 6.1 | 5.6 | 2.4 | 0.7 | 4.8 |
| Net margin - continuing operations - % | 3.6 | 3.7 | 3.8 | 1.8 | (0.4) | 2.0 |
| Net margin - % | 3.1 | 2.5 | 0.9 | 1.2 | 2.3 | 4.6 |
| Return on: | | | | | | |
| Average shareholders' equity - % | 13.5 | 10.9 | 3.4 | 4.0 | 7.6 | 16.6 |
| Average invested capital - % | 7.6 | 6.7 | 2.4 | 3.0 | 5.7 | 11.5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Average total assets - % | 5.5 | 4.5 | 1.6 | 2.1 | 4.2 | 8.8 |
| Funds Flow Data | | | | | | |
| Depreciation and amortization | $ 13,122 | $ 11,972 | $ 12,423 | $ 12,344 | $ 14,407 | $ 12,000 |
| Capital expenditures | 20,038 | 22,603 | 11,447 | 6,393 | 9,985 | 11,988 |
| Dividends | 4,453 | 4,154 | 3,841 | 3,584 | 3,505 | 3,248 |
| Year-End Data | | | | | | |
| Total assets | $ 327,233 | $ 317,085 | $ 257,877 | $ 213,372 | $ 212,282 | $ 196,292 |
| Current assets | 149,414 | 155,608 | 123,301 | 102,869 | 112,847 | 106,614 |
| Current liabilities | 83,574 | 90,876 | 92,536 | 61,702 | 63,786 | 48,441 |
| Working capital | 65,840 | 64,732 | 30,765 | 41,167 | 49,061 | 58,173 |
| Current ratio | 1.8 | 1.7 | 1.3 | 1.7 | 1.8 | 2.2 |
| Long-term debt | 79,102 | 80,566 | 35,688 | 28,419 | 25,267 | 29,398 |
| % of invested capital | 32.5 | 35.6 | 21.6 | 18.7 | 17.0 | 19.9 |
| Shareholders' equity | 138,922 | 124,628 | 114,062 | 112,336 | 113,780 | 109,050 |
| % of invested capital | 57.0 | 55.1 | 69.0 | 74.1 | 76.6 | 73.8 |
| Investment Information | | | | | | |
| Dividends per share | $ 0.165 | $ 0.155 | $ 0.145 | $ 0.135 | $ 0.130 | $ 0.120 |
| Book value per share | 5.14 | 4.64 | 4.28 | 4.26 | 4.23 | 4.05 |
| Price range during year: | | | | | | |
| High | 9 7/8 | 9 1/4 | 8 7/8 | 6 3/8 | 9 | 10 1/16 |
| Low | 6 1/2 | 5 3/4 | 5 1/8 | 4 1/8 | 4 3/4 | 6 5/8 |
| Close | 9 13/16 | 8 5/8 | 7 1/4 | 5 13/16 | 6 1/8 | 9 |
| Price/earnings ratio at year-end | 15 | 18 | 50 | 34 | 19 | 14 |
| Dividend yield at year-end - % | 1.7 | 1.9 | 2.0 | 2.3 | 2.1 | 1.3 |
| Shares outstanding at year-end | 27,034,000 | 26,886,000 | 26,624,000 | 26,354,000 | 26,922,000 | 26,954,000 |
| Average monthly trading volume | 1,775,740 | 1,613,012 | 518,900 | 644,294 | 1,386,058 | 1,212,682 |

*Share and per share data have been adjusted for the fiscal 1997 stock dividend.
**Fiscal 1994 figures reflect the cumulative effect of a change in accounting for income taxes, which increased net earnings by $525,000, or 4 cents per share.

NM=Not meaningful



## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Introduction

In fiscal 2001, Apogee experienced enhanced revenues and earnings primarily through improved operational efficiencies, as well as through better equipment utilization and increased market share. Highlights for the year included the following:

- Realignment of the reporting segments with the markets they serve to underscore Apogee's growth potential and to reflect Apogee's changing business mix and focus.
- Completion of the ramp-up of the fiscal 2000 start-up of Apogee's Statesboro, Georgia plant to support Viracon's continued growth for high-end manufactured architectural glass.
- Formation of PPG Auto Glass, LLC joint venture to enhance efficiency, geographic coverage and customer service in the distribution of auto replacement glass.
- Improved operating efficiencies through cost reduction initiatives at Apogee's Harmon AutoGlass, which are expected to result in annual savings of $5 million.
- Acquisition of two manufacturers in the $2 billion pre-framed art market, which expands the markets for Apogee's Tru Vue products.
- Reduction of long-term debt to $104 million at the end of fiscal 2001 from $164 million at the end of fiscal 2000.

### Performance

#### Fiscal 2001 Compared To Fiscal 2000

Consolidated net sales increased 3% in fiscal 2001 to $865.2 million from $840.5 million in fiscal 2000. The results of the Auto Glass distribution unit, which Apogee contributed to the PPG Auto Glass joint venture, were not included in Apogee's continuing operations for the third and fourth quarters of fiscal 2001, as they were through the second quarter of fiscal 2001. Fiscal 2001 revenues grew 11% compared to the prior year after being adjusted for the formation of the joint venture. The majority of the increase is attributable to increased unit production due to the full-year impact of plant expansions completed during fiscal 2000, enhanced equipment utilization and the impact of fiscal year 2001

acquisitions. Additionally, fiscal 2001 comprised of 53 weeks while fiscal 2000 comprised of 52 weeks.

The following table illustrates the relationship between various components of operations, stated as a percent of net sales, for each of the fiscal years in the three-year period ended March 3, 2001. Fiscal 1999 results are restated to reflect the effect of discontinued operations reported during fiscal 2000.

| Percent of Net Sales | 2001 | 2000 | 1999 |
|---|---|---|---|
| Net sales | 100.0 | 100.0 | 100.0 |
| Cost of sales | 79.3 | 80.1 | 78.4 |
| Gross profit | 20.7 | 19.9 | 21.6 |
| Selling, general and administrative expenses | 17.0 | 17.6 | 16.1 |
| Operating income | 3.7 | 2.3 | 5.5 |
| Interest expense, net | 1.3 | 1.3 | 1.2 |
| Equity in income (loss) of affiliated companies | 0.2 | (0.3) | (0.2) |
| Earnings from continuing operations before income taxes | 2.6 | 0.7 | 4.1 |
| Income taxes | 1.1 | 0.4 | 1.5 |
| Earnings from continuing operations | 1.5 | 0.3 | 2.6 |
| Earnings from discontinued operations, net | 0.2 | 1.1 | 0.6 |
| Net earnings | 1.7 | 1.4 | 3.2 |

On a consolidated basis, cost of sales, as a percentage of net sales, fell to 79.3% for fiscal 2001, improving from 80.1% in fiscal 2000. The primary factors underlying the resulting increase in gross profit percentage were improved performance attributable to enhanced manufacturing performance within the Architectural and Large-Scale Optical segments, as well as cost reduction initiatives within the Automotive Replacement Glass segment. These improvements were partially offset by higher general liability and health insurance related expenses across all segments.

Selling, general and administrative (SG&A) expenses, as a percentage of sales, decreased to 17.0% from 17.6%. After being adjusted for the formation of the PPG Auto Glass joint venture, SG&A expenses decreased, as a percentage of sales,



from 18.5% in fiscal 2000. The primary factor for the decrease was due to the cost reduction initiatives implemented at the Automotive Replacement Glass segment, as well as reductions in expenses related to doubtful accounts across all segments. These were offset by increases in amounts expensed for bonuses and incentives.

Net interest expense rose slightly to $11.1 million, or 1.3% of sales, in fiscal 2001. The increase reflected higher weighted-average interest rates under the Company's revolving credit agreement. This was somewhat offset by lower average borrowing levels during fiscal 2001 as compared to fiscal 2000.

Apogee's equity in income from affiliated companies was $1.5 million in fiscal 2001 compared to an equity in loss from affiliated companies of $2.8 million a year ago. Income associated with the Company's PPG Auto Glass joint venture, including rationalization and other transaction related adjustments, was offset by the Company's TerraSun research and development joint venture. The PPG Auto Glass joint venture formed on July 29, 2000, combined the Company's and PPG's U.S. automotive replacement glass distribution businesses into a newly formed entity, PPG Auto Glass, LLC, with the Company having a 34% ownership interest in

the joint venture. Fiscal 2000 results were largely attributable to TerraSun.

Apogee's effective income tax rate of 39.9% of pre-tax earnings from continuing operations decreased from the 50.8% of pre-tax earnings from continuing operations reported in fiscal 2000. This reduction is due to the relationship of book and tax differences as a percentage of pre-tax income.

Apogee's fiscal 2001 earnings from continuing operations increased to $13.4 million or $0.48 diluted earnings per share. This compared to earnings from continuing operations of $3.1 million, or $0.11 diluted earnings per share, a year earlier.

The Company reported earnings from operations of discontinued businesses of $1.6 million after tax, or $0.06 diluted earnings per share for fiscal 2001 as compared to $9.1 million after tax, or $ 0.33 diluted earnings per share, a year earlier.

Apogee's fiscal 2001 net earnings were $15.0 million, or $0.54 diluted earnings per share. This compared to $12.2 million, or $0.44 diluted earnings per share, a year ago. The return on average shareholders' equity was 10.5% in fiscal 2001 versus 9.1% for fiscal 2000.

Segment Analysis
During fiscal 2001, the Company realigned its operating business units into three reporting segments. The following is a discussion on the results of operations of these three business segments. See Note 17 "Business Segments Data" in the Notes to Consolidated Financial Statements for a three-year history of each segment's net sales, operating income, identifiable assets, capital expenditures, and depreciation and amortization.

| (In thousands) | 2001 | 2000 | 1999 |
|---|---|---|---|
| Architectural Products and Services | | | |
| Net sales | $441,466 | $394,104 | $349,968 |
| Operating income | 27,393 | 20,513 | 23,501 |
| Large-Scale Optical Technologies | | | |
| Net sales | 90,768 | 69,934 | 58,669 |
| Operating income (loss) | 4,571 | (540) | 2,477 |
| Automotive Replacement Glass and Services | | | |
| Net sales | 333,311 | 377,499 | 380,524 |
| Operating income | 1,429 | 184 | 18,399 |

Architectural Products and Services (Architectural). Architectural companies design, engineer, fabricate and install the walls of glass and windows comprising the outside skin of commercial and institutional buildings. The businesses in this segment include: Viracon, the leading global fabricator of coated, high-performance architectural glass; Harmon, Inc., the Company's full service building glass installation and maintenance business; Wausau Window & Wall Systems, a manufacturer of custom, non-residential aluminum window systems and curtainwall; and Linetec, one of the largest U.S. architectural paint and anodizing finishers.



Architectural net sales for fiscal 2001 increased 12% over fiscal 2000. Viracon reported an increase in net sales of 18%, mostly due to the increased capacity from the full-year impact associated with the completion of the Statesboro facility. Additionally, strong customer demand for Viracon's high-performance architectural glass products significantly improved sales volume. Harmon, Inc. reported a 19% increase in net sales, primarily due to an increased number of curtainwall installation projects and Linetec improved sales by 5%. These increases were offset by a slow-down in shipments at Wausau Window & Wall

Systems due to the facility not being able to fill its available short lead-time capacity during the second half of the year.

Operating income for the segment of $27.4 million represented an increase of 34% over prior year. This was the result of increased production capacity and improved utilization at Viracon as well as increased earnings at Harmon, Inc. and Linetec. These increases were partially offset by reductions in earnings at Wausau Window & Wall Systems.

The Architectural segment backlog, at March 3, 2001, remained at record levels of $190.0 million, compared to $153.6 million at February 26, 2000.

Large-Scale Optical Technologies (LSO). LSO companies develop and produce high technology glass that enhances the visual performance of products for the display, imaging and picture framing industries. Businesses in this segment include: Tru Vue, a leading U.S. value-added glass and matboard manufacturer for the art and framing industry; and Viratec Thin Films, a leading global producer of optical thin film coatings for the display and imaging markets.

LSO net sales of $90.8 million represented a 30% increase over fiscal 2000. Tru Vue reported a 25% improvement in sales due to increased demand for their high margin, value-added glass products. Additionally, Tru Vue expanded its pre-framed art business through the acquisitions of Balangier Fine Art and Designs, and Corporate Art Services, Inc. These acquisitions represent 40 percent of the Tru Vue increase for fiscal 2001 sales. Viratec reported a net sales increase of 37% over fiscal 2000 levels due to strong operational improvement that allowed for significant volume growth.

LSO operating income of $4.6 million for fiscal 2001 compared favorably to an operating loss of $0.5 million for fiscal 2000. The increase was the result of the increased sales volume at both of the segment's operations as well as the impact of sales of higher margin products from Tru Vue and improved equipment utilization at Viratec. These increases were offset by acquisition related integration costs at Tru Vue and the impact of shut down costs for Viratec's San Diego facility. The shut down of the San Diego facility will not have a material impact on next year's financial results.

Automotive Replacement Glass and Services (Auto Glass). Auto Glass companies fabricate, repair and replace automobile windshields and windows. Businesses in this segment include: Harmon AutoGlass, the nation's second largest chain of retail auto glass replacement and repair stores; and Viracon/Curvlite, a leading U.S. fabricator of aftermarket foreign and domestic car windshields.

Auto Glass net sales decreased 12% to $333.3 million in fiscal 2001. Fiscal 2001 revenues for the segment grew 4% compared to the prior year after being adjusted for the formation of the PPG Auto Glass joint venture. Net sales of the auto glass retail unit decreased 2% compared with those of a year ago due, in part, to soft demand for auto replacement glass services. The retail unit volume decrease was offset by unit price increases. Market data indicates that unit demand for replacement auto glass in the U.S. rose 4.2% during fiscal 2001. In an effort to improve margins, Harmon AutoGlass closed retail facilities and implemented strategies to reduce low margin business. This resulted in a reduction in volume of 14.9%.

Auto Glass operating income increased to $1.4 million for fiscal 2001 from operating income of $0.2 million in fiscal 2000. During fiscal 2001, as part of the Company's initiative to maintain customer service and reduce costs, Harmon AutoGlass reduced headcount through position eliminations, closed 37 underperforming stores, or nearly 11% of its retail locations, and transitioned call center operations to APAC Customer Services, Inc. Harmon AutoGlass continued to maintain a presence in most markets where shop closings occurred. Viracon/Curvlite reported slightly increased operating income over the prior year.

At the end of fiscal 2001, Auto Glass had 287 Harmon AutoGlass retail locations and 167 co-branded facilities. The segment continues to explore opportunities to increase utilization and improve efficiencies.

Discontinued Operations. During fiscal 2001, the Company completed the sale of substantially all of the assets of VIS'N Service Corporation (VIS'N), a non-auto glass focused, third-party administered claims processor, in two separate transactions with no impact to net earnings. In fiscal 2000, the Company completed the sale of 100% of the stock of its large-scale domestic curtainwall business, Harmon, Ltd. In fiscal 1999, Apogee's Board of Directors authorized the divestiture of the detention/security operations and the Company executed the sale of the business. The sale of Harmon,



Ltd. and the Company's detention/security business combined with the fiscal 1998 exit from international curtainwall operations effectively removed the Company from the large-scale construction business. Accordingly, these businesses are presented as discontinued operations in the accompanying financial statements and notes. Prior periods have been restated.

The Company reported after-tax operating income from the businesses reported as discontinued operations for fiscal 2001 of $1.6 million. This was primarily the result of cash collected from our international curtainwall operations during fiscal 2001 that exceeded the anticipated receipts. For fiscal 2000, after-tax earnings from discontinued operations were $9.1 million.

Fiscal 2000 Compared To Fiscal 1999
Consolidated net sales increased 7% to $840.5 million in fiscal 2000 compared to fiscal 1999. Net sales increased 13% in the Architectural Products and Services (Architectural) segment, and 19% at the Large-Scale Optical Technologies (LSO) segment. Net sales at the Automotive Replacement Glass and Services (Auto Glass) segment were flat compared to fiscal 1999.

On a consolidated basis, cost of sales, as a percentage of net sales, rose slightly to 80.1%, up from 78.4% in fiscal 1999. The primary factors underlying the resulting decline in gross profit were slower than anticipated production ramp-ups within the Architectural and LSO segments along with increased costs to increase production velocity at Viracon. Additionally, Apogee experienced increased costs associated with meeting demand in these segments as well as a decline in margin in the Auto Glass businesses. These factors were offset by margin improvements at Harmon, Inc.

Selling, general and administrative (SG&A) expenses grew by $20.8 million, or 16%. The primary factors for the growth were an increase in salaries, allowance for doubtful accounts, marketing costs, outside services, information systems and severance costs, offset by a decrease in bonuses and incentives. A portion of the increased personnel costs represented classification variances associated with the Company's many system conversions; quantification of such classifications is not considered cost effective. Gross profit benefited as a result of these classification variances.

Net interest expense rose 9% to $10.4 million in fiscal 2000. The increase reflected higher weighted-average outstanding borrowing levels and to a lesser extent, slightly higher interest rates under the Company's revolving credit agreement.

Apogee's effective income tax rate was 50.8% of pre-tax earnings from continuing operations, up substantially from the 37.6% rate recorded in fiscal 1999.

Apogee's equity in loss of affiliated companies was $2.8 million in fiscal 2000 compared to $1.4 million a year ago, largely associated with the Company's TerraSun research and development joint venture.

Apogee's fiscal 2000 earnings from continuing operations declined to $3.1 million, or $0.11 diluted earnings per share. This compared to earnings from continuing operations of $20.2 million, or $0.73 diluted earnings per share, a year earlier.

Earnings from operations of discontinued businesses were $9.1 million after tax,

or $0.33 diluted earnings per share, compared to $5.0 million, or $0.18 diluted earnings per share, a year earlier.

Apogee's fiscal 2000 net earnings were $12.2 million, or $0.44 diluted earnings per share. This compared to $25.2 million, or $0.91 diluted earnings per share, a year ago. The return on average shareholders' equity was 9.1% in fiscal 2000 versus 21.0% for fiscal 1999.

Segment Analysis

The following is a discussion of the results of operations of the Company's three business segments. See Note 17 "Business Segments Data" in the Notes to Consolidated Financial Statements for a three-year history of each segment's net sales, operating income, identifiable assets, capital expenditures, and depreciation and amortization.

Architectural Products and Services (Architectural). Net sales for the Architectural segment for fiscal 2000 increased 13% to $394.1 million, while operating income decreased 13% to $20.5 million for the year.

Viracon, the segment's architectural glass fabrication unit, reported a net sales increase of 8%, while operating earnings decreased significantly in fiscal 2000 as compared to the prior year. The decrease in profitability was the result of a decrease in earnings at the Owatonna, Minnesota plant and start-up losses and slower than expected ramp-up at its Statesboro, Georgia facility. Operating earnings at the Owatonna plant were down compared to fiscal 1999 due to reduced operating rates and additional costs incurred to position the facility for improved production velocity.



The Harmon, Inc. business had a solid year. Net sales grew by 29%, while operating income rose by 75%. Continuing operating improvements and an emphasis toward higher-margin business helped the unit's profitability.

Wausau Window & Wall Systems, which manufactures commercial windows, had increased sales of 9% for the year. Operating income decreased for the facility compared to fiscal 1999.

Linetec, which provides painting and anodizing services, leveraged higher net sales into a significant operating income increase. This business also continued to benefit from improvements in its engineering capabilities.

Large-Scale Optical Technologies (LSO). LSO reported a net sales improvement for fiscal 2000 of 19% to $69.9 million while reporting a significant decrease in earnings as compared to the prior year.

Tru Vue, the segment's value-added art framing glass and matboard fabrication unit, posted a 9% improvement in sales, while earnings rose by 26%. These results reflect increased penetration of the unit's value-added products and increased capacity and efficiency due to the second quarter completion of a new production facility in Chicago.

Viratec, which applies optical-grade coatings to glass and other substrates, reported a net sales increase of 29%, while recording an operating loss. The operating loss was primarily due to Viratec's flat glass operation which encountered significant downtime with the start-up of its new vertical coater. The vertical coater became operational in the third quarter but continued to experience problems during the remainder of the year. Also, in mid-year, Viratec's San Diego CRT coating operation lost significant production time during a technology changeover to accommodate a new product.

Automotive Replacement Glass and Services (Auto Glass). During fiscal 2000 and 1999, Auto Glass operated auto glass businesses under the Harmon AutoGlass (Harmon), Harmon Solutions Group (Solutions), Glass Depot and Viracon/Curvlite brands. Due to an industry merger in 1997, Harmon became the second largest company in the auto glass repair and replacement industry. Fiscal 2000 net sales

at Auto Glass remained flat as compared to fiscal 1999 net sales while operating income decreased significantly.

Net sales of the Auto Glass retail unit decreased slightly compared with those of fiscal 1999, although unit volume was flat. A significant operating loss was recorded due to increased competitive pricing pressures in the retail business and soft retail demand. Market data indicates that unit demand for replacement auto glass in the U.S. fell nominally in 1999. Same-location retail net sales decreased by 8%, while unit net sales were flat with last year. To respond to changing market conditions, the business was restructured during fiscal 2000 to reduce fixed cost overhead. In fiscal 2000, 17 retail auto facilities were closed. In addition, employee headcount was reduced at auto glass headquarters and to a lesser extent in the field workforce. In addition, retail coverage in closed store markets was being maintained by mobile vans and service centers operated from facilities shared with businesses outside of the Company. Unit sales trends for the AutoGlass retail unit continued to outpace the industry.

The segment's manufacturing operation, Viracon/Curvlite, fabricates auto glass for the replacement auto glass aftermarket. Viracon/Curvlite's net sales in fiscal 2000 decreased slightly. The unit's National Distribution Center, which offered other manufacturers' products as well as Viracon/Curvlite's products for both domestic and foreign vehicles, and the AutoGlass Express program, a delivery system to fill customer orders more quickly and completely, accounted for an increase in unit sales. This increase was offset by a decrease in unit sales for the broker program, resulting in a slight decrease in unit sales for fiscal 2000, compared to fiscal 1999. About 61% of Viracon/Curvlite's net sales were made to the Glass Depot unit in fiscal 2000.

At fiscal year-end, Auto Glass had 324 Harmon AutoGlass retail locations, 143 co-branded facilities and 77 Glass Depot distribution centers.

Discontinued Operations. In late fiscal 2000, Apogee's Board of Directors authorized the exit from the Company's interest in VIS'N Service Corporation (VIS'N), a non-auto glass focused, third-party administered claims processor. In addition, during fiscal 2000, the Company completed the sale of 100% of the stock of its large-scale domestic curtainwall business, Harmon, Ltd. In fiscal 1999, Apogee's Board of Directors authorized the divestiture of the detention/security and domestic curtainwall operations. On December 3, 1998, the segment executed the sale of its detention/security business, effective November 28, 1998. Combined with the fiscal 1998 exit from international curtainwall operations, these transactions effectively remove the Company from the large-scale construction business, in addition to the non-auto glass focused third-party administered claims processing business. Accordingly, these businesses are presented as discontinued operations in the accompanying financial statements.



Operating results from the businesses reported as discontinued operations improved significantly over fiscal 1999. For fiscal 2000, earnings from discontinued operations were $9.1 million after-tax compared to $5.0 in fiscal 1999.

Liquidity and Capital Resources

| (In thousands, except percentages) | Year-ended March 3, 2001 | February 26, 2000 |
|---|---|---|
| Cash provided by operations | $61,610 | $43,836 |
| Capital expenditures | 14,823 | 44,025 |
| Acquisition of businesses, net of cash acquired | 3,602 | 1,983 |
| Proceeds from dispositions of property | 17,834 | 14,672 |
| Payments on long-term debt, net | 60,703 | 1,844 |
| Debt to invested capital | 37.6% | 50.2% |

Net cash provided by operating activities. Cash provided by continuing

operating activities was $61.6 million in fiscal 2001, an increase of $17.8 million compared to last year. The increase was due to improved cash flow generated by the operating companies during the year, primarily from improved results. The Company reduced working capital by $41.3 million during the year, primarily related to contribution of inventory to the PPG Auto Glass joint venture, but also due to continued focus on reducing working capital.

Net cash provided by investing activities. New capital investment in fiscal 2001 totaled $14.8 million, versus $44.0 million and $77.4 million in fiscal 2000 and 1999, respectively. This reduction is the result of focusing on the expenditures made in the prior years by completing the start-up at Viracon's Statesboro facility and of the vertical coater at Viratec's Faribault, Minnesota operation. In addition, in fiscal 2001, the LSO segment expanded its pre-framed art business by purchasing two high-end pre-framed art businesses. The aggregate purchase price for these businesses was $3.6 million, including goodwill of $2.9 million.

During fiscal 2001, the Company entered into a $16 million sale/leaseback associated with miscellaneous operating equipment. In Fiscal 2000, the Company entered into a $13.4 million sale/leaseback associated with miscellaneous operating equipment. The Company used the proceeds of these sale/leaseback transactions to reduce the Company's long-term floating rate debt and replaced it with eight-year fixed rate operating leases.

In fiscal 2002, the Company expects to incur capital expenditures as necessary to maintain existing facilities and information systems. Fiscal 2002 expenditures are expected to be approximately $25 million.

Net cash used in financing activities. In May 1998, the Company obtained a five-year, committed credit facility in the amount of $275 million. This credit facility requires Apogee to maintain minimum levels of net worth and certain financial ratios. The total commitment of the credit facility was reduced by the sales price, net of taxes, of the fiscal 1999 sale of the detention/security business, resulting in a committed credit facility of $253 million as of February 27, 1999. The total commitment of the credit facility was also reduced in April 2000, resulting in a committed credit facility of $200 million as of March 3, 2001. The Company's receivables, inventory, equipment and intangibles secure the credit facility. Based upon the Company's satisfaction of certain financial covenants during fiscal 2001, the Company has the right to cause this security interest to be released upon its request.

Long-term debt, including current installments of $0.3 million, stood at $104.5 million at March 3, 2001, down $60.0 million from a year earlier. The majority of the Company's long-term debt consisted of bank borrowings. During fiscal 2000, $7.7 million of variable rate industrial revenue bonds were issued and the resulting proceeds were loaned to the Company to finance a portion of the Company's capital projects in Statesboro and San Diego.

In December 1998, the Company entered into an interest rate swap agreement, which expires in fiscal 2004, which effectively converted $25 million of its variable rate borrowings into a fixed rate obligation. In February 2000, the Company entered into an interest rate swap agreement, which expires in fiscal 2003, which effectively converted $10 million of its variable rate borrowings into a fixed rate obligation.

For fiscal 2002, the Company expects that outstanding borrowings will generally decline over the course of the year. The company believes that cash from operating activities and the available credit facility provide adequate liquidity for the next 12 months.



Shareholders' Equity

At March 3, 2001, Apogee's shareholders' equity stood at $148.3 million, up 8% from a year ago. Book value per share also rose to $5.33, up from $4.97 per share a year ago, as outstanding common shares increased only nominally during

the year. Net earnings and the proceeds from the issuance of 118,000 shares of common stock under our stock-based compensation plans accounted for the increases, which were partly offset by dividends paid of $0.21 per share and the repurchase of 36,000 shares of common stock.

Market Risks

The Company's principal market risk is sensitivity to interest rates, which is the risk that changes in interest rates will reduce net earnings of the Company. To manage the Company's direct risk from changes in market interest rates, management actively monitors the interest sensitive components of the Company's balance sheet, primarily debt obligations, as well as market interest rates in order to minimize the impact of changes in interest rates on net earnings and cash flow.

The primary measure of interest rate risk is the simulation of net income under different interest rate environments. The approach used to quantify interest rate risk is a sensitivity analysis. This approach calculates the impact on net earnings, relative to a base case scenario, of rates increasing or decreasing gradually over the next 12 months by 200 basis points. The aforementioned changes in interest rates affecting the Company's financial instruments would result in approximately a $400,000 impact to net earnings. As interest rates increase, net earnings decrease; as interest rates decrease, net earnings increase.

The Company uses interest swaps to fix a portion of its variable rate borrowings from fluctuations in interest rates. As of March 3, 2001, the Company has interest swaps covering $35 million of variable rate debt. The net present liability associated with these swaps is $1.8 million at the end of fiscal 2001.

The Company has a policy of using forward exchange contracts to hedge its net exposures, by currency, related to the foreign currency-denominated monetary assets and liabilities, and future firm commitments of its operations. Forward exchange contracts are also used from time to time to manage near-term foreign currency cash requirements. The primary objective of these hedging activities is to maintain an approximately balanced position in foreign currencies so that exchange gains and losses resulting from exchange rate changes, net of related tax effects, are minimized.

Given the Company's balanced foreign exchange position described above, a 10% adverse change in foreign exchange rates upon which these contracts are based would result in exchange losses from these contracts that would, in all material respects, be fully offset by exchange gains on the underlying net monetary exposures for which the contracts are designated as hedges. As of March 3, 2001, the Company did not have any forward contracts outstanding as the Company had no material foreign exchange exposure.

Impact of Inflation

Our financial statements are prepared on a historical cost basis, which does not completely account for the effects of inflation. However, since the cost of many of our inventories is determined using the last-in, first-out (LIFO) method of accounting, cost of sales, except for depreciation expense included therein, generally reflects current costs.

The cost of glass, one of our primary raw materials, was essentially flat compared with last year. We expect the cost of glass to increase slightly in fiscal 2002. While our construction and supply contracts are at fixed prices, the material components are usually based on firm quotes obtained from suppliers. Labor costs, including taxes and fringe benefits, rose in fiscal 2001 and a moderate increase also can be reasonably anticipated for fiscal 2002. Other costs are managed to minimize the inflationary pressures that exist in markets for goods and services that Apogee's business operations require.

Forward Looking Statements

This discussion contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect the Company's current views with respect to future events and financial performance. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast,"

"project," "should" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All forecasts and projections in this document are "forward-looking statements," and are based on management's current expectations or beliefs of the Company's near-term results, based on current information available pertaining to the Company, including the risk factors noted below.

The Company wishes to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These



uncertainties and other risk factors include, but are not limited to, those noted below. There can be no assurances given that the ongoing reorganization and realignment of Harmon AutoGlass will lead to successful operating results now or in the future. Also, there can be no assurances that the ramp-ups of plant capacity will lead to successful operating results for those companies now or in the future. There can be no assurances that the closing of the Viratec San Diego facility will not result in an additional charge to earnings. There can be no assurances that PPG Auto Glass, Apogee's automotive replacement glass distribution joint venture with PPG Industries, will achieve favorable short-term or long-term operating results. In addition, in recent years, there has been excess capacity at the distribution level of the automotive replacement glass industry and margins have narrowed. There is no assurance PPG Auto Glass will achieve any anticipated efficiencies or be able to improve or maintain margins.

A number of other factors should be considered in conjunction with this report's forward-looking statements, any discussion of operations or results by the Company or its representatives and any forward-looking discussion, as well as comments contained in press releases, presentations to securities analysts or investors, or other communications by the Company. These other factors are set forth in the cautionary statement filed as Exhibit 99 to the Company's Annual Report on Form 10-K, and include, without limitation, cautionary statements regarding changes in economic and market conditions, factors related to competitive pricing, commercial building market conditions, management of growth of business units, greater than expected costs or difficulties related to the operation of the businesses, the impact of foreign currency markets, the integration of acquisitions, the realization of expected economies gained through expansion and information systems technology updates. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is contained in a separate section of this report. See "Market Risks" included in Item 7 immediately above.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is contained in a separate section of this report. See "Index of Financial Statements and Schedules."

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On April 15, 1999, the Company determined not to re-engage its independent

auditors, KPMG Peat Marwick LLP ("KPMG") and appointed Arthur Andersen LLP as its new independent auditors, effective immediately. This determination followed the Company's decision to seek proposals from independent accounting firms, including KPMG, with respect to the engagement of independent accountants to audit the Company's financial statements for the fiscal year ending February 26, 2000. The decision not to re-engage KPMG and to retain Arthur Andersen was approved by the Company's Board of Directors upon the recommendation of its Audit Committee.

The reports of KPMG on the financial statements of the Company for its fiscal years ended February 27, 1999 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the Company's two most recent fiscal years and the subsequent interim period through April 15, 1999, (i) there were no disagreements between the Company and KPMG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of KPMG, would have caused KPMG to make reference to the subject matter of the disagreement ("Disagreement") in connection with its reports and (ii) there were no reportable events ("Reportable Event"), as defined in Item 304 (a) (1) (v) of Regulations S-K of the Securities and Exchange Commission, with the exception of items related to internal control deficiencies of the Company's Asian construction operations, including inadequate project accounting and review procedures. The Company agreed with the characterization of said items as reportable events and undertook appropriate actions to remedy the internal control deficiencies.

The Company did not, during the Company's two most recent fiscal years prior to the auditor change and the subsequent interim period through April 15, 1999, consult with Arthur Andersen regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and either a written report was provided to the Company or oral advice was provided that Arthur Andersen concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any mater that was either the subject of a Disagreement with KPMG or a Reportable Event.



The Company reported the change in accountants on Form 8-K on April 22, 1999. The Form 8-K contained a letter from KPMG, addressed to the Securities and Exchange Commission stating that it agreed with the comments in clause (i) of the second paragraph of the above statements, and was not in a position to agree or disagree with the comments in the remainder of the above statements.

## PART III

### ITEMS 10, 11, 12 and 13. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT; EXECUTIVE COMPENSATION; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT; AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by these Items, other than the information set forth in Part I above in "Executive Officers of the Registrant," is included on pages 1 to 8 and 11 to 14 of the Proxy Statement for the Annual Meeting of Shareholders to be held June 19, 2001, which is incorporated herein by reference.

## PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) and (d) Financial Statements and Financial Statement Schedules -

The consolidated financial statements and schedules of the Registrant listed in the accompanying "Index of Financial Statements and Schedules" together with the reports of Arthur Andersen LLP and KPMG LLP, independent auditors, are filed as part of this report.

(b) Reports on Form 8-K

During the quarter ended March 3, 2001, the Company did not file any reports on Form 8-K.

(c) Exhibits -

The information called for by this Item is contained in a separate section of this report. See "Exhibit Index."



- SIGNATURES -

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 18, 2001

APOGEE ENTERPRISES, INC.

By: /s/ Russell Huffer

Russell Huffer
Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| SIGNATURE | TITLE | DATE |
|---|---|---|
| /s/ Russell Huffer<br>Russell Huffer | Chairman, President, CEO and Director (Principal Executive Officer) | May 18, 2001 |
| /s/ Michael B. Clauer<br>Michael B. Clauer | Executive VP & CFO (Principal Financial and Accounting Officer) | May 18, 2001 |
| /s/ Donald W. Goldfus<br>Donald W. Goldfus | Director | May 18, 2001 |
| /s/ Harry A. Hammerly<br>Harry A. Hammerly | Director | May 18, 2001 |
| /s/ Laurence J. Niederhofer<br>Laurence J. Niederhofer | Director | May 18, 2001 |
| /s/ James L. Martineau | Director | May 18, 2001 |

| | | |
|---|---|---|
| James L. Martineau | | |
| /s/ Barbara B. Grogan | Director | May 18, 2001 |
| Barbara B. Grogan | | |



| SIGNATURE | TITLE | DATE |
|---|---|---|
| /s/ Stephen C. Mitchell<br>Stephen C. Mitchell | Director | May 18, 2001 |
| /s/ Bernard P. Aldrich<br>Bernard P. Aldrich | Director | May 18, 2001 |
| /s/ J. Patrick Horner<br>J. Patrick Horner | Director | May 18, 2001 |
| /s/ Michael E. Shannon<br>Michael E. Shannon | Director | May 18, 2001 |
| /s/ Ray C. Richelson<br>Ray C. Richelsen | Director | May 18, 2001 |



Apogee Enterprises, Inc.
Form 10-K
Items 8, 14 (a) and 14 (d)

Index of Financial Statements and Schedules

Financial Statements

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Financial Schedules

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All other schedules are omitted because they are not required, or because the required information is included in the consolidated financial statements or noted thereto.



Report of Independent Public Accountants

To Apogee Enterprises, Inc.:

We have audited the accompanying consolidated balance sheet of Apogee Enterprises, Inc. (a Minnesota corporation) and subsidiaries as of March 3, 2001

and February 26, 2000, and the related consolidated results of operations, statements of shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Apogee Enterprises, Inc. and subsidiaries as of March 3, 2001 and February 26, 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Minneapolis, Minnesota,
April 2, 2001



Independent Auditor's Report

The Board of Directors and Shareholders
Apogee Enterprises, Inc.:

We have audited the fiscal 1999 consolidated financial statements of Apogee Enterprises, Inc. and subsidiaries as listed in the accompanying index. In connection with our audit of the fiscal 1999 consolidated financial statements, we also have audited the financial statement schedule for fiscal 1999 as listed in the accompanying index. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Apogee Enterprises, Inc. and subsidiaries for the year ended February 27, 1999 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the fiscal 1999 information set forth therein.

KPMG LLP

Minneapolis, Minnesota
April 12, 1999, except as to Note 11 which is as of February 14, 2000



CONSOLIDATED BALANCE SHEETS

| (In thousands) | March 3, 2001 | February 26, 2000 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ 4,689 | $ 7,192 |
| Receivables, net of allowance for doubtful accounts | 121,461 | 125,064 |
| Inventories | 40,434 | 68,184 |
| Deferred income taxes | 4,854 | 8,435 |
| Other current assets | 3,753 | 5,547 |
| Total current assets | 175,191 | 214,422 |
| Property, plant and equipment, net | 147,593 | 186,039 |
| Marketable securities available for sale | 24,451 | 24,951 |
| Investments in affiliated companies | 32,530 | 418 |
| Intangible assets, at cost less accumulated amortization of $12,520 and $11,668, respectively | 50,145 | 50,549 |
| Other assets | 2,769 | 4,775 |
| Total assets | $ 432,679 | $ 481,154 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | $ 59,537 | $ 57,989 |
| Accrued expenses | 57,571 | 56,624 |
| Current liabilities of discontinued operations, net | 2,578 | 2,907 |
| Billings in excess of costs and earnings on uncompleted contracts | 10,330 | 9,827 |
| Accrued income taxes | 7,093 | 7,868 |
| Current installments of long-term debt | 328 | 182 |
| Total current liabilities | 137,437 | 135,397 |
| Long-term debt, less current installments | 104,206 | 164,371 |
| Other long-term liabilities | 24,466 | 25,248 |
| Liabilities of discontinued operations, net | 18,278 | 18,366 |
| Commitments and contingent liabilities (Notes 6, 13 and 14) | | |
| Shareholders' equity | | |
| Common stock of $0.33-1/3 par value; authorized 50,000,000 shares; issued and outstanding, 27,825,000 and 27,743,000, respectively | 9,275 | 9,248 |
| Additional paid-in capital | 45,773 | 45,106 |
| Retained earnings | 93,543 | 84,608 |
| Unearned compensation | (757) | (888) |
| Net unrealized gain (loss) on marketable securities | 458 | (302) |
| Total shareholders' equity | 148,292 | 137,772 |
| Total liabilities and shareholders' equity | $ 432,679 | $ 481,154 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED RESULTS OF OPERATIONS

| (In thousands, except per share data) | Year Ended March 3, 2001 | Year Ended February 26, 2000 | Year Ended February 27, 1999 |
|---|---|---|---|
| Net sales | $ 865,200 | $ 840,488 | $ 788,062 |
| Cost of sales | 686,203 | 673,253 | 617,647 |
| Gross profit | 178,997 | 167,235 | 170,415 |
| Selling, general and administrative expenses | 147,103 | 147,817 | 127,063 |
| Operating income | 31,894 | 19,418 | 43,352 |
| Interest expense, net | 11,122 | 10,359 | 9,494 |
| Equity in income (loss) of affiliated companies | 1,465 | (2,817) | (1,424) |
| Earnings from continuing operations before income taxes | 22,237 | 6,242 | 32,434 |
| Income taxes | 8,876 | 3,171 | 12,189 |
| Earnings from continuing operations | 13,361 | 3,071 | 20,245 |
| Earnings from operations of Discontinued businesses, net of income taxes | 1,641 | 9,104 | 4,988 |
| Net earnings | $ 15,002 | $ 12,175 | $ 25,233 |
| Earnings per share - basic | | | |
| Continuing operations | $ 0.48 | $ 0.11 | $ 0.73 |
| Discontinued operations | 0.06 | 0.33 | 0.18 |
| Net earnings | $ 0.54 | $ 0.44 | $ 0.91 |
| Earnings per share - diluted | | | |
| Continuing operations | $ 0.48 | $ 0.11 | $ 0.73 |
| Discontinued operations | 0.06 | 0.33 | 0.18 |
| Net earnings | $ 0.54 | $ 0.44 | $ 0.91 |
| Weighted average basic shares outstanding | 27,835 | 27,746 | 27,586 |
| Weighted average diluted shares outstanding | 27,898 | 27,794 | 27,762 |

See accompanying notes to consolidated financial statements.



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (In thousands) | Common Shares Outstanding | Common Stock | Additional Paid-In Capital | Retained Earnings | Unearned Compensation | Net Unrealized Gain (Loss) on Marketable Securities | Comprehensive Earnings |
|---|---|---|---|---|---|---|---|
| Balance at February 28, 1998 | 27,453 | $9,151 | $38,983 | $61,899 | $(686) | $ 254 | |
| Net earnings | | | | 25,233 | | | $ 25,233 |
| Unrealized loss on marketable securities, net of $93 tax benefit | | | | | | (174) | (174) |
| Comprehensive earnings | | | | | | | $ 25,059 |
| Unearned compensation | | | | | (35) | | |
| Common stock issued | 306 | 102 | 2,994 | | | | |
| Common stock repurchased and retired | (136) | (45) | (74) | (1,272) | | | |
| Cash dividends ($0.205 per share) | | | | (5,666) | | | |
| Balance at February 27, 1999 | 27,623 | 9,208 | 41,903 | 80,194 | (721) | 80 | |
| Net earnings | | | | 12,175 | | | $ 12,175 |
| Unrealized loss on marketable securities, net of $204 tax benefit | | | | | | (382) | (382) |
| Comprehensive earnings | | | | | | | $ 11,793 |
| Unearned compensation | | | | | (167) | | |
| Tax benefit associated with stock plans | | | 803 | | | | |
| Common stock issued | 309 | 103 | 2,678 | | | | |
| Common stock repurchased and retired | (189) | (63) | (278) | (1,928) | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash dividends ($0.21 per share) | | | | (5,833) | | | |
| Balance at February 26, 2000 | 27,743 | 9,248 | 45,106 | 84,608 | (888) | (302) | |
| Net earnings | | | | 15,002 | | | $ 15,002 |
| Unrealized gain on marketable securities, net of $407 tax expense | | | | | | 760 | 760 |
| Comprehensive earnings | | | | | | | $ 15,762 |
| Unearned compensation | | | | | 131 | | |
| Tax benefit associated with stock plans | | | 236 | | | | |
| Common stock issued | 118 | 39 | 493 | | | | |
| Common stock repurchased and retired | (36) | (12) | (62) | (233) | | | |
| Cash dividends ($0.21 per share) | | | | (5,834) | | | |
| Balance at March 3, 2001 | 27,825 | $9,275 | $45,773 | $93,543 | $(757) | $ 458 | |

See accompanying notes to consolidated financial statements.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

| (In thousands) | Year Ended March 3, 2001 | Year Ended February 26, 2000 | Year Ended February 27, 1999 |
|---|---|---|---|
| Operating Activities | | | |
| Net earnings | $15,002 | $12,175 | $25,233 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Net earnings from discontinued operations | (1,641) | (9,104) | (4,988) |
| Depreciation and amortization | 34,229 | 33,019 | 25,798 |
| Deferred income tax expense (benefit) | 4,422 | (3,319) | 4,844 |
| Equity in (income) loss of affiliated companies | (1,465) | 2,817 | 1,424 |
| Net cash flow to discontinued operations | (3,151) | (534) | (13,580) |
| Other, net | 2,857 | 643 | (349) |
| Cash flow before changes in operating assets and liabilities | 50,253 | 35,697 | 38,382 |
| Changes in operating assets and liabilities, net of effect of acquisitions and investment in joint venture: | | | |
| Receivables | 4,292 | (6,828) | (17,115) |
| Inventories | 5,394 | 637 | (7,128) |
| Other current assets | 1,682 | 30 | 1,295 |
| Accounts payable and accrued expenses | 998 | 20,330 | 5,151 |
| Billings in excess of costs and earnings on uncompleted contracts | 503 | (1,795) | 4,680 |
| Refundable and accrued income taxes | (539) | 2,004 | 26,972 |
| Other | (973) | (6,239) | 778 |
| Net cash provided by operating activities | 61,610 | 43,836 | 53,015 |
| Investing Activities | | | |
| Capital expenditures | (14,823) | (44,025) | (77,392) |
| Proceeds from sales of property, plant and equipment | 17,834 | 14,672 | 310 |
| Acquisition of businesses, net of cash acquired | (3,602) | (1,983) | (380) |
| Purchases of marketable securities | (7,900) | (17,469) | (24,315) |
| Sales/maturities of marketable securities | 9,570 | 19,169 | 15,515 |
| Investment in and advances to affiliated companies | (3,083) | (2,665) | (1,285) |
| Dividends from affiliated companies | 1,247 | -- | -- |
| Net cash flow from discontinued operations | 4,375 | 2,000 | 22,500 |
| Other, net | (856) | (162) | (62) |
| Net cash provided by (used in) investing activities | 2,762 | (30,463) | (65,109) |
| Financing Activities | | | |
| Payments on long-term debt | (60,703) | (9,494) | (1,446) |
| Proceeds from issuance of long-term debt | -- | 7,650 | 14,197 |
| Increase in deferred debt expense | (563) | (334) | (3,107) |
| Proceeds from issuance of common stock | 532 | 2,781 | 3,096 |
| Repurchase and retirement of common stock | (307) | (2,269) | (1,515) |
| Dividends paid | (5,834) | (5,833) | (5,666) |
| Net cash (used in) provided by financing activities | (66,875) | (7,499) | 5,559 |
| (Decrease) increase in cash and cash equivalents | (2,503) | 5,874 | (6,535) |
| Cash and cash equivalents at beginning of year | 7,192 | 1,318 | 7,853 |
| Cash and cash equivalents at end of year | $ 4,689 | $ 7,192 | $ 1,318 |
| Supplemental schedule of non-cash investing activities: | | | |
| Net assets contributed to PPG Auto Glass, LLC (see Note 5) | $ 30,359 | $ -- | $ -- |

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1 Summary of Significant Accounting Policies and Related Data

Basis of Consolidation. The consolidated financial statements include the accounts of Apogee and all majority-owned subsidiaries (the Company). As explained in Note 11, the Company's curtainwall contracting and detention/security contracting businesses are reported as discontinued operations, along with the Company's interest in VIS'N Service Corporation. The equity method is used to account for the Company's joint ventures. Intercompany transactions have been eliminated in consolidation. Certain amounts from prior-years' financial statements have been reclassified to conform with this year's presentation.

Cash and Cash Equivalents. Investments with an original maturity of three months or less are included in cash and cash equivalents.

Inventories. Inventories, which consist primarily of purchased glass and aluminum, are valued at the lower of cost or market. Approximately 93% of the inventories are valued by use of the last-in, first-out (LIFO) method, which does not exceed market. If the first-in, first-out (FIFO) method had been used, inventories would have been $3,135,000 and $3,127,000 higher than reported at March 3, 2001, and February 26, 2000, respectively.

Property, Plant and Equipment. Property, plant and equipment are carried at cost. Significant improvements and renewals are capitalized. Repairs and maintenance are charged to expense as incurred. Depreciation is computed on a straight-line basis, based on estimated useful lives of 20 to 40 years for buildings and 2 to 15 years for equipment.

Intangible Assets and Amortization. Intangible assets consist principally of the excess of cost over the fair value of net assets acquired (goodwill) and are amortized on a straight-line basis, primarily over 40 years. Amortization expense amounted to $2,370,000, $2,287,000 and $2,060,000 in 2001, 2000 and 1999, respectively.

Long-Lived Assets. The carrying value of long-lived assets such as property, plant and equipment and intangible assets is reviewed when circumstances suggest that the assets have been impaired. If this review indicates that the long-lived assets will not be recoverable based on the estimated undiscounted cash flows over the remaining amortization period, the carrying value of such assets must be reduced to estimated fair value. The Company has assets at a net book value of $14 million associated with a portion of an Enterprise Resource Planning (ERP) project, the majority of which is in service and is being amortized. In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, the Company will continue to monitor the viability of this investment.

Insurance Subsidiary. Prism Assurance, Inc. (Prism) is a wholly owned insurance subsidiary that insures the Company's workers' compensation, general liability and automobile liability risks. Prism invests in fixed maturity investments which are classified as "available for sale" and are carried at market value as prescribed by SFAS No. 115. Reserve requirements are established based on actuarial projections of ultimate losses. Apogee also has accruals for losses incurred prior to Prism's formation (1996). Losses estimated to be paid within 12 months are classified as accrued expenses, while losses expected to be payable in later periods are included in other long-term liabilities.

Revenue Recognition. The Company recognizes revenue from construction contracts on a percentage-of-completion basis, measured by the percentage of costs incurred to date to estimated total costs for each contract. Contract costs include materials, labor and other direct costs related to contract performance. Provisions are established for estimated losses, if any, on uncompleted contracts in the period in which such losses are determined. Amounts representing contract change orders, claims or other items are included in sales only when they have been approved by customers. Revenue from the sale of products or services provided and the related cost of sales are recorded upon shipment or as services are rendered.

Income Taxes. The Company accounts for income taxes as prescribed by SFAS No. 109, which requires use of the asset and liability method. This method recognizes deferred tax assets and liabilities based upon the future tax consequences of temporary differences between financial and tax reporting.



Foreign Operations. The financial statements of foreign operations have been translated to U.S. dollars, using the rules of SFAS No. 52. Balance sheet accounts are stated in U.S. dollars, generally at the year-end exchange rate. Results of operations are translated at average exchange rates for the respective period.

The Company may periodically enter into forward currency exchange contracts to manage specific foreign currency exposures related to foreign construction contracts, receivables and bank borrowings denominated in foreign currencies. As of March 3, 2001, there were no forward contracts outstanding as the Company had no material foreign currency exchange exposure. Gains and losses on forward contracts related to receivables are recognized currently, while gains and losses related to construction projects are deferred and accounted for as a part of the related transaction.

Accounting Period. Apogee's fiscal year ends on the Saturday closest to February 28. Fiscal year 2001 consisted of fifty-three weeks, while fiscal 2000 and 1999 each consisted of fifty-two weeks.

Accounting Estimates. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of net sales and expenses during the reporting period. Amounts subject to significant estimates and assumptions include, but are not limited to, insurance reserves, reserves related to discontinued operations, and net sales recognition for construction contracts, including the status of outstanding disputes and claims. Actual results could differ from those estimates.

New Accounting Standards. The Financial Accounting Standards Board (FASB) issued SFAS No. 133 regarding accounting for derivative instruments and hedging activities. SFAS No. 133, as amended by SFAS No. 137 and No. 138, establishes accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet either as an asset or liability measured at fair value. SFAS No. 133 requires changes in the derivative's fair value to be recognized in earnings or, for derivatives that hedge market risk related to future cash flows, in accumulated other comprehensive income, unless specific hedge accounting criteria are met. The Company adopted SFAS No. 133 on March 4, 2001, which resulted in the Company recording the fair value of the interest rate swaps described in Note 6 as a liability with an offsetting adjustment to other comprehensive earnings.

## 2 Working Capital

Receivables

| (In thousands) | 2001 | 2000 |
|---|---|---|
| Trade accounts | $ 102,171 | $ 110,704 |
| Construction contracts | 16,819 | 15,550 |
| Contract retainage | 6,334 | 5,212 |
| Other receivables | 5,079 | 4,138 |
| Total receivables | 130,403 | 135,604 |
| Less allowance for doubtful accounts | (8,942) | (10,540) |
| Net receivables | $ 121,461 | $ 125,064 |

The Company provides products and services to the commercial and institutional new construction and remodeling markets, the automotive replacement glass market and selected consumer markets. There is no concentration of credit risk due to the diversity of the markets, channels of distribution, and the geographic location of customers. Allowances are maintained for potential credit losses and such losses have been within management's expectations.



| Inventories (In thousands) | 2001 | 2000 |
| --- | --- | --- |
| Raw materials | $20,124 | $18,966 |
| Work-in-process | 6,259 | 4,995 |
| Finished goods | 12,406 | 43,439 |
| Costs and earnings in excess of Billings on uncompleted contracts | 1,645 | 784 |
| Total inventories | $40,434 | $68,184 |

| Accrued Expenses (In thousands) | 2001 | 2000 |
| --- | --- | --- |
| Payroll and related benefits | $24,077 | $21,770 |
| Insurance | 9,928 | 10,529 |
| Taxes, other than income taxes | 3,927 | 4,802 |
| Pension | 4,777 | 4,685 |
| Interest | 1,048 | 630 |
| Other | 13,814 | 14,208 |
| Total accrued expenses | $57,571 | $56,624 |

3 Property, Plant and Equipment

| (In thousands) | 2001 | 2000 |
| --- | --- | --- |
| Land | $ 5,408 | $ 3,964 |
| Buildings and improvements | 89,787 | 91,042 |
| Machinery and equipment | 139,290 | 153,186 |
| Office equipment and furniture | 60,627 | 63,472 |
| Construction-in-progress | 8,656 | 22,684 |
| Total property, plant and equipment | 303,768 | 334,348 |
| Less accumulated depreciation | (156,175) | (148,309) |
| Net property, plant and equipment | $ 147,593 | $ 186,039 |

Depreciation expense was $31,859,000, $30,732,000 and $23,738,000 in 2001, 2000 and 1999, respectively.

4 Marketable Securities

Prism invests in fixed maturity investments classified as "available for sale" and carried at market value as prescribed by SFAS No. 115. Unrealized gains and losses are reported in a separate component of shareholders' equity, net of income taxes, until the investments are sold. The amortized cost, gross unrealized gains and losses and estimated fair values of investments available for sale at March 3, 2001 and February 26, 2000 are as follows:

| Gross | Gross | Estimated |
| --- | --- | --- |

| (in thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Market Value |
|---|---|---|---|---|
| March 3, 2001 | | | | |
| U.S. Treasury Notes | $ 3,464 | $ 82 | $ -- | $ 3,546 |
| Municipal bonds | 20,282 | 675 | (52) | 20,905 |
| Total investments | $ 23,746 | $757 | $ (52) | $ 24,451 |
| February 26, 2000 | | | | |
| U.S. Treasury Notes | $ 5,466 | $ -- | $(248) | $ 5,218 |
| Municipal bonds | 19,947 | 40 | (254) | 19,733 |
| Total investments | $ 25,413 | $ 40 | $(502) | $ 24,951 |



The amortized cost and estimated fair values of investments at March 3, 2001 by contractual maturity are shown below. Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| (in thousands) | Amortized Cost | Estimated Market Value |
|---|---|---|
| Due within one year | $ 1,507 | $ 1,514 |
| Due after one year through five years | 10,694 | 10,915 |
| Due after five years through ten years | 3,784 | 4,004 |
| Due after ten years through fifteen years | 2,636 | 2,756 |
| Due beyond fifteen years | 5,125 | 5,262 |
| Total | $23,746 | $24,451 |

Gross realized gains of $30,000, $15,000 and $120,000 and gross realized losses of $94,000, $536,000 and $0 were recognized in fiscal 2001, 2000 and 1999, respectively, and are included in interest expense, net in the accompanying Consolidated Results of Operations.

5 Investments

The Company has acquired through joint venture, investments that are accounted for by the equity method. The nature and extent of these investments change over time.

On July 29, 2000, the Company and PPG Industries combined their U.S. automotive replacement glass distribution businesses in a new entity, PPG Auto Glass, LLC (PPG Auto Glass) of which the Company has a 34 percent interest. On March 3, 2001, the Company's investment in PPG Auto Glass was $32.2 million, of which $7.6 million represents the unamortized excess of the cost of the investment over the value of the underlying net tangible assets when the joint venture was formed. This excess is being amortized over a life of 20 years.

The Company's investment in TerraSun LLC relates to a research and development joint venture of which the Company has a 50 percent interest.

6 Long-Term Debt

| (In thousands) | 2001 | 2000 |
|---|---|---|
| Borrowings under revolving credit agreement, interest ranging from | | |

| | | |
|---|---|---|
| 6.38% to 8.38% | $ 96,000 | $156,500 |
| Other | 8,534 | 8,053 |
| Total long-term debt | 104,534 | 164,553 |
| Less current installments | (328) | (182) |
| Net long-term debt | $104,206 | $164,371 |

Long-term debt maturities are as follows:

| Fiscal Year | (In thousands) |
|---|---|
| 2002 | $ 328 |
| 2003 | 328 |
| 2004 | 96,228 |
| 2005 | -- |
| 2006 | -- |
| Thereafter | 7,650 |
| Total | $104,534 |

In May 1998, the Company obtained a five-year, committed, secured credit facility in the amount of $275 million. This credit facility requires the Company to maintain minimum levels of net worth and certain financial ratios. The



total commitment of the credit facility was reduced by the sales price, net of taxes, of the sale of the detention/security business, resulting in a committed credit facility of $253 million as of February 26, 2000. The total commitment of the credit facility was again reduced in April 2000, resulting in a committed credit facility of $200 million as of March 3, 2001. The majority of the borrowings under the credit facility are made at a rate equal to three-month LIBOR (London Interbank Offered Rate) plus an applicable margin. The applicable margin is calculated based upon the Company's financial ratios. At March 3, 2001, the applicable margin was 1.5%. The Company's receivables, inventory, equipment and intangibles secure the credit facility. Based upon the Company's satisfaction of certain financial covenants during fiscal 2001, the Company has the right to cause this security interest to be released upon its request. At March 3, 2001, the Company was in compliance with all of the financial covenants of the credit facility.

Selected information related to bank borrowings is as follows:

| (In thousands, except percentages) | 2001 | 2000 |
|---|---|---|
| Average daily borrowings during the year | $136,284 | $174,869 |
| Maximum borrowings outstanding during the year | 156,800 | 195,300 |
| Weighted average interest rate during the year | 8.1% | 6.9% |

In 2000, the Company entered into an interest rate swap agreement that effectively converted $10 million of variable rate borrowings into a fixed rate obligation. Under this agreement, which expires in 2003, the Company receives payments at variable rates while making payments at a fixed rate of 7.21%. In 1999, the Company entered into an interest rate swap agreement that effectively converted $25 million of variable rate borrowings into a fixed rate obligation. Under this agreement, which expires in 2004, the Company receives payments at variable rates while making payments at a fixed rate of 7.125%. The net interest paid or received associated with these agreements is included in interest expense. The net present liability associated with these interest rate swap agreements was $1.8 million and $198,000 at March 3, 2001 and February 26, 2000, respectively.

7 Interest, Net

| (In thousands) | 2001 | 2000 | 1999 |
|---|---|---|---|
| Interest on debt | $ 12,610 | $11,939 | $10,898 |
| Other interest expense | 420 | 636 | 619 |
| Total interest expense | 13,030 | 12,575 | 11,517 |
| Less interest income | (1,908) | (2,216) | (2,023) |
| Interest expense, net | $ 11,122 | $10,359 | $ 9,494 |

Interest payments, including interest expense allocated to discontinued operations, were $12,262,000, $12,477,000 and $12,067,000 in 2001, 2000 and 1999, respectively.

8 Employee Benefit Plans

The Company maintains a qualified defined contribution pension plan that covers substantially all full-time, non-union employees. Contributions to the plan are based on a percentage of employees' base earnings. Deposits of the pension costs with the trustee are made annually. All pension costs were fully funded or accrued as of year-end. Contributions to the plan were $4,734,000, $4,920,000 and $4,209,000 in 2001, 2000 and 1999, respectively.

The Company also maintains a 401(k) savings plan, which allows employees to contribute 1% to 13% of their compensation. Apogee matches 30% of the first 6% of the employee contributions. Contributions to the plan were $1,967,000, $2,098,000 and $2,009,000 in 2001, 2000 and 1999, respectively.

9 Shareholders' Equity and Stock Option Plans

A class of 200,000 shares of junior preferred stock with a par value of $1.00 is authorized, but unissued.

The Company has a Shareholders' Rights Plan, under which each share of outstanding common stock has an associated preferred share purchase right. The rights are exercisable only under certain circumstances, including the



acquisition by a person or group of 10% of the outstanding shares of the Company's common stock. Upon exercise, the rights would allow holders of such rights to purchase common stock of Apogee or an acquiring company at a discounted price, which generally would be 50% of the respective stock's current fair market value.

The 1997 Stock Option Plan and 1987 Stock Option Plan (the "Plans") each provide for the issuance of up to 2,500,000 options to purchase Company stock. Options awarded under these Plans, either in the form of incentive stock options or nonstatutory options, are exercisable at an option price equal to the fair market value at the date of award. The 1987 Plan has expired and no new grants of stock options may be made under this Plan.

The 1987 Partnership Plan, a plan designed to increase the ownership of Apogee stock by key employees, allows participants selected by the Compensation Committee of the Board of Directors to use earned incentive compensation to purchase Apogee common stock. The purchased stock is then matched by an equal award of restricted stock, which vests over a predetermined period. Common shares of 3,200,000 are authorized for issuance under the Plan. As of March 3, 2001, 2,514,000 shares have been issued or committed under the Plan. The Company expensed $1,814,000, $786,000 and $1,926,000 in conjunction with the Partnership Plan in 2001, 2000 and 1999, respectively.

A summary of option transactions under the Plans for 2001, 2000 and 1999

follows:

| | Options Outstanding | | |
|---|---|---|---|
| | Number of Shares | Average Exercise Price | Option Price Range |
| Balances, February 28, 1998 | 1,484,000 | $ 12.53 | $ 4.48 - $25.00 |
| Options granted | 443,000 | 13.94 | 10.63 - 15.25 |
| Options exercised | (160,946) | 6.92 | 5.88 - 8.69 |
| Options canceled | (184,540) | 14.33 | 5.88 - 16.75 |
| Balances, February 27, 1999 | 1,581,514 | 13.27 | 4.48 - 25.00 |
| Options granted | 453,500 | 11.28 | 6.75 - 13.44 |
| Options exercised | (136,704) | 6.66 | 6.50 - 8.69 |
| Options canceled | (238,875) | 14.11 | 6.50 - 16.75 |
| Balances, February 26,2000 | 1,659,435 | 13.15 | 4.48 - 25.00 |
| Options granted | 728,100 | 4.80 | 3.75 - 5.81 |
| Options exercised | (1,250) | 4.19 | 4.19 - 4.19 |
| Options canceled | (274,507) | 10.28 | 3.97 - 17.75 |
| Balances, March 3, 2001 | 2,111,778 | $ 10.67 | $ 3.75 - $25.00 |

The following table summarizes information about stock options outstanding and exercisable at March 3, 2001:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Remaining Contractual Life | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
| $ 3.75- $ 5.00 | 563,370 | 8.9 years | $ 4.69 | 54,970 | $ 4.04 |
| 5.01- 12.50 | 647,288 | 6.9 years | 9.62 | 322,424 | 9.50 |
| 12.51- 25.00 | 901,120 | 5.7 years | 15.16 | 740,520 | 15.25 |
| | 2,111,778 | 6.9 years | $10.67 | 1,117,914 | $13.04 |

In accordance with the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation, no compensation cost has been recognized with respect to the Plans. Had compensation cost for the Plans been determined based on the fair value of the awards, the Company's net earnings (loss) and earnings (loss) per share would have been reduced to the pro forma amounts indicated below:



| (In thousands, except per share data) | 2001 | 2000 | 1999 |
|---|---|---|---|
| As reported: | | | |
| Net earnings | | | |
| Continuing operations | $13,361 | $ 3,071 | $20,245 |
| Discontinued operations | 1,641 | 9,104 | 4,988 |
| | $15,002 | $12,175 | $25,233 |
| Earnings per share - diluted | | | |
| Continuing operations | $ 0.48 | $ 0.11 | $ 0.73 |
| Discontinued operations | 0.06 | 0.33 | 0.18 |

| | | | |
|---|---|---|---|
| | $ 0.54 | $ 0.44 | $ 0.91 |
| Pro forma: | | | |
| Net earnings (loss) | | | |
| Continuing operations | $10,045 | $ (250) | $17,477 |
| Discontinued operations | 1,641 | 9,104 | 4,988 |
| | $11,686 | $ 8,854 | $22,465 |
| Earnings (loss) per share-diluted | | | |
| Continuing operations | $ 0.35 | $ (0.01) | $ 0.63 |
| Discontinued operations | 0.06 | 0.32 | 0.18 |
| | $ 0.41 | $ 0.32 | $ 0.81 |

The above pro forma amounts may not be representative of the effects on reported net earnings (loss) for future years. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999:

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| Dividend yield | 4.4% | 1.8% | 1.5% |
| Expected volatility | 60.5% | 62.4% | 38.0% |
| Risk-free interest rate | 7.5% | 4.8% | 6.0% |
| Expected lives | 10 years | 10 years | 10 years |

10 Income Taxes

The components of income tax expense (benefit) related to continuing operations for each of the last three fiscal years are as follows:

| (In thousands) | 2001 | 2000 | 1999 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 3,642 | $ 6,229 | $ 8,267 |
| State and local | 402 | 466 | 1,175 |
| Total current | $ 4,044 | $ 6,695 | $ 9,442 |
| Deferred: | | | |
| Federal | $ 4,282 | $(3,453) | $ 2,414 |
| State and local | 550 | (71) | 333 |
| Total deferred | $ 4,832 | $(3,524) | $ 2,747 |
| Total income tax expense | $ 8,876 | $ 3,171 | $12,189 |

Income tax payments, net of refunds, were $4,463,000, $8,508,000, and $2,090,000 in 2001, 2000, and 1999, respectively.

The differences between statutory federal tax rates and consolidated effective tax rates are as follows:



| | 2001 | 2000 | 1999 |
|---|---|---|---|
| Statutory federal tax rate | 35.0% | 35.0% | 35.0% |

| | | | |
|---|---|---|---|
| State and local income taxes, net of federal tax benefit | 2.8 | 4.1 | 3.0 |
| Tax credits | (3.3) | (2.0) | (1.5) |
| Foreign sales corporation | (0.8) | (7.3) | (1.1) |
| Goodwill amortization | 1.8 | 6.4 | 1.0 |
| Meals and entertainment | 1.3 | 5.5 | 1.2 |
| Other, net (including changes in tax reserves and tax-exempt interest) | 3.1 | 9.1 | 0.0 |
| Consolidated effective tax rate | 39.9% | 50.8% | 37.6% |

Tax benefits for deductions associated with the 1987 Stock Option Plan and the 1987 Partnership Plan amounted to $236,000, $803,000 and $0 in 2001, 2000, and 1999, respectively. These benefits were added directly to additional paid-in capital and were not reflected in the determination of income tax expense.

Deferred tax assets and deferred tax liabilities at March 3, 2001 and February 26, 2000 are as follows:

| | 2001 | | 2000 | |
|---|---|---|---|---|
| (In thousands) | Current | Noncurrent | Current | Noncurrent |
| Accounts receivable | $ 3,457 | $ (183) | $ 3,628 | $ (369) |
| Accrued insurance | --- | 3,205 | --- | 2,837 |
| Deferred compensation | 37 | 6,208 | 37 | 7,837 |
| Restructuring reserve | --- | --- | 2,910 | --- |
| Inventory | 559 | 10 | 1,377 | 201 |
| Depreciation | --- | (2,816) | 143 | (6,156) |
| Employee benefit plans | (372) | --- | (1,899) | --- |
| Other | 1,173 | (4,817) | 2,239 | (1,492) |
| Deferred tax assets | $ 4,854 | $ 1,607 | $ 8,435 | $ 2,858 |

## 11 Discontinued Operations

During fiscal 2001, the Company completed the sale of substantially all of the assets of VIS'N Service Corporation (VIS'N), a non-auto glass focused, third-party administered claims processor, in two separate transactions. In fiscal 2000, Apogee's Board of Directors authorized the exit from the Company's interest in VIS'N. In fiscal 2000, the Company completed the sale of 100% of the stock of its large-scale domestic curtainwall business, Harmon, Ltd. In fiscal 1999, Apogee's Board of Directors authorized the divestiture of the detention/security operations and the Company executed the sale the business. Combined with the fiscal 1998 exit from international curtainwall operations, these transactions effectively remove the Company from the large-scale construction business and the third party administered claims processing business. Accordingly, these businesses are presented as discontinued operations in the consolidated financial statements and notes. Prior periods have been restated.

| (In thousands) | 2001 | 2000 | 1999 |
|---|---|---|---|
| Earnings from Operations of Discontinued Businesses | | | |
| Net sales | $ 2,750 | $ 28,331 | $ 168,739 |
| Earnings before income Taxes and minority interest* | 2,525 | 9,821 | 7,590 |
| Income tax expense | 884 | 717 | 2,837 |
| Minority interest | -- | -- | (235) |
| Earnings from operations, Net of income taxes | $ 1,641 | $ 9,104 | $ 4,988 |

* Includes net interest expense allocations (based on the ratio of net operating assets of discontinued operations to consolidated net assets) of

$0, $111,000 and $444,000 for 2001, 2000 and 1999, respectively.



The 2000 effective income tax rate of 7.3% on discontinued operations was due to a decrease in the valuation allowance resulting from the utilization of certain tax assets that were previously reserved for.

| (In thousands) | 2001 | 2000 |
|---|---|---|
| Net Liabilities of Discontinued Operations | | |
| Current assets | $ 629 | $ 3,983 |
| Property, plant and equipment, net | -- | 782 |
| Other assets | -- | 3,248 |
| Accrued liabilities | (21,485) | (29,286) |
| Net liabilities of discontinued operations | $ (20,856) | $ (21,273) |
| Less net current liabilities of discontinued operations | 2,578 | 2,907 |
| Net long term liabilities of discontinued operations | $ (18,278) | $ (18,366) |

In fiscal 1998, the Company recorded pre-tax charges of $96.1 million related to the international curtainwall operations. The charges included an amount for the estimated loss on disputed construction contracts in Europe, including the accrual of certain penalty amounts, and a provision for the accrual of legal and related costs associated with the resolution of legal proceedings related to organizational changes in the majority-owned European curtainwall unit. The charges also included amounts for severance and termination benefits for employees in France, Asia and the U.S., the write-down of property and equipment and other long-term assets to their estimated net salable value and other items such as lease termination costs. The charges also reflected the estimated costs associated with exiting the European operations, including the completion of certain remaining projects. In March 1998, the five operating companies comprising the European curtainwall operations filed for bankruptcy or commenced liquidation, effectively relinquishing control over those entities.

At March 3, 2001, accruals totaling $20.9 million represented the remaining estimated future cash outflows associated with the exit from discontinued operations. The majority of these cash expenditures are expected to be made within the next two to three years. The primary components of the accrual relate to the completion of certain construction projects, costs to exit VIS'N, legal costs and other costs associated with the proceedings noted above.

12 Acquisitions

In fiscal 2001, the Large-Scale Optical Technologies segment expanded its pre-framed art business by purchasing two high-end pre-framed art companies. The purchase price of these businesses was $3.6 million, including $2.9 million of goodwill.

In fiscal 2000, the Auto Glass segment purchased the assets of one distribution center. The purchase price of the acquisition was $2.0 million, including $596,000 recorded as goodwill.

During fiscal 1999, the Auto Glass segment purchased an 80% interest in an insurance claims and policy processing outsource company (VIS'N). The aggregate purchase price of the acquisition was $2.8 million. Goodwill of $3.4 million was recorded and liabilities of $1.4 million were assumed.

Unless noted, no liabilities were assumed in the above transactions. All of the above transactions were accounted for by the purchase method. Accordingly, the consolidated financial statements include the net assets and results of

operations from the dates of acquisition.

13 Leases

As of March 3, 2001, the Company was obligated under noncancelable operating leases for buildings and equipment. Certain leases provide for increased rentals based upon increases in real estate taxes or operating costs. Future minimum rental payments under noncancelable operating leases are:



| Fiscal Year | (In thousands) |
|---|---|
| 2002 | $12,747 |
| 2003 | 11,193 |
| 2004 | 10,145 |
| 2005 | 8,678 |
| 2006 | 6,116 |
| Thereafter | 10,379 |
| Total minimum payments | $59,258 |

Total rental expense was $21.8 million, $23.8 million and $24.5 million in 2001, 2000 and 1999, respectively.

During fiscal 2001 and 2000, the Company entered into agreements for the sale and leaseback of certain production equipment. The sale price of the equipment was $16.0 million and $13.4 million, respectively. The Company has a purchase option at projected future fair market value under the agreements. The leases are classified as operating leases in accordance with SFAS No. 13, Accounting for Leases.

A gain of $9.7 million has been deferred and is being recognized over the lease term. The unamortized portion of the deferred gain of $8.7 million is included in the balance sheet captions accrued expenses and other long-term liabilities. The average annual lease payment over the life of the lease is $4.5 million.

14 Commitments and Contingent Liabilities

At March 3, 2001, the Company had ongoing letters of credit related to its risk management programs, construction contracts and certain industrial development bonds. The total value of letters of credit under which the Company is obligated as of March 3, 2001 was approximately $16.4 million.

The Company has entered into a number of noncompete agreements, largely associated with acquisitons. As of March 3, 2001, future payment of $4.0 million were committed under such agreements.

The Company has been a party to various legal proceedings incidental to its normal operating activities. In particular, like others in the construction industry, the Company's construction businesses are routinely involved in various disputes and claims arising out of construction projects, sometimes involving significant monetary damages. Although it is impossible to predict the outcome of such proceedings, facts currently available indicate that no such claims will result in losses that would have a material adverse effect on the financial condition, results of operations, or cash flows of the Company.

15 Earnings Per Share

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

| (In thousands) | 2001 | 2000 | 1999 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Basic earnings per share - | | | |
| Weighted common shares Outstanding | 27,835 | 27,746 | 27,586 |
| Weighted common shares assumed Upon exercise of stock options | 63 | 48 | 176 |
| Diluted earnings per share - | | | |
| Weighted common shares and Potential common shares Outstanding | 27,898 | 27,794 | 27,762 |



16 Quarterly Data (Unaudited)

| (In thousands, except per share data) | Quarter First | Second | Third | Fourth |
|---|---|---|---|---|
| Fiscal 2001 | | | | |
| Net sales | $237,253 | $236,364 | $197,291 | $194,292 |
| Gross profit | 47,914 | 47,056 | 41,322 | 42,705 |
| Earnings from continuing operations | 2,020 | 4,200 | 2,962 | 4,179 |
| Earnings from discontinued operations | --- | --- | --- | 1,641 |
| Net earnings | 2,020 | 4,200 | 2,962 | 5,820 |
| Earnings per share - basic | | | | |
| From continuing operations | 0.07 | 0.15 | 0.11 | 0.15 |
| From discontinued operations | 0.00 | 0.00 | 0.00 | 0.06 |
| Net earnings | 0.07 | 0.15 | 0.11 | 0.21 |
| Earnings per share - diluted | | | | |
| From continuing operations | 0.07 | 0.15 | 0.11 | 0.15 |
| From discontinued operations | 0.00 | 0.00 | 0.00 | 0.06 |
| Net earnings | 0.07 | 0.15 | 0.11 | 0.21 |
| Fiscal 2000 | | | | |
| Net sales | $209,663 | $216,962 | $201,127 | $212,736 |
| Gross profit | 47,063 | 45,493 | 30,609 | 44,071 |
| Earnings (loss) from continuing operations | 4,787 | 5,309 | (4,982) | (2,043) |
| Earnings (loss) from discontinued operations | (217) | 8,732 | 2,004 | (1,415) |
| Net earnings (loss) | 4,570 | 14,041 | (2,978) | (3,458) |
| Earnings (loss) per share - basic | | | | |
| From continuing operations | 0.17 | 0.19 | (0.18) | (0.07) |
| From discontinued operations | (0.01) | 0.31 | 0.07 | (0.05) |
| Net earnings (loss) | 0.17 | 0.51 | (0.11) | (0.12) |
| Earnings (loss) per share - diluted | | | | |
| From continuing operations | 0.17 | 0.19 | (0.18) | (0.07) |
| From discontinued operations | (0.01) | 0.31 | 0.07 | (0.05) |
| Net earnings (loss) | 0.16 | 0.50 | (0.11) | (0.12) |

17 Business Segments Data

During fiscal 2001, the Company realigned its reporting segments to match the markets they serve in order to underscore the Company's growth potential and to reflect its changing business mix and focus. The segments are Architectural Products and Services (Architectural), Large-scale Optical Technologies (LSO) and Automotive Replacement Glass and Services (Auto Glass). The Architectural segment designs, engineers, fabricates and installs the walls of glass and windows comprising the outside skin of commercial and institutional buildings. The LSO segment develops and produces high technology glass that enhances the visual performance of products for the display, imaging and picture framing industries. The Auto Glass segment fabricates, repairs and replaces automobile windshields and windows. Prior periods have been restated to reflect these new segments.

| (In thousands) | 2001 | 2000 | 1999 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **Net Sales** | | | |
| Architectural | $ 441,466 | $ 394,104 | $ 349,968 |
| Large-scale optical | 90,768 | 69,934 | 58,669 |
| Auto glass | 333,311 | 377,499 | 380,524 |
| Intersegment elimination | (345) | (1,049) | (1,099) |
| Total | $ 865,200 | $ 840,488 | $ 788,062 |
| **Operating Income** | | | |
| Architectural | $ 27,393 | $ 20,513 | $ 23,501 |
| Large-scale optical | 4,571 | (540) | 2,477 |
| Auto glass | 1,429 | 184 | 18,399 |



| | | | |
|---|---|---|---|
| Corporate and other | (1,499) | (739) | (1,025) |
| Total | $ 31,894 | $ 19,418 | $ 43,352 |
| **Identifiable Assets** | | | |
| Architectural | $ 225,668 | $ 226,929 | $ 201,356 |
| Large-scale optical | 68,489 | 77,538 | 64,858 |
| Auto glass | 96,595 | 123,040 | 134,564 |
| Corporate and other | 41,927 | 53,647 | 65,611 |
| Total | $ 432,679 | $ 481,154 | $ 466,389 |
| **Capital Expenditures** | | | |
| Architectural | $ 6,257 | $ 23,382 | $ 54,384 |
| Large-scale optical | 2,677 | 17,254 | 16,057 |
| Auto glass | 5,922 | 3,918 | 5,359 |
| Corporate and other | (33) | (529) | 1,592 |
| Total | $ 14,823 | $ 44,025 | $ 77,392 |
| **Depreciation and Amortization** | | | |
| Architectural | $ 16,111 | $ 15,693 | $ 10,081 |
| Large-scale optical | 5,916 | 5,354 | 4,260 |
| Auto glass | 11,873 | 10,615 | 10,734 |
| Corporate and other | 329 | 1,357 | 723 |
| Total | $ 34,229 | $ 33,019 | $ 25,798 |

Apogee's export net sales are less than 10% of consolidated net sales. No single customer, including government agencies, accounts for 10% or more of consolidated net sales. Segment operating income is net sales less cost of sales and operating expenses. Operating income does not include provision for interest expense or income taxes. "Corporate and other" includes miscellaneous corporate activity not allocable to business segments.



SCHEDULE II

## APOGEE ENTERPRISES, INC. AND SUBSIDIARIES

### Valuation and Quantifying Accounts
(In thousands)

| | Balance at beginning of period | Charged to costs and expenses | Deductions from reserves (1) | Balance at end of period |
|---|---|---|---|---|
| For the year ended March 3, 2001: | | | | |
| Allowance for doubtful receivables | $10,540 | $1,638 | $3,236 | $ 8,942 |
| Inventory reserves | $ 5,178 | $5,857 | $8,942 | $ 2,093 |
| For the year ended February 26, 2000: | | | | |
| Allowance for doubtful receivables | $7,161 | $7,656 | $4,277 | $10,540 |
| Inventory reserves | $5,112 | $ 336 | $ 270 | $ 5,178 |
| For the year ended February 27, 1999: | | | | |
| Allowance for doubtful receivables | $5,372 | $1,408 | $(381) | $7,161 |
| Inventory reserves | $4,281 | $1,031 | $200 | $5,112 |

(1) Net of recoveries



EXHIBIT INDEX

Exhibit (3A) Restated Articles of Incorporation. Incorporated by reference to Exhibit 3A to Registrant's Annual Report on Form 10-K for year ended February 27, 1988.

Exhibit (3B) Restated By Laws of Apogee Enterprises, Inc. Incorporated by reference to Exhibit 3B to Registrant's Quarterly Report on Form 10-Q for the quarter ended May 30, 1998.

Exhibit (4A) Specimen certificate for shares of common stock of Apogee Enterprises, Inc. Incorporated by reference to Exhibit 4A to Registrant's Annual Report on Form 10-K for year ended February 29, 1992.

Exhibit (4B) Rights Agreement between Registrant and American Stock Transfer Co. dated October 19, 1990. Incorporated by reference to Registrant's Form 8-A on October 19, 1990.

Exhibit (4C) Amendment No. 1 to Rights Agreement, dated June 28, 1995, to the Rights Agreement between Registrant and American Stock Transfer Co. dated October 19, 1990. Incorporated by reference to Registrant's Form 8-A/A on June 28, 1995.

Exhibit (4D) Amendment No. 2 to Rights Agreement, dated February 22, 1999, to the Rights Agreement between Registrant and American Stock Transfer Co. dated October 19, 1990. Incorporated by reference to Registrant's Form 8-A/A on February 22, 1999.

Exhibit (4E) Amendment No. 3 to Rights Agreement, dated December 7, 1999, to the Rights Agreement between Registrant and American Stock Transfer Co. dated October 19, 1990. Incorporated by reference to Registrant's Form 8-A/A on December 7, 1999.

Exhibit (10A) Deferred Incentive Compensation Plan dated February 27, 1986 between Registrant and certain executive officers. Incorporated by reference to Exhibit 10N to Registrant's Annual Report on Form

10-K for year ended March 1, 1986.

Exhibit (10B)* Amended and Restated 1987 Apogee Enterprises, Inc. Partnership Plan. Incorporated by reference to Registrant's S-8 registration statement dated March 30, 1993.

Exhibit (10C)* Employment Agreement between Registrant and Richard Gould dated May 23, 1994. Incorporated by reference to Exhibit 10I to Registrant's Annual Report on Form 10-K for year ended February 25, 1995.

Exhibit (10D)* Amendment to Apogee Enterprises, Inc. Employment Agreement with Richard Gould dated July 7, 1998. Incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended November 28, 1998.

Exhibit (10E)* 1987 Apogee Enterprises, Inc. Stock Option Plan. Incorporated by reference to Registrant's S-8 registration statement dated July 18, 1990.

Exhibit (10F) Multi-Currency Credit Agreement dated as of May 21, 1998 between Apogee Enterprises, Inc. and banks party to the agreement, including related security, pledge, contribution and subsidiary guaranty agreements. Incorporated by reference to Exhibit 10G to Registrant's Annual Report on Form 10-K for year ended February 28, 1998.

Exhibit (10G) Amendment No. 1 to Credit Agreement, dated July 22, 1998.

Exhibit (10H) Conditional Waiver and Amendment No. 2 to Credit Agreement and Amendment to Certain Credit Documents, dated November 10, 1998.

Exhibit (10I) Waiver and Amendment No. 3 to Credit Agreement, dated September 14, 1999. Incorporated by reference to Exhibit 10 to Registrant's Quarterly Report on Form 10-Q for the quarter ended November 27, 1999.

Exhibit (10J) Conditional Waiver and Amendment No. 4 to Credit Agreement, dated April 12, 2000. Incorporated by reference to Exhibit 10 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 3, 2000.

Exhibit (10K)* 1997 Omnibus Stock Incentive Plan. Incorporated by reference to Exhibit A of Registrant's proxy statement for the 1997 Annual Meeting of Shareholders, filed May 16, 1997.

Exhibit (10L)* Resignation Agreement between Apogee Enterprises, Inc. and James L. Martineau. Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended November 28, 1998.

Exhibit (10M)* Apogee Enterprises, Inc. Officers' Supplemental Executive Retirement Plan. Incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended November 28, 1998.

Exhibit (10N)* First Amendment of Apogee Enterprises, Inc. Officers' Supplemental Executive Retirement Plan, dated May 11, 1999. Incorporated by reference to Exhibit 10J to Registrant's Annual Report on Form 10-K for the year ended February 27, 1999.

Exhibit (10O)* Apogee Enterprises, Inc. Executive Supplemental Plan. Incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended November 28, 1998.

Exhibit (10P)* Forms of Severance Agreement between the Company and certain

senior executive officers of the Company.

Exhibit (10Q) Stock Purchase Agreement dated November 10, 1998 between Apogee Enterprises, Inc. and CompuDyne Corporation. Incorporated by reference to Registrant's Current Report on Form 8-K filed November 10, 1998.

Exhibit (10R) Stock Purchase Agreement between the Company and CH Holdings, Inc. Incorporated by reference to Registrant's Current Report on Form 8-K filed on April 23, 1999.

Exhibit (10S)* Deferred Compensation Plan for Non-Employee Directors. Incorporated by reference to Exhibit A of the Registrant's proxy statement for the 1999 Annual Meeting of Shareholders, filed May 17, 1999.

Exhibit (10T) Contribution and Assumption Agreement dated June 13, 2000, among PPG Industries, the Company, certain subsidiaries of the Company and PPG Auto Glass. Incorporated by reference to Registrant's Current Report on Form 8-K filed on August 1, 2000.

Exhibit (10U) Limited Liability Company Agreement dated June 13, 2000, between PPG Industries and the Company. Incorporated by reference to Registrant's Current Report on Form 8-K filed on August 1, 2000.

Exhibit (21) Subsidiaries of the Registrant

Exhibit (23A) Consent of Arthur Andersen LLP

Exhibit (23B) Consent of KPMG LLP

Exhibit (99) Private Securities Litigation Reform Act of 1995 - Cautionary Statement

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

Exhibit 10G

# AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT NO. 1, dated as of July 22, 1998 (this "Amendment"), to the CREDIT AGREEMENT, dated as of May 21, 1998 (the "Credit Agreement"), among Apogee Enterprises, Inc., a Minnesota corporation (the "Borrower"), each of the lenders from time to time parties thereto (collectively, the "Lenders"), and The Bank of New York, as L/C Issuer, Administrative Agent for the Lenders and Swing Line Lender.

THE PARTIES hereby agree as follows:

Section 1. Amendments.

Pursuant to Section 11.05 of the Credit Agreement, the parties hereby agree to amend the Credit Agreement as follows:

(a) The definition of "Applicable Margin" in Section 1.01(c) of the Credit Agreement shall be amended to read in its entirety as follows:

"`Applicable Margin' means, at any date and with respect to each Loan, the applicable margin set forth below based upon the Debt/EBITDA Ratio as of such date (it being understood that measurement of the Debt/EBITDA as of any Measurement Date is sufficient for this purpose):

| | Applicable Margin | |
|---|---|---|
| Debt/EBITDA Ratio | ABR Loans | Eurodollar Loans |
| 4.00 or greater | 0.250% | 1.500% |
| 3.50 or greater, but less than 4.00 | 0.000 | 1.250 |
| 3.00 or greater, but less than 3.50 | 0.000 | 1.125 |
| 2.50 or greater, but less than 3.00 | 0.000 | 0.750 |
| 2.00 or greater, but less than 2.50 | 0.000 | 0.625 |
| Less than 2.00 | 0.000 | 0.500 |

Notwithstanding the foregoing:

(i) Prior to the date of final determination of EBITDA for the fiscal quarter of the Borrower to end on November 28, 1998, the Applicable Margin for Eurodollar Loans shall not be less than 1.125%; and

(ii) If the Subordinated Debt Transaction shall not have been completed on or prior to December 31, 1998, then the Applicable Margin shall be 0.250% per annum above the rate otherwise determined until the Security Release Date."

(b) Section 3.07(a) of the Credit Agreement shall be amended to read in its entirety as follows:

"(a) The Commitment Fee. The Borrower agrees to pay to the Administrative Agent, for the respective accounts of the Lenders, on the last day of each calendar quarter of each year, commencing with the first such day after the Effective Date, and on the Commitment Termination Date, a fee (the "Commitment Fee") computed by applying (i) the applicable percentage per annum set forth below based on the Debt/EBITDA Ratio on each day during the then-ending quarter (or shorter period ending with the Commitment Termination Date) (it being understood that measurement of the Debt/EBITDA as of any Measurement Date is sufficient for this purpose) to (ii) the Available Commitment on such day:

| Debt/EBITDA Ratio | Commitment Fee Percentage Per Annum |
| --- | --- |
| 4.00 or greater | 0.350% |
| 3.50 or greater, but less than 4.00 | 0.300 |
| 3.00 or greater, but less than 3.50 | 0.250 |
| 2.50 or greater, but less than 3.00 | 0.225 |
| 2.00 or greater, but less than 2.50 | 0.175 |
| Less than 2.00 | 0.125 |

Prior to the date of final determination of EBITDA for the fiscal quarter of the Borrower to end on November 28, 1998, the Commitment Fee percentage per annum shall not be less than 0.250%."

(c) Section 10.03(a) of the Credit Agreement shall be amended to read in its entirety as follows:

"Section 10.03 Assignments. (a) Any Lender may at any time assign to one or more financial institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement, and such Assignee shall assume such rights and obligations, pursuant to an instrument, in substantially the form of Exhibit F (an "Assignment and Acceptance"), executed by such Assignee and such transferor Lender, with (and subject to) the signed consent of the Borrower (which consent shall not be unreasonably withheld, provided that it shall not be unreasonable to withhold consent if such assignment would result in there being more than fifteen (15) Lenders (such number



to be increased to twenty (20) Lenders should the Subordinated Debt Transaction not be consummated within 135 days of the Effective Date)) and the Administrative Agent (which consent shall not be unreasonably withheld); provided that (i) the foregoing consent requirement shall not be applicable in the case of an assignment or other transfer by any Lender to an Eligible Affiliate of such Lender, to another Lender or to a Federal Reserve Bank, (ii) the aforementioned consent of the Borrower shall not be required if there shall have occurred an Event of Default that is continuing and (iii) a Lender may only make an assignment or other transfer of its Loans or Commitment in the minimum amount of $5,000,000 or integral multiples of $1,000,000 in excess thereof unless such Lender's Loans or Commitment is less than $5,000,000, in which case such Lender may only make an assignment or other transfer of all of its Loans or Commitment. Upon execution and delivery of an Assignment and Acceptance and payment by such Assignee to such transferring Lender of an amount equal to the purchase price agreed between such transferring Lender and such Assignee and payment by the transferring Lender or the Assignee of an assignment fee of $3,500 to the Administrative Agent, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such Assignment and Acceptance, and the transferring Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required."

Section 2. Miscellaneous.

(a) All capitalized terms not otherwise defined in this Amendment shall have the meanings ascribed to them in the Credit Agreement.

(b) All provisions in Article XI of the Credit Agreement shall apply to this Amendment with equal force and effect as if restated completely herein.

(c) Except as set forth in Section 1 hereof, the Credit Agreement shall remain in full force and effect without amendment, modification or waiver. Execution and delivery hereof by a Lender shall not preclude the exercise by such Lender of any rights under the Credit Agreement (as amended by Section 1 hereof).

(d) This Amendment shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such state.

(e) This Amendment shall be effective on the first date as of which a counterpart hereof has been executed and delivered to the Administrative Agent under the Credit Agreement by the Borrower and the Required Lenders under the Credit Agreement.

[THE NEXT PAGE IS THE SIGNATURE PAGE.]



IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

APOGEE ENTERPRISES, INC.

By: /s/Gary R. Johnson
--------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

THE BANK OF NEW YORK, as
Administrative Agent, L/C Issuer
and Swing Line Lender in the
Credit Agreement

By: /s/ Richard A. Raffetto
--------------------------------------
Name: Richard A. Raffetto
Title: Vice President

THE BANK OF NEW YORK, as
a Lender in the Credit Agreement

By: /s/ Richard A. Raffetto
--------------------------------------
Name: Richard A. Raffetto
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as
a Syndication Agent and as a Lender in
the Credit Agreement

By: /s/ Matthew A. Ross
--------------------------------------
Name: Matthew A. Ross
Title: Vice President

HARRIS TRUST AND SAVINGS BANK, as
a Documentation Agent and as a Lender in
the Credit Agreement

By: /s/ Catherine C. Ciolek
-------------------------------------
Name: Catherine C. Ciolek
Title: Vice President

Exhibit 10H

# CONDITIONAL WAIVER AND AMENDMENT NO. 2 TO CREDIT AGREEMENT AND AMENDMENT TO CERTAIN CREDIT DOCUMENTS

CONDITIONAL WAIVER AND AMENDMENT NO. 2, dated November 10, 1998 (this "Waiver and Amendment") to the CREDIT AGREEMENT, dated May 21, 1998 (the "Credit Agreement"), among Apogee Enterprises, Inc., a Minnesota corporation (the "Borrower"), each of the lenders from time to time parties thereto (collectively the "Lenders", including the Lenders parties to the original Credit Agreement and Lenders parties to the Credit Agreement by virtue of the Master Assignment and Acceptance, dated August 12, 1998 and effective August 14, 1998), and The Bank of New York, as L/C Issuer, Administrative Agent for the Lenders and Swing Line Lender, as such Credit Agreement was amended by AMENDMENT NO. 1, dated July 22, 1998 ("Amendment No. 1"). This Waiver and Amendment also amends certain other Credit Documents, dated May 21, 1998, indicated herein.

## RECITALS

A. The Borrower desires to sell the stock of certain of its Subsidiaries pursuant to an agreement with a certain third party.

B. The Credit Agreement, the Credit Documents and certain related agreements place certain restrictions on the Borrower's ability to sell such stock.

C. The Lenders desire to waive certain of these restrictions subject to certain conditions and amendments to the Credit Agreement.

D. The Borrower desires to agree to such conditions.

E. Consummation of the sale of such assets will require amendments to certain other Credit Documents related to the Credit Agreement.

F. In addition, the parties desire to make an additional amendment to the Credit Agreement related to assignment of commitments under the Credit Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

Section 1. Amendment to Provisions Relating to Assignments

Clause (iii) of the proviso at the end of the first sentence of Section 10.03(a) of the Credit Agreement, as amended by Amendment No. 1, shall be amended to read in its entirety as follows:

> "(iii) a Lender may only make an assignment or other transfer of its Loans or Commitment in the minimum amount of $5,000,000 or integral multiples of $500,000 in excess thereof unless such Lender's Loans or Commitment is less than $5,000,000, in which case such Lender may only make an assignment or other transfer of all of its Loans or Commitment."



Section 2. Amendment to Commitment Reduction Provisions

Section 2.03(b) of the Credit Agreement shall be amended to read in its entirety as follows:

"(b) Upon completion of the Subordinated Debt Transaction, the Total Commitment shall be reduced by an amount equal to the lesser of (i) the net proceeds thereof or (ii) the amount required to reduce the Total Commitment to $175,000,000."

Section 3. Waivers

(a) The Borrower represents that it has supplied to the Administrative Agent true and complete copies of the following documents related to the proposed sale by the Borrower of all of the issued and outstanding stock of certain wholly owned subsidiaries of the Borrower:

(i) Letter of Intent, dated August 18, 1998, between Compudyne Corporation ("Compudyne"), the Borrower, Norment Industries, Inc. ("Norment") and Norshield Corporation ("Norshield"); and

(ii) Draft of Stock Purchase Agreement, such draft dated November 5, 1998 (the "Draft Stock Purchase Agreement"), by and between the Borrower, as "Seller", and Compudyne Corporation, a Nevada corporation, as "Purchaser" ("Compudyne"), pursuant to which the Borrower intends to sell to Compudyne all of the issued and outstanding stock of Norment and Norshield for a purchase price of $22,500,000 (subject to certain adjustments described therein).

The parties hereto understand that this Waiver and Amendment is being executed and delivered prior to the execution of the Stock Purchase Agreement. This Waiver and Amendment shall become effective as of the date of execution of the definitive Stock Purchase Agreement; provided, that promptly upon execution thereof the Borrower shall have provided a copy of the executed Stock Purchase Agreement to the Administrative Agent and either (A) no material changes, additions, deletions or other modifications shall have been made to the Draft Stock Purchase Agreement, as reflected in the Stock Purchase Agreement, or (B) any material changes, additions, deletions or other modifications reflected in the Stock Purchase Agreement are acceptable to the Administrative Agent. The parties hereby agree that the term "Stock Purchase Agreement" as used in this Waiver and Amendment shall mean such definitive agreement, as approved by the Administrative Agent and as executed by the Borrower and Compudyne (including all exhibits, attachments, or schedules thereto).

The agreements listed in (i) and (ii) above, and the transactions described therein, shall sometimes be referred to herein as the "Subsidiary Sale" or the "Norment Subsidiary Sale". The wholly owned subsidiaries of the Borrower that are the subject of the Stock Purchase Agreement (Norment and Norshield) shall sometimes be referred to herein as the "Stock Sale Subsidiaries". The total purchase price (as it may be adjusted in accordance with the Stock Purchase Agreement, and including all escrow and other payments as consideration for the sale of the stock of the Stock Sale Subsidiaries) for the Subsidiary Sale, whether received in parts or in whole and whenever received, shall sometimes be referred to herein as the "Purchase Price" or the "Norment Purchase Price". The "Excluded Assets" referred to in the Stock Purchase Agreement shall be referred to herein as the "Excluded Assets".



(b) The parties agree that the Subsidiary Sale represents a "substantial part" of the assets or property of the Borrower and of the Stock Sale Subsidiaries within the meaning of Section 7.02(a) of the Credit Agreement.

(c) Pursuant to Section 11.05(a) of the Credit Agreement, the Lenders hereby waive the application to the Subsidiary Sale of (i) the restrictions contained in Section 7.02(a) of the Credit Agreement on sales of a substantial part of the assets or property of the Borrower or its Subsidiaries and (ii) the restrictions contained in Section 7.02(g) of the

Credit Agreement on disposal of stock of Subsidiaries, in each case subject to the conditions and amendments contained in this Waiver and Amendment. Anything herein or elsewhere to the contrary notwithstanding, such waivers are granted only insofar as necessary to permit the Subsidiary Sale.

Section 4. Conditions to Waivers

(a) In consideration of the grant of the waivers described in Section 3(c) to this Waiver and Amendment, the parties agree to the following amendments to the Credit Agreement:

(i) Amendments to Defined Terms of Credit Agreement.

(1) Section 1.01(c) of the Credit Agreement is amended to add the following terms:

"`Norment Purchase Price' shall mean the total purchase price (as it may be adjusted in accordance with the Stock Purchase Agreement by and between the Borrower and Compudyne Corporation relating to the Norment Subsidiary Sale in the form contemplated by that certain Conditional Waiver and Amendment No. 2 to Credit Agreement, dated November 10, 1998, related hereto, and including all escrow and other payments as consideration for the sale of the stock of the Subsidiaries the subject of such Stock Purchase Agreement, Norment Industries, Inc. and Norshield Corporation), net of any taxes incurred in connection with the receipt thereof, for the Norment Subsidiary Sale, whether received in parts or in whole and whenever received."

"`Norment Purchase Price Payment' shall have the meaning ascribed to such term in Section 2.05(d)(i) hereof."

"`Norment Subsidiary Sale' shall mean the sale of all of the issued and outstanding stock of Norment Industries, Inc. and Norshield Corporation, two Subsidiaries of the Borrower, pursuant to the Stock Purchase Agreement by and between the Borrower and Compudyne Corporation relating to such sale in the form contemplated by that certain Conditional Waiver and Amendment No. 2 to the Credit Agreement, dated November 10, 1998, related hereto."

(2) The parties agree that the term "Credit Documents" as used in the Credit Agreement and the other Credit Documents shall include this Waiver and Amendment.



(ii) Amendments to Section 2.05, "Prepayment", of Credit Agreement.

Section 2.05 of the Credit Agreement shall be amended to add the following subsections:

"(d) (i) If the Borrower or any of its Affiliates shall receive any payment of the Norment Purchase Price, in part or in whole (such payment, whether in part or in whole, a "Norment Purchase Price Payment"), at a time when the Total Commitment is greater than $175,000,000, then, immediately following receipt of such Norment Purchase Price Payment, (x) the Borrower shall prepay Loans and L/C Obligations in an amount equal to such Norment Purchase Price Payment and (y) the Total Commitment shall be reduced by an amount equal to such Norment Purchase Price Payment (but not to less than $175,000,000).

"(ii) If any Norment Purchase Price Payment shall occur at a

time when the Total Commitment is equal to or less than $175,000,000, then, immediately following receipt of such Norment Purchase Price Payment, the Borrower shall prepay Loans and L/C Obligations in an amount equal to such Norment Purchase Price Payment, but no reduction of the Total Commitment shall be required as a consequence thereof."

(b) Any payment of the then outstanding amount of Loans or L/C Obligations pursuant to Section 4(a) above shall be applied to such Loans or L/C Obligations in accordance with the procedures of the Credit Agreement. All reductions of the Total Commitment shall be permanent.

(c) To the extent that the conditions in Section 4(a) above are in conflict with any provisions of the Credit Agreement (including, but not limited to, the definition of "Commitment" in the Credit Agreement), the parties hereto agree that the provisions of Section 4(a) hereof shall, in accordance with Section 11.05 of the Credit Agreement, supersede such provisions of the Credit Agreement, but only to the extent necessary to effect the purpose of the waivers contained herein.

Section 5. Actions Necessary to Effect Waivers and Subsidiary Sale

Concurrently with the consummation of the Subsidiary Sale, and conditional thereupon, the following actions (a) through (e) shall be taken:

(a) Pledge Agreement.

(i) The Agent under the Pledge Agreement, dated May 21, 1998 and executed in connection with the Credit Agreement (the "Pledge Agreement"), shall return the Pledged Securities pertaining to the issued and outstanding stock of the Stock Sale Subsidiaries to the applicable Pledgor in the Pledge Agreement. Such Pledged Securities shall be returned as received (duly endorsed by the appropriate Pledgor in blank for transfer or accompanied by appropriate assignment(s) by the appropriate Pledgor or appropriate undated stock power(s) executed by



the appropriate Pledgor or other document sufficient to transfer title thereto).

(ii) The Pledged Securities returned pursuant to Section 5(a)(i) of this Waiver and Amendment, shall no longer be "Pledged Securities" or "Collateral" as defined in the Pledge Agreement, shall no longer be considered to appear on Schedule A to the Pledge Agreement and shall no longer be subject to any restrictions of the Pledge Agreement.

(iii) The Agent under the Pledge Agreement agrees to execute and deliver all such agreements, assignments, instruments and documents, including, but not limited to, any release documents under the Uniform Commercial Code (the "UCC"), and to do all such other things as the appropriate Pledgor deems reasonably necessary or appropriate to give effect to the actions or amendments described in Sections 5(a)(i) and 5(a)(ii) above and to remove the Agent's lien and security interest from the Pledged Securities of the Stock Sale Subsidiaries.

(iv) The Borrower (and Pledgor of the stock of the Stock Sale Subsidiaries) hereby reconfirms the covenants, agreements, representations and warranties made by it in the Pledge Agreement. In particular, should any of the Excluded Assets received by the Borrower from the Stock Sale Subsidiaries be placed into a new domestic Subsidiary, the Borrower agrees that the stock of such new domestic Subsidiary shall be considered "Additional Securities" pursuant to Section 2(b) of the Pledge Agreement and the Borrower hereby covenants, in accordance with Section 4(c) of the Pledge Agreement,

promptly to furnish to the Agent a duly completed and executed amendment to Schedule A to the Pledge Agreement in the form provided in Schedule B to the Pledge Agreement and promptly to deliver the stock certificate of such new domestic Subsidiary as "Pledged Securities" and "Collateral" in accordance with the Pledge Agreement.

(v) No party to this Waiver and Amendment intends this Waiver and Amendment to impair or otherwise affect in any way the lien and security interest granted pursuant to the Pledge Agreement on any of the Collateral described therein other than the stock and related assets of the Stock Sale Subsidiaries. No reference to this Waiver and Amendment need be made in any note, instrument or other document at any time referring to the Pledge Agreement -- any reference in any of such to the Pledge Agreement to be deemed to reference the Pledge Agreement as modified hereby. Except as specifically modified hereby, all the terms and conditions of the Pledge Agreement shall stand and remain unchanged and in full force and effect.

(b) Security Agreement.

(i) The parties to the Security Agreement, dated May 21, 1998 and executed in connection with the Credit Agreement (the "Security Agreement"),



hereby agree that the Stock Sale Subsidiaries shall no longer be "Debtors", as defined in the Security Agreement, and the assets of such Stock Sale Subsidiaries (other than the Excluded Assets) shall no longer be "Collateral", as defined in the Security Agreement.

(ii) The Collateral Agent in the Security Agreement shall take all reasonable actions necessary to effect the release described in Section 5(b)(i) of this Waiver and Amendment, including, but not limited to, execution and delivery of any agreements, instruments or other documents, including, but not limited to, UCC termination statements or other releases pertaining to the Collateral released under Section 5(b)(i) hereof.

(iii) To the extent that the Excluded Assets become assets of the Borrower or another Subsidiary, such Excluded Assets shall remain Collateral under the Security Agreement, pledged by the appropriate Debtor. To the extent that the Excluded Assets shall be placed by the Borrower into a new domestic Subsidiary, Borrower shall cause, in accordance with Section 13(f) of the Security Agreement, such new domestic Subsidiary to become a Debtor under the Security Agreement by executing and delivering an agreement in the form of Schedule C to the Security Agreement.

(iv) No party to this Waiver and Amendment intends this Waiver and Amendment to impair or otherwise affect in any way the lien and security interest of granted pursuant to the Security Agreement on any of the Collateral described therein other than the assets of the Stock Sale Subsidiaries. No reference to this Waiver and Amendment need be made in any note, instrument or other document at any time referring to the Security Agreement -- any reference in any of such to the Security Agreement to be deemed to reference the Security Agreement as modified hereby. Except as specifically modified hereby, all the terms and conditions of the Security Agreement shall stand and remain unchanged and in full force and effect.

(c) Subsidiary Guaranty.

(i) The parties to the Subsidiary Guaranty Agreement, dated May 21, 1998 and executed in connection with the Credit Agreement (the "Guaranty"), hereby agree that the Stock Sale Subsidiaries shall no

longer be Guarantors under the Guaranty and shall no longer be subject to the obligations thereunder.

(ii) To the extent that the Excluded Assets shall be placed by the Borrower into a new domestic Subsidiary, Borrower shall cause, in accordance with Section 10 of the Guaranty, such new domestic Subsidiary to become a Guarantor under the Guaranty by executing and delivering an agreement in the form of Exhibit A to the Guaranty.



(iii) No party to this Waiver and Amendment intends this Waiver and Amendment to impair or otherwise affect in any way the Guaranty by the Guarantors described therein, other than the Guaranty by the Stock Sale Subsidiaries. No reference to this Waiver and Amendment need be made in any note, instrument or other document at any time referring to the Guaranty -- any reference in any of such to the Guaranty to be deemed to reference the Guaranty as modified hereby. Except as specifically modified hereby, all the terms and conditions of the Guaranty shall stand and remain unchanged and in full force and effect.

(d) Contribution Agreement. The parties to the Contribution Agreement, dated May 21, 1998 and executed in connection with the Credit Agreement (the "Contribution Agreement"), hereby agree that the Stock Sale Subsidiaries shall no longer be deemed "Subsidiaries" or "Contributing Parties" under the Contribution Agreement.

(e) Credit Agreement. The parties hereto agree that the Stock Sale Subsidiaries shall no longer be deemed "Subsidiaries" under the Credit Agreement or any of the Credit Documents.

Section 6. Miscellaneous

(a) All capitalized terms not otherwise defined in this Waiver and Amendment shall have the meanings ascribed to them in the Credit Agreement or the Credit Documents.

(b) All provisions in Article XI of the Credit Agreement shall apply to this Waiver and Amendment with equal force and effect as if restated completely herein.

(c) Except as set forth in this Waiver and Amendment and Amendment No. 1, the Credit Agreement shall remain in full force and effect without amendment, modification or waiver. Execution and delivery hereof by a Lender shall not preclude the exercise by such Lender of any rights under any Credit Document (as amended or modified from time to time).

(d) In accordance with Section 11.05(b) of the Credit Agreement, except to the extent expressly set forth herein, the waivers contained in this Waiver and Amendment shall be effective only in the specific instance of the Subsidiary Sale described herein and for the specific purpose for which such waivers are given.

(e) This Waiver and Amendment shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such state.

(f) This Waiver and Amendment shall be effective on the first date as of which a counterpart hereof has been executed and delivered by the Borrower and all of the Lenders under the Credit Agreement to the Administrative Agent under the Credit Agreement.

[THE NEXT PAGE IS THE FIRST SIGNATURE PAGE.]



IN WITNESS WHEREOF, the parties hereto have caused this Waiver and Amendment to be duly executed as of the date first above written.

APOGEE ENTERPRISES, INC.

By: /s/ Gary R. Johnson
---------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary & Assistant Treasurer

THE BANK OF NEW YORK, as Administrative Agent, L/C Issuer and Swing Line Lender in the Credit Agreement

By: /s/ Richard A. Raffetto
---------------------------------------
Name: Richard A. Raffetto
Title: Vice President

LENDERS (and other Agents)
--------------------------

THE BANK OF NEW YORK, as a Lender in the Credit Agreement

By: /s/ Richard A. Raffetto
---------------------------------------
Name: Richard A. Raffetto
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as Syndication Agent and a Lender in the Credit Agreement

By: /s/ Matthew A. Ross
---------------------------------------
Name: Matthew A. Ross
Title: Vice President

HARRIS TRUST AND SAVINGS BANK, as Documentation Agent and a Lender in the Credit Agreement

By: /s/ Catherine C. Ciolek
---------------------------------------
Name: Catherine C. Ciolek
Title: Vice President



THE BANK OF NOVA SCOTIA, as Co-Agent and

a Lender in the Credit Agreement

By: /s/ M.D. Smith
-------------------------------------
Name: M.D. Smith
Title: Agent Operations

COMERICA BANK, as Co-Agent and a Lender in the Credit Agreement

By: /s/ Timothy O'Rourke
-------------------------------------
Name: Timothy O'Rourke
Title: Vice President

THE FUJI BANK, LIMITED, as a Lender in the Credit Agreement

By: /s/ Peter L. Chinnici
-------------------------------------
Name: Peter L. Chinnici
Title: Joint General Manager

THE SUMITOMO BANK, LIMITED, as a Lender in the Credit Agreement

By: /s/ John H. Kemper
-------------------------------------
Name: John H. Kemper
Title: Senior Vice President

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, as a Lender in the Credit Agreement

By: /s/ Molly S. Van Metre
-------------------------------------
Name: Molly S. Van Metre
Title: Vice President

REGIONS BANK, as a Lender in the Credit Agreement

By: /s/ Jim Schmaltz
-------------------------------------
Name: Jim Schmaltz
Title: Vice President



[PARTIES TO THE PLEDGE AGREEMENT]

PLEDGOR:
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APOGEE ENTERPRISES, INC., as Pledgor of the stock of Norment Industries, Inc. and Norshield Corporation

By: /s/ Gary R. Johnson
-------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary &

Assistant Treasurer

ACCEPTED BY:
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THE BANK OF NEW YORK, as Agent for the
Secured Creditors in the Pledge Agreement

By: /s/ Richard A. Raffetto
-------------------------------------
Name: Richard A. Raffetto
Title: Vice President



[PARTIES TO THE SECURITY AGREEMENT]

DEBTORS:

APOGEE ENTERPRISES, INC.

By: /s/ Gary R. Johnson
-------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

HARMON, INC.

By: /s/ Gary R. Johnson
-------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

VIRACON/CURVELITE, INC.

By: /s/ Gary R. Johnson
-------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

NORMENT INDUSTRIES, INC.

By: /s/ Gary R. Johnson
-------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

APOGEE WAUSAU GROUP, INC.

By: /s/ Gary R. Johnson
-------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

MILCO CONTRACTING, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer



THE GLASS DEPOT, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

THE GLASS DEPOT OF NY, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

NORSHIELD CORPORATION

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

VIRACON, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

VIRATEC THIN FILMS, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

TRU VUE, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

HARMON GLASS COMPANY

By: /s/ Gary R. Johnson
------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer



AMERICAN MANAGEMENT GROUP

By: /s/ Gary R. Johnson
------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

DOVER GLASS COMPANY

By: /s/ Gary R. Johnson
------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

HARMON, LTD.

By: /s/ Gary R. Johnson
------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary and
Assistant Treasurer

ACCEPTED BY:

THE BANK OF NEW YORK, as Agent for the
Secured Creditors in the Security
Agreement

By: /s/ Richard A. Raffetto
------------------------------------
Name: Richard A. Raffetto
Title: Vice President



[PARTIES TO THE SUBSIDIARY GUARANTY AGREEMENT]

GUARANTORS:

HARMON, INC.

By: /s/ Gary R. Johnson
------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary &

Assistant Treasurer

VIRACON/CURVELITE, INC.

By: /s/ Gary R. Johnson
-------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

NORMENT INDUSTRIES, INC.

By: /s/ Gary R. Johnson
-------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

APOGEE WAUSAU GROUP, INC.

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

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Assistant Treasurer

THE GLASS DEPOT, INC.

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer



THE GLASS DEPOT OF NY, INC.

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

NORSHIELD CORPORATION

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

VIRACON, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

VIRATEC THIN FILMS, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

TRU VUE, INC.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

HARMON GLASS COMPANY

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

AMERICAN MANAGEMENT GROUP

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer



DOVER GLASS COMPANY

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

HARMON, LTD.

By: /s/ Gary R. Johnson
---
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

ACCEPTED BY:

THE BANK OF NEW YORK, as Agent for the Guaranteed Creditors in the Subsidiary Guaranty Agreement

By: /s/ Richard A. Raffetto
Name: Richard A. Raffetto
Title: Vice President



[PARTIES TO THE CONTRIBUTION AGREEMENT]

CONTRIBUTING PARTIES:

APOGEE ENTERPRISES, INC.

By: /s/ Gary R. Johnson
Name: Gary R. Johnson
Title: Assistant Secretary & Assistant Treasurer

HARMON, INC.

By: /s/ Gary R. Johnson
Name: Gary R. Johnson
Title: Assistant Secretary & Assistant Treasurer

VIRACON/CURVELITE, INC.

By: /s/ Gary R. Johnson
Name: Gary R. Johnson
Title: Assistant Secretary & Assistant Treasurer

NORMENT INDUSTRIES, INC.

By: /s/ Gary R. Johnson
Name: Gary R. Johnson
Title: Assistant Secretary & Assistant Treasurer

APOGEE WAUSAU GROUP, INC.

By: /s/ Gary R. Johnson
Name: Gary R. Johnson
Title: Assistant Secretary & Assistant Treasurer

MILCO CONTRACTING, INC.

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
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THE GLASS DEPOT, INC.

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VIRACON, INC.

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Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

VIRATEC THIN FILMS, INC.

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
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TRU VUE, INC.

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
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HARMON GLASS COMPANY

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
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Assistant Treasurer



AMERICAN MANAGEMENT GROUP

By: /s/ Gary R. Johnson
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Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

DOVER GLASS COMPANY

By: /s/ Gary R. Johnson
---------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

HARMON, LTD.

By: /s/ Gary R. Johnson
---------------------------------------
Name: Gary R. Johnson
Title: Assistant Secretary &
Assistant Treasurer

Exhibit 10P

# SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT is made as of the ______ day of ___________, __________, between Apogee Enterprises, Inc., a Minnesota corporation, with its principal offices at Norwest Financial Center, 7900 Xerxes Avenue South, Suite 1800, Minneapolis, Minnesota 55431 (the "Company") and ____________ ("Executive"), residing at _______________________________.

W I T N E S S E T H   T H A T:

WHEREAS, this Agreement is intended to specify the financial arrangements that the Company will provide to Executive upon Executive's separation from employment with the Company and all subsidiaries of the Company (collectively, the "Apogee Entities") under any of the circumstances described herein; and

WHEREAS, this Agreement is entered into by the Company in the belief that it is in the best interests of the Company and its shareholders to provide stable conditions of employment for Executive notwithstanding the possibility, threat or occurrence of certain types of change in control, thereby enhancing the Company's ability to attract and retain highly qualified people.

NOW, THEREFORE, to assure the Company that it will have the continued dedication of Executive notwithstanding the possibility, threat or occurrence of a bid to take over control of the Company, and to induce Executive to remain in the employ of the Apogee Entities, and for other good and valuable consideration, the Company and Executive agree as follows:

1. Term of Agreement. The term of this Agreement shall commence on the date hereof as first written above and shall continue through December 31, 2000; provided that commencing on January 1, 2001 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Board of Directors of the Company (a majority of which, at such time, shall be composed of Continuing Directors) shall have authorized, by majority vote, management of the Company to give notice to Executive, and the Company shall have given such notice, that the Company does not wish to extend this Agreement; and provided, further, that, notwithstanding any such notice by the Company not to extend, this Agreement shall continue in effect for a period of 24 months beyond the term provided herein if a Change in Control (as defined in Section 3(i) hereof) shall have occurred during such term.

2. Termination of Employment

(i) Prior to a Change in Control. Prior to a Change in Control, any Apogee Entity may terminate Executive from employment with such Apogee Entity at will, with or without Cause (as defined in Section 3(iii) hereof), at any time. Executive's rights upon

termination of employment from all Apogee Entities prior to a Change in Control shall be governed by the employing Apogee Entity's standard employment termination policy applicable to Executive in effect at the time of termination.

(ii) After a Change in Control

(a) From and after the date of a Change in Control during the term of this Agreement, neither the Company nor the Apogee Entity then employing Executive shall terminate Executive from employment with the Company or any Apogee Entity except as provided in this Section 2(ii) or as a result of Executive's Disability (as defined in Section 3(iv)

hereof) or his death.

(b) From and after the date of a Change in Control during the term of this Agreement, the Company (or the other Apogee Entity then employing Executive) shall have the right to terminate Executive from employment with the Apogee Entities at any time during the term of this Agreement for Cause, by written notice to Executive, specifying the particulars of the conduct of Executive forming the basis for such termination, such notice to be effective on the 30th day following delivery thereof to Executive if Executive has not substantially cured the conduct identified in such notice.

(c) From and after the date of a Change in Control during the term of this Agreement: (I) the Company (or the other Apogee Entity then employing Executive) shall have the right to terminate Executive's employment without Cause, at any time; and (II) Executive shall, upon the occurrence of such a termination by the Company or such other Apogee Entity without Cause, or upon the voluntary termination of Executive's employment by Executive for Good Reason (as defined in Section 3(ii) hereof), or upon Executive's voluntary termination of his employment with the Company or such other Apogee Entity for any reason during the 30-consecutive-day period commencing on the first anniversary of the date on which the Change in Control shall have occurred and ending on the 30th day immediately following the first anniversary on which the Change in Control occurs, be entitled to receive the benefits provided in Section 4 hereof. Executive shall evidence a voluntary termination for Good Reason by written notice to the Company given within 60 days after the date of the occurrence of any event that Executive knows or should reasonably have known constitutes Good Reason for voluntary termination. Such notice need only identify Executive and set forth in reasonable detail the facts and circumstances claimed by Executive to constitute Good Reason.

3. Definitions

(i) A "Change in Control" shall mean:

(a) a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or successor



provision thereto, whether or not the Company is then subject to such reporting requirement including, without limitation, any of the following events:

(I) the consummation of any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of the Company's common stock immediately prior to the consolidation or merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger; or

(II) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company;

(b) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or

indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities;

(c) the Continuing Directors (as defined in Section 3(v) hereof) cease to constitute a majority of the Company's Board of Directors; or

(d) the majority of the Continuing Directors determine in their sole and absolute discretion that there has been a change in control of the Company.

(ii) "Good Reason" shall mean the occurrence of any of the following events, except for the occurrence of such an event in connection with the termination or reassignment of Executive's employment by the Company (or any other Apogee Entity then employing Executive) for Cause, for Disability or for death:

(a) the assignment to Executive of employment duties or responsibilities which are not of comparable responsibility and status as the employment duties and responsibilities held by Executive immediately prior to a Change in Control, or a change in Executive's titles or offices as in effect immediately prior to a Change in Control of the Company, or any removal of Executive from or any failure to reelect or reappoint Executive to any of such positions, except in connection with the termination of his employment for Disability, retirement or Cause, or as a result of Executive's death, or by Executive other than for Good Reason;

(b) a reduction by the Company (or any other Apogee Entity then employing Executive) in Executive's base salary as in effect immediately prior to a Change in Control or as the same may be increased from time to time during the term of this Agreement or the Company's (or any other Apogee Entity then employing Executive) failure to increase Executive's base salary (within 12 months of Executive's last increase



in base salary) after a Change in Control of the Company in an amount which at least equals, on a percentage basis, the average percentage increase in base salary for all executive officers of the Company effected during the preceding 12 months;

(c) any failure by the Company (or any other Apogee Entity then employing Executive) to continue in effect any incentive plan or arrangement (including, without limitation, any incentive compensation plan, long-term incentive plan, bonus or contingent bonus arrangements or credits, the right to receive performance awards, or similar incentive compensation benefits) in which Executive is participating, or is eligible to participate, at the time of a Change in Control of the Company (or any other plans or arrangements providing Executive with substantially similar benefits) or the taking of any action by the Company (or such other Apogee Entity), including an amendment or modification to any such plan or arrangement (except as may be required by applicable law), which would adversely affect Executive's participation in any such plan or arrangement;

(d) the Company's (or any other Apogee Entity then employing Executive) requiring Executive to be based anywhere other than within 50 miles of Executive's office location immediately prior to a Change in Control, except for requirements of temporary travel on the Company's business to an extent substantially consistent with Executive's business travel obligations immediately prior to a Change in Control;

(e) except to the extent otherwise required by applicable law,

the failure by the Company (or any other Apogee Entity then employing Executive) to continue in effect any benefit or compensation plan, stock ownership plan, stock purchase plan, bonus plan, life insurance plan, health-and-accident plan or disability plan in which Executive is participating or is eligible to participate immediately prior to a Change in Control (or plans providing Executive with substantially similar benefits), the taking of any action by the Company (or such other Apogee Entity) which would adversely affect Executive's participation in, or materially reduce Executive's benefits under, any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately prior to such Change in Control;

(f) the failure by the Company (or any other Apogee Entity then employing Executive) to provide Executive with the number of paid vacation days to which Executive is entitled immediately prior to such Change in Control in accordance with the Company's (or any other Apogee Entity's) vacation policy as then in effect;

(g) the failure by the Company to obtain, as specified in Section 5(i) hereof, an assumption of the obligations of the Company to perform this Agreement by any successor to the Company; or

(h) any material breach by the Company of this Agreement.

(iii) "Cause" shall mean termination by the Company (or any other Apogee Entity then employing Executive) of Executive's employment based upon (a) the willful and



continued failure by Executive substantially to perform his duties and obligations (other than any such failure resulting from his incapacity due to physical or mental illness or any such actual or anticipated failure resulting from Executive's termination for Good Reason) or (b) the willful engaging by Executive in misconduct which is materially injurious to the Company, monetarily or otherwise. For purposes of this Section 3(iii), no action or failure to act on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive in bad faith and without reasonable belief that his action or omission was in the best interests of the Company.

(iv) "Disability" shall mean any physical or mental condition which would qualify Executive for a disability benefit under any long-term disability plan maintained by the Company (or any other Apogee Entity then employing Executive) either before or after a Change in Control.

(v) "Continuing Director" shall mean any person who is a member of the Board of Directors of the Company, who is not an Acquiring Person (as hereinafter defined) or an Affiliate or Associate (as hereinafter defined) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (a) was a member of the Board of Directors on the date of this Agreement as first written above or (b) subsequently becomes a member of the Board of Directors, if such person's initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the Continuing Directors. For purposes of this Section 3(v): "Acquiring Person" shall mean any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who or which, together with all Affiliates and Associates of such person, is the Beneficial Owner of 10% or more of the shares of Common Stock of the Company then outstanding, but shall not include the Company, any subsidiary of the Company or any Executive benefit plan of the Company or of any subsidiary of the Company or any entity holding shares of Common Stock organized, appointed or established for, or pursuant to the terms of, any such plan; and "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

4. Benefits upon Termination under Section 2(ii)(c) After a Change in Control

(i) Upon the termination (voluntary or involuntary) of the employment of Executive pursuant to Section 2(ii)(c) hereof, Executive shall be entitled to receive the benefits specified in this Section 4. The amounts due to Executive under subparagraphs (a), (b), (c) or (d) of this Section 4(i) shall be paid to Executive not later than one business day prior to the date that the termination of Executive's employment becomes effective (the "Employment Termination Date"). All benefits to Executive pursuant to this Section 4(i) shall be subject to any applicable income, payroll or other taxes required by law to be withheld.

(a) The Company shall pay to Executive (x) the full base salary earned by him and unpaid through the date that the termination of Executive's employment becomes effective, at the rate in effect at the time written notice of termination (voluntary or involuntary) was given, (y) any amount earned by Executive as a bonus with respect to the fiscal year of the Company preceding the termination of his employment if such



bonus has not theretofore been paid to Executive, and (z) an amount representing credit for any vacation earned or accrued by him but not taken;

(b) In lieu of any further base salary payments to Executive for periods subsequent to the date that the termination of Executive's employment becomes effective, the Company shall pay as severance pay to Executive (a "Severance Payment") a lump-sum cash amount equal to the sum of:

(I) an amount equal to the bonus Executive earned with respect to the fiscal year of the Company preceding the termination of his employment, or Executive's maximum target bonus for the fiscal year in which the Employment Termination Date occurs, whichever is greater (the "Target Bonus"), multiplied by a fraction, the numerator of which is equal to the number of full months in the year Executive terminates employment that have elapsed at the Employment Termination Date, and the denominator of which is twelve (12), plus

(II) the sum of Executive's (A) annual base salary (as in effect in the month preceding the month in which the termination becomes effective or as in effect in the month preceding the Change in Control, whichever is higher) and (B) the Target Bonus;

(c) Notwithstanding any provision to the contrary in the Amended and Restated 1987 Apogee Enterprises, Inc. Partnership Plan (the "Partnership Plan") (or in any other agreement or plan in existence between the Company and Executive at the Employment Termination Date), any rights Executive may have at any time under the Partnership Plan and which are deferred at the time of the Employment Termination Date shall immediately become vested and the Company shall pay to Executive any amounts due or which have been promised under the Partnership Plan to Executive;

(d) The Company shall also pay to Executive all legal fees and expenses incurred by Executive as a result of such termination of employment (including all fees and expenses, if any, incurred by Executive in seeking to obtain or enforce any right or benefit provided to Executive by this Agreement whether by arbitration or otherwise);

(e) Notwithstanding any other agreement in existence between the Company and Executive at the Employment Termination Date, all stock options or shares of restricted stock owned or held by Executive or promised to be payable to Executive by the Company shall be immediately vested in Executive without further restriction and Executive shall be treated at that time as the unrestricted owner of such Company stock options and stock, subject to applicable constraints under federal and state securities laws; and

(f) Any and all contracts, agreements or arrangements between the Company and/or any other Apogee Entity and Executive prohibiting or restricting Executive from owning, operating, participating in, or providing employment or consulting services to, any business or company competitive with the Company or such other Apogee Entity at



any time or during any period after the Employment Termination Date, shall be deemed terminated and of no further force or effect as of the Employment Termination Date, to the extent, but only to the extent, such contracts, agreements or arrangements so prohibit or restrict Executive; provided that, the foregoing provision shall not constitute a license or right to use any proprietary information of the Company or such other Apogee Entity and shall in no way affect any such contracts, agreements or arrangements insofar as they relate to nondisclosure and nonuse of proprietary information of the Company or such other Apogee Entity notwithstanding the fact that such nondisclosure and nonuse may prohibit or restrict Executive in certain competitive activities.

(ii) Executive shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise. The amount of any payment or benefit provided in this Section 4 shall not be reduced by any compensation earned by Executive as a result of any employment by another employer.

(iii) Upon the occurrence of a Change in Control, the Company shall cause its independent auditors promptly to review, at the Company's sole expense, the applicability of Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") to the "Total Payments" (as defined in Section 4(iv) below) to be received by Executive. If such auditors determine that, after taking into account the provisions of Section 4(iv) hereof, any of the Total Payments would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties with respect to such tax (such excise tax, together with interest and penalties, are collectively referred to as the "Excise Tax"), then, in addition to any amounts payable under foregoing provisions of this Section 4, the Company shall pay an additional cash payment (a "Gross-Up Payment") within 30 days of such determination equal to the Excise Tax imposed on the Total Payments, including any Excise Tax or any other income taxes that may be imposed on such Gross-Up Payment. If no determination by the Company's auditors is made prior to the time a tax return reflecting the Total Payments is required to be filed by Executive, Executive will be entitled to receive a Gross-Up Payment calculated on the basis of the Total Payments reported by him in such tax return, within 30 days of the filing of such tax return. In all events, if any tax authority determines that a greater Excise Tax should be imposed on the Total Payments than is determined by the Company's independent auditors or reflected in Executive's tax return pursuant to this subparagraph (iii), Executive shall be entitled to receive the full Gross-Up Payment calculated on the basis of the amount of Excise Tax determined to be payable by such tax authority from the Company within 30 days of such determination.

(iv) As used herein, "Total Payments" shall mean, collectively, any payment or benefit received or to be received by Executive in connection with a Change in Control of the Company or termination of Executive's

employment (whether payable pursuant to the terms of this Agreement or any other plan, contract, agreement or arrangement with the Company, with any person whose actions result in a Change in Control of the Company or with any person constituting a member of an "affiliated group" as defined in Section 280G(d)(5) of the Code) with the Company or with any person whose actions result in a Change in Control of the Company. For purposes of calculating Total Payments, (a) no portion of the Total Payments the receipt or enjoyment of which Executive shall have effectively waived in writing prior to the date of payment of the Severance Payment shall be taken into account; (b) no portion of the



Total Payments shall be taken into account which in the opinion of tax counsel selected by the Company and acceptable to Executive does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code; (c) the value of any benefit provided by Section 4(i)(f) of this Agreement shall not be taken into account in computing Total Payments; and (d) the value of any other non-cash benefit or of any deferred cash payment included in the Total Payments shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. In case of uncertainty as to whether all or some portion of a payment is or is not payable to Executive under this Agreement, the Company shall initially make the payment to Executive, and Executive agrees to refund to the Company any amounts ultimately determined not to have been payable under the terms hereof.

5. Successors and Binding Agreement

(i) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as Executive would be entitled hereunder if Executive terminated his employment after a Change in Control for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Employment Termination Date. As used in this Agreement, "Company" shall mean the Company and any successor to its business and/or assets which executes and delivers the agreement provided for in this Section 5(i) or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(ii) This Agreement is personal to Executive, and Executive may not assign or transfer any part of his rights or duties hereunder, or any compensation due to him hereunder, to any other person. Notwithstanding the foregoing, this Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees.

6. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the Minneapolis-St. Paul metropolitan area, in accordance with the applicable rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. In the event that Executive engages counsel to arbitrate any dispute hereunder (which arbitration results in an award to Executive of any kind) or to enforce such an award, all costs and expenses incurred by Executive, including reasonable attorney's fees and expenses, with respect to such arbitration or enforcement thereof shall be reimbursed to Executive by the Company promptly upon Executive's submission of a request therefor.

7. Modification; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing



signed by Executive and such officer as may be specifically designated by the Board of Directors of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8. Notice. All notices, requests, demands and all other communications required or permitted by either party to the other party by this Agreement (including, without limitation, any notice of termination of employment and any notice of an intention to arbitrate) shall be in writing and shall be deemed to have been duly given when delivered personally or received by certified or registered mail, return receipt requested, postage prepaid, at the address of the other party, as first written above (directed to the attention of the Board of Directors and Corporate Secretary in the case of the Company). Either party hereto may change its address for purposes of this Section 8 by giving 15 days' prior notice to the other party hereto.

9. Severability. If any term or provision of this Agreement or the application hereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

10. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Governing Law. This Agreement has been executed and delivered in the State of Minnesota and shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota, including all matters of construction, validity and performance.

12. Effect of Agreement; Entire Agreement. The Company and Executive understand and agree that this Agreement is intended to reflect their agreement only with respect to payments and benefits upon termination in certain cases and is not intended to create any obligation on the part of either party to continue employment. This Agreement supersedes any and all other oral or written agreements or policies made relating to the subject matter hereof and constitutes the entire agreement of the parties relating to the subject matter hereof; provided that this Agreement shall not supersede or limit in any way Executive's rights under any benefit plan, program or arrangements in accordance with their terms.



IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its name by a duly authorized director and officer, and Executive has hereunto set his hand, all as of the date first written above.

APOGEE ENTERPRISES, INC.

By
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Russell Huffer
Its Chief Executive Officer and
President

EXECUTIVE

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SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT is made as of the _____ day of___________, __________, between Apogee Enterprises, Inc., a Minnesota corporation, with its principal offices at Norwest Financial Center, 7900 Xerxes Avenue South, Suite 1800, Minneapolis, Minnesota 55431 (the "Company") and __________________________________ ("Executive"), ____________________________________.

W I T N E S S E T H T H A T:

WHEREAS, this Agreement is intended to specify the financial arrangements that the Company will provide to Executive upon Executive's separation from employment with the Company and all subsidiaries of the Company (collectively, the "Apogee Entities") under any of the circumstances described herein; and

WHEREAS, this Agreement is entered into by the Company in the belief that it is in the best interests of the Company and its shareholders to provide stable conditions of employment for Executive notwithstanding the possibility, threat or occurrence of certain types of change in control, thereby enhancing the Company's ability to attract and retain highly qualified people.

NOW, THEREFORE, to assure the Company that it will have the continued dedication of Executive notwithstanding the possibility, threat or occurrence of a bid to take over control of the Company, and to induce Executive to remain in the employ of the Apogee Entities, and for other good and valuable consideration, the Company and Executive agree as follows:

1. Term of Agreement. The term of this Agreement shall commence on the date hereof as first written above and shall continue through December 31, 2000; provided that commencing on January 1, 2001 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Board of Directors of the Company (a majority of which, at such time, shall be composed of Continuing Directors) shall have authorized, by majority vote, management of the Company to give notice to Executive, and the Company shall have given such notice, that the Company does not wish to extend this Agreement; and provided, further, that, notwithstanding any such notice by the Company not to extend, this Agreement shall continue in effect for a period of 24 months beyond the term provided herein if a Change in Control (as defined in Section 3(i) hereof) shall have occurred during such term.

2. Termination of Employment

(i) Prior to a Change in Control. Prior to a Change in Control, any Apogee Entity may terminate Executive from employment with such Apogee Entity at will, with or without Cause (as defined in Section 3(iii) hereof), at any time. Executive's rights upon termination of employment from all Apogee Entities prior to a Change in Control shall be

governed by the employing Apogee Entity's standard employment termination policy applicable to Executive in effect at the time of termination.

(ii) After a Change in Control

(a) From and after the date of a Change in Control during the term of this Agreement, neither the Company nor the Apogee Entity then employing Executive shall terminate Executive from employment with the Company or any Apogee Entity except as provided in this Section 2(ii) or as a result of Executive's Disability (as defined in Section 3(iv) hereof) or his death.

(b) From and after the date of a Change in Control during the term of this Agreement, the Company (or the other Apogee Entity then employing Executive) shall have the right to terminate Executive from employment with the Apogee Entities at any time during the term of this Agreement for Cause, by written notice to Executive, specifying the particulars of the conduct of Executive forming the basis for such termination, such notice to be effective on the 30th day following delivery thereof to Executive if Executive has not substantially cured the conduct identified in such notice.

(c) From and after the date of a Change in Control during the term of this Agreement: (I) the Company (or the other Apogee Entity then employing Executive) shall have the right to terminate Executive's employment without Cause, at any time; and (II) Executive shall, upon the occurrence of such a termination by the Company or such other Apogee Entity without Cause, or upon the voluntary termination of Executive's employment by Executive for Good Reason (as defined in Section 3(ii) hereof), or upon Executive's voluntary termination of his employment with the Company or such other Apogee Entity for any reason during the 30-consecutive-day period commencing on the first anniversary of the date on which the Change in Control shall have occurred and ending on the 30th day immediately following the first anniversary on which the Change in Control occurs, be entitled to receive the benefits provided in Section 4 hereof. Executive shall evidence a voluntary termination for Good Reason by written notice to the Company given within 60 days after the date of the occurrence of any event that Executive knows or should reasonably have known constitutes Good Reason for voluntary termination. Such notice need only identify Executive and set forth in reasonable detail the facts and circumstances claimed by Executive to constitute Good Reason.

3. Definitions

(i) A "Change in Control" shall mean:

(a) a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or successor provision thereto, whether or not the Company is then subject to such reporting requirement including, without limitation, any of the following events:



(I) the consummation of any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's common stock would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of the Company's common stock immediately prior to the consolidation or merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger; or

(II) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company;

(b) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities;

(c) the Continuing Directors (as defined in Section 3(v) hereof) cease to constitute a majority of the Company's Board of Directors; or

(d) the majority of the Continuing Directors determine in their sole and absolute discretion that there has been a change in control of the Company.

(ii) "Good Reason" shall mean the occurrence of any of the following events, except for the occurrence of such an event in connection with the termination or reassignment of Executive's employment by the Company (or any other Apogee Entity then employing Executive) for Cause, for Disability or for death:

(a) the assignment to Executive of employment duties or responsibilities which are not of comparable responsibility and status as the employment duties and responsibilities held by Executive immediately prior to a Change in Control, or a change in Executive's titles or offices as in effect immediately prior to a Change in Control of the Company, or any removal of Executive from or any failure to reelect or reappoint Executive to any of such positions, except in connection with the termination of his employment for Disability, retirement or Cause, or as a result of Executive's death, or by Executive other than for Good Reason;

(b) a reduction by the Company (or any other Apogee Entity then employing Executive) in Executive's base salary as in effect immediately prior to a Change in Control or as the same may be increased from time to time during the term of this Agreement or the Company's (or any other Apogee Entity then employing Executive) failure to increase Executive's base salary (within 12 months of Executive's last increase in base salary) after a Change in Control of the Company in an amount which at least



equals, on a percentage basis, the average percentage increase in base salary for all executive officers of the Company effected during the preceding 12 months;

(c) any failure by the Company (or any other Apogee Entity then employing Executive) to continue in effect any incentive plan or arrangement (including, without limitation, any incentive compensation plan, long-term incentive plan, bonus or contingent bonus arrangements or credits, the right to receive performance awards, or similar incentive compensation benefits) in which Executive is participating, or is eligible to participate, at the time of a Change in Control of the Company (or any other plans or arrangements providing Executive with substantially similar benefits) or the taking of any action by the Company (or such other Apogee Entity), including an amendment or modification to any such plan or arrangement (except as may be required by applicable law), which would adversely affect Executive's participation in any such plan or arrangement;

(d) the Company's (or any other Apogee Entity then employing

Executive) requiring Executive to be based anywhere other than within 50 miles of Executive's office location immediately prior to a Change in Control, except for requirements of temporary travel on the Company's business to an extent substantially consistent with Executive's business travel obligations immediately prior to a Change in Control;

(e) except to the extent otherwise required by applicable law, the failure by the Company (or any other Apogee Entity then employing Executive) to continue in effect any benefit or compensation plan, stock ownership plan, stock purchase plan, bonus plan, life insurance plan, health-and-accident plan or disability plan in which Executive is participating or is eligible to participate immediately prior to a Change in Control (or plans providing Executive with substantially similar benefits), the taking of any action by the Company (or such other Apogee Entity) which would adversely affect Executive's participation in, or materially reduce Executive's benefits under, any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately prior to such Change in Control;

(f) the failure by the Company (or any other Apogee Entity then employing Executive) to provide Executive with the number of paid vacation days to which Executive is entitled immediately prior to such Change in Control in accordance with the Company's (or any other Apogee Entity's) vacation policy as then in effect;

(g) the failure by the Company to obtain, as specified in Section 5(i) hereof, an assumption of the obligations of the Company to perform this Agreement by any successor to the Company; or

(h) any material breach by the Company of this Agreement.

(iii) "Cause" shall mean termination by the Company (or any other Apogee Entity then employing Executive) of Executive's employment based upon (a) the willful and continued failure by Executive substantially to perform his duties and obligations (other than any



such failure resulting from his incapacity due to physical or mental illness or any such actual or anticipated failure resulting from Executive's termination for Good Reason) or (b) the willful engaging by Executive in misconduct which is materially injurious to the Company, monetarily or otherwise. For purposes of this Section 3(iii), no action or failure to act on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive in bad faith and without reasonable belief that his action or omission was in the best interests of the Company.

(iv) "Disability" shall mean any physical or mental condition which would qualify Executive for a disability benefit under any long-term disability plan maintained by the Company (or any other Apogee Entity then employing Executive) either before or after a Change in Control.

(v) "Continuing Director" shall mean any person who is a member of the Board of Directors of the Company, who is not an Acquiring Person (as hereinafter defined) or an Affiliate or Associate (as hereinafter defined) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (a) was a member of the Board of Directors on the date of this Agreement as first written above or (b) subsequently becomes a member of the Board of Directors, if such person's initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the Continuing Directors. For purposes of this Section 3(v): "Acquiring Person" shall mean any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who or which, together with all Affiliates and Associates of such person, is the Beneficial Owner of 10% or more of the shares of Common Stock of the Company then outstanding, but shall not

include the Company, any subsidiary of the Company or any Executive benefit plan of the Company or of any subsidiary of the Company or any entity holding shares of Common Stock organized, appointed or established for, or pursuant to the terms of, any such plan; and "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

4. Benefits upon Termination under Section 2(ii)(c) After a Change in Control

(i) Upon the termination (voluntary or involuntary) of the employment of Executive pursuant to Section 2(ii)(c) hereof, Executive shall be entitled to receive the benefits specified in this Section 4. The amounts due to Executive under subparagraphs (a), (b), (c) or (d) of this Section 4(i) shall be paid to Executive not later than one business day prior to the date that the termination of Executive's employment becomes effective (the "Employment Termination Date"). All benefits to Executive pursuant to this Section 4(i) shall be subject to any applicable income, payroll or other taxes required by law to be withheld.

(a) The Company shall pay to Executive (x) the full base salary earned by him and unpaid through the date that the termination of Executive's employment becomes effective, at the rate in effect at the time written notice of termination (voluntary or involuntary) was given, (y) any amount earned by Executive as a bonus with respect to the fiscal year of the Company preceding the termination of his employment if such



bonus has not theretofore been paid to Executive, and (z) an amount representing credit for any vacation earned or accrued by him but not taken;

(b) In lieu of any further base salary payments to Executive for periods subsequent to the date that the termination of Executive's employment becomes effective, the Company shall pay as severance pay to Executive (a "Severance Payment") a lump-sum cash amount equal to the sum of:

(I) an amount equal to the bonus Executive earned with respect to the fiscal year of the Company preceding the termination of his employment, or Executive's maximum target bonus for the fiscal year in which the Employment Termination Date occurs, whichever is greater (the "Target Bonus"), multiplied by a fraction, the numerator of which is equal to the number of full months in the year Executive terminates employment that have elapsed at the Employment Termination Date, and the denominator of which is twelve (12), plus

(II) twenty-four (24) times the sum of (A) Executive's monthly base salary (as in effect in the month preceding the month in which the termination becomes effective or as in effect in the month preceding the Change in Control, whichever is higher) and (B) one-twelfth (1/12) of the Target Bonus;

(c) Notwithstanding any provision to the contrary in the Amended and Restated 1987 Apogee Enterprises, Inc. Partnership Plan (the "Partnership Plan") (or in any other agreement or plan in existence between the Company and Executive at the Employment Termination Date), any rights Executive may have at any time under the Partnership Plan and which are deferred at the time of the Employment Termination Date shall immediately become vested and the Company shall pay to Executive any amounts due or which have been promised under the Partnership Plan to Executive;

(d) The Company shall also pay to Executive all legal fees and expenses incurred by Executive as a result of such termination of employment (including all fees and expenses, if any, incurred by Executive in seeking to obtain or enforce any right or benefit provided to Executive by this Agreement whether by arbitration or otherwise);

(e) Notwithstanding any other agreement in existence between the Company and Executive at the Employment Termination Date, all stock options or shares of restricted stock owned or held by Executive or promised to be payable to Executive by the Company shall be immediately vested in Executive without further restriction and Executive shall be treated at that time as the unrestricted owner of such Company stock options and stock, subject to applicable constraints under federal and state securities laws; and

(f) Any and all contracts, agreements or arrangements between the Company and/or any other Apogee Entity and Executive prohibiting or restricting Executive from owning, operating, participating in, or providing employment or consulting services to, any business or company competitive with the Company or such other Apogee Entity at



any time or during any period after the Employment Termination Date, shall be deemed terminated and of no further force or effect as of the Employment Termination Date, to the extent, but only to the extent, such contracts, agreements or arrangements so prohibit or restrict Executive; provided that, the foregoing provision shall not constitute a license or right to use any proprietary information of the Company or such other Apogee Entity and shall in no way affect any such contracts, agreements or arrangements insofar as they relate to nondisclosure and nonuse of proprietary information of the Company or such other Apogee Entity notwithstanding the fact that such nondisclosure and nonuse may prohibit or restrict Executive in certain competitive activities.

(ii) Executive shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise. The amount of any payment or benefit provided in this Section 4 shall not be reduced by any compensation earned by Executive as a result of any employment by another employer.

(iii) Upon the occurrence of a Change in Control, the Company shall cause its independent auditors promptly to review, at the Company's sole expense, the applicability of Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") to the "Total Payments" (as defined in Section 4(iv) below) to be received by Executive. If such auditors determine that, after taking into account the provisions of Section 4(iv) hereof, any of the Total Payments would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties with respect to such tax (such excise tax, together with interest and penalties, are collectively referred to as the "Excise Tax"), then, in addition to any amounts payable under foregoing provisions of this Section 4, the Company shall pay an additional cash payment (a "Gross-Up Payment") within 30 days of such determination equal to the Excise Tax imposed on the Total Payments, including any Excise Tax or any other income taxes that may be imposed on such Gross-Up Payment. If no determination by the Company's auditors is made prior to the time a tax return reflecting the Total Payments is required to be filed by Executive, Executive will be entitled to receive a Gross-Up Payment calculated on the basis of the Total Payments reported by him in such tax return, within 30 days of the filing of such tax return. In all events, if any tax authority determines that a greater Excise Tax should be imposed on the Total Payments than is determined by the Company's independent auditors or reflected in Executive's tax return pursuant to this subparagraph (iii), Executive shall be entitled to receive the full Gross-Up Payment calculated on the basis of the amount of Excise Tax determined to be payable by such tax authority from the Company within 30 days of such determination.

(iv) As used herein, "Total Payments" shall mean, collectively, any payment or benefit received or to be received by Executive in connection with a Change in Control of the Company or termination of Executive's employment (whether payable pursuant to the terms of this Agreement or any other plan, contract, agreement or arrangement with the Company, with any person whose actions result in a Change in Control of the Company or with any person constituting a member of an "affiliated group" as defined in Section 280G(d)(5) of the Code) with the Company or with any person whose actions result in a Change in Control of the Company. For purposes of calculating Total Payments, (a) no portion of the Total Payments the receipt or enjoyment of which Executive shall have effectively waived in writing prior to the date of payment of the Severance Payment shall be taken into account; (b) no portion of the



Total Payments shall be taken into account which in the opinion of tax counsel selected by the Company and acceptable to Executive does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code; (c) the value of any benefit provided by Section 4(i)(f) of this Agreement shall not be taken into account in computing Total Payments; and (d) the value of any other non-cash benefit or of any deferred cash payment included in the Total Payments shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. In case of uncertainty as to whether all or some portion of a payment is or is not payable to Executive under this Agreement, the Company shall initially make the payment to Executive, and Executive agrees to refund to the Company any amounts ultimately determined not to have been payable under the terms hereof.

5. Successors and Binding Agreement

(i) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), by agreement in form and substance satisfactory to Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as Executive would be entitled hereunder if Executive terminated his employment after a Change in Control for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Employment Termination Date. As used in this Agreement, "Company" shall mean the Company and any successor to its business and/or assets which executes and delivers the agreement provided for in this Section 5(i) or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(ii) This Agreement is personal to Executive, and Executive may not assign or transfer any part of his rights or duties hereunder, or any compensation due to him hereunder, to any other person. Notwithstanding the foregoing, this Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees.

6. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the Minneapolis-St. Paul metropolitan area, in accordance with the applicable rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. In the event that Executive engages counsel to arbitrate any dispute hereunder (which arbitration results in an award to Executive of any kind) or to enforce such an award, all costs and expenses incurred by Executive, including reasonable attorney's fees and expenses, with respect to such arbitration or enforcement thereof shall be reimbursed to Executive by the Company promptly upon Executive's submission of a request therefor.

7. Modification; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing



signed by Executive and such officer as may be specifically designated by the Board of Directors of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8. Notice. All notices, requests, demands and all other communications required or permitted by either party to the other party by this Agreement (including, without limitation, any notice of termination of employment and any notice of an intention to arbitrate) shall be in writing and shall be deemed to have been duly given when delivered personally or received by certified or registered mail, return receipt requested, postage prepaid, at the address of the other party, as first written above (directed to the attention of the Board of Directors and Corporate Secretary in the case of the Company). Either party hereto may change its address for purposes of this Section 8 by giving 15 days' prior notice to the other party hereto.

9. Severability. If any term or provision of this Agreement or the application hereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

10. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Governing Law. This Agreement has been executed and delivered in the State of Minnesota and shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of Minnesota, including all matters of construction, validity and performance.

12. Effect of Agreement; Entire Agreement. The Company and Executive understand and agree that this Agreement is intended to reflect their agreement only with respect to payments and benefits upon termination in certain cases and is not intended to create any obligation on the part of either party to continue employment. This Agreement supersedes any and all other oral or written agreements or policies made relating to the subject matter hereof and constitutes the entire agreement of the parties relating to the subject matter hereof; provided that this Agreement shall not supersede or limit in any way Executive's rights under any benefit plan, program or arrangements in accordance with their terms.



IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its name by a duly authorized director and officer, and Executive has hereunto set his hand, all as of the date first written above.

APOGEE ENTERPRISES, INC.

By
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Russell Huffer
Its Chief Executive Officer and President

EXECUTIVE

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Exhibit 21

# SUBSIDIARIES OF THE REGISTRANT

The Company is the owner of all of the issued and outstanding stock of the following corporations, except as noted below.

| Name of Subsidiary | State or Country of Incorporation |
|---|---|
| Apogee Enterprises International, Inc. | Barbados |
| Prism Assurance, Ltd. | Vermont |
| Harmon, Inc. | Minnesota |
| Harmon Contract, Inc. | Minnesota |
| Harmon Contract Asia, Ltd. (1) | Minnesota |
| Harmon Contract Asia Sdn Bhd (2) | Malaysia |
| Harmon Contract U.K., Limited (3) | United Kingdom |
| Harmon Europe (4) (8) | France |
| AWG Services, Inc. (5) | Wisconsin |
| Viracon, Inc. | Minnesota |
| Viratec Thin Films, Inc. (6) | Minnesota |
| Viracon Georgia, Inc. (6) | Minnesota |
| Viracon/Curvlite, Inc. | Minnesota |
| Tru Vue, Inc. | Illinois |
| Harmon Glass Company | Minnesota |
| Apogee Sales Corporation (7) | South Dakota |
| Harmon Glass of Canada Ltd. (7) (8) | Canada |
| Apogee Wausau Group, Inc. | Wisconsin |
| Harmon CFEM Facades (UK) Ltd. (8) (9) | United Kingdom |
| Harmon/CFEM Facades S.A. (8) (10) | France |
| Harmon Facalu S.A. (8) (10) | France |
| Harmon Sitraco S.A. (8) (10) | France |
| Harmon Voisin S.A. (8) (10) | France |
| VIS'N Service Corporation (8) (11) | Minnesota |
| Balangier Designs, Inc. (12) | New Jersey |

(1) Owned by Harmon Contract, Inc.
(2) Owned by Harmon Contract Asia, Ltd.
(3) 99.99% owned by Harmon Contract, Inc. and .01% by Apogee Enterprises, Inc.
(4) 100% owned by various Apogee entities
(5) Owned by Apogee Wausau Group, Inc.
(6) Owned by Viracon, Inc.
(7) Owned by Harmon Glass Company
(8) Inactive
(9) 99.99% owned by Harmon Europe S.A. and .01% by Apogee Enterprises, Inc.
(10) Owned by Harmon Europe S.A.
(11) 99.6% owned by Harmon Glass Company
(12) Owned by Tru Vue, Inc.

Exhibit 23A

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 333-43734, 33-60400, 333-20979, 333-32437, 33-13302, 33-66574, 333-58181, 333-58165, 33-35944, 333-95863, and 333-95855.

/s/ Arthur Andersen LLP

Minneapolis, Minnesota,
May 18, 2001

Exhibit 23B

Independent Auditors' Consent

The Board of Directors
Apogee Enterprises, Inc.:

We consent to incorporation by reference in the registration statements (Nos. 33-60400, 333-20979, 333-32437, 33-13302, 33-66574, 333-58181, 333-58165, 33-35944, 333-95863, 333-95855 and 333-43734) on Forms S-3 and S-8 of Apogee Enterprises, Inc. of our report dated April 12, 1999, except as to Note 11 which is as of February 14, 2000, relating to the consolidated results of operations and cash flows of Apogee Enterprises, Inc. and subsidiaries for the year ended February 27, 1999, which report appears in the March 3, 2001 annual report on Form 10-K of Apogee Enterprises, Inc.

/s/ KPMG LLP

Minneapolis, Minnesota
May 16, 2001

Exhibit 99

LITIGATION REFORM ACT OF 1995

## CAUTIONARY STATEMENTS

The following discussion contains certain cautionary statements regarding Apogee's business and results of operations, which should be considered by investors and others. These statements discuss matters, which may in part be discussed elsewhere in this Form 10-K, and which may have been discussed in other documents prepared by the Company pursuant to federal securities laws. This discussion is intended to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The following factors should be considered in conjunction with any discussion of operations or results by the Company or its representatives, including any forward-looking discussion, as well as comments contained in press releases, presentations to securities analysts or investors, or other communications by the Company.

In making these statements, the Company is not undertaking to address or update each factor in future filings or communications regarding the Company's business or results, and is not undertaking to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications. In addition, any of the matters discussed below may have affected Apogee's past results and may affect future results, so that the Company's actual results for fiscal 2002 and beyond may differ materially from those expressed in prior communications. Though the Company has attempted to list comprehensively these important cautionary factors, the Company wishes to caution investors and others that other factors may in the future prove to be important in affecting the Company's business or results of operations.

### Industry Conditions

The Company is divided into three segments, each serving different markets.

The Architectural Products and Services (Architectural) segment's companies design, engineer, fabricate and install the walls of glass and windows comprising the outside skin of commercial and institutional buildings. The markets that these businesses serve are very competitive, price sensitive and affected by changes in the commercial construction industry as well as general, economic conditions. The companies of this segment have been, in general, profitable, with growing revenues. There can be no assurance the growth experienced by the segment will continue or that competitors or the economic environment will not significantly change market conditions.

The Large-Scale Optical Technologies (LSO) segment's companies develop and produce high technology glass that enhances the visual performance of products for display, imaging and picture framing industries. The markets that these businesses serve are very competitive, highly responsive to new products and price sensitive. The revenue growth of the companies in this segment have been, in general, increasing steadily while profitability has not been consistent with that growth. There can be no assurance the revenue growth experienced by the segment will continue or that the profitability pattern will change. Additionally, there can be no assurance that the introduction of new products or competitors will not significantly change market conditions.

The Automotive Replacement Glass and Services (Auto Glass) segment's companies fabricate, repair and replace automobile windshields and windows. The market that these businesses serve tends to be cyclical in nature and is influenced by a variety of factors, including weather, new car sales, speed limits, road conditions, the economy and average annual number of miles driven. This market's pricing structure has changed significantly in recent years as insurance companies seek volume pricing at discounted rates from historical levels and attempt to enter into preferred or exclusive provider arrangements with a limited number of providers. Consequently, revenues have decreased and margins

have narrowed at the retail and manufacturing levels, in which the Auto Glass segment operates. There can be no assurance that the Company will be able to increase revenues or to improve or maintain its margins, whether through improved pricing conditions or cost-savings, or that it will continue to be selected by insurance companies as a provider of replacement and repair auto glass on a regional or national basis on acceptable terms and conditions.

Competitive Environment

The Company's business segments operate in industries that are highly competitive and, other than the industries in which the LSO's units compete, are fairly mature. The barriers to entry are not significant for many of the markets the Company serves, specifically in the Auto Glass segment and glass installation business. Therefore, the Company expects its markets to remain highly competitive. The Company faces competition from other major contractors, subcontractors, manufacturers,



fabricators, wholesalers, retailers and installers in each of its markets, certain of which competitors have greater financial or other resources than the Company.

The businesses in the Architectural and LSO segments compete with several large integrated glass manufacturers and numerous smaller specialty fabricators. Product pricing and service are the primary competitive factors in this market. The markets for the products of the LSO segment are also characterized by frequent refinement and enhancement, new product introductions and declining average selling prices over product life cycles. These factors require the Company to seek improvement in its manufacturing processes on a continuous basis, as well as to innovate with respect to new or improved products. There can be no assurance that the Company will be able to meet such requirements. In addition, such requirements may generate a continual need for new investments, as to which there can be no assurance the Company can obtain the necessary investment resources and, if obtained, that such investment will produce appropriate returns.

The Architectural segment's Wausau Window & Wall Systems unit competes against several major aluminum window manufacturers. Wausau primarily serves the custom portion of this market in which the primary competitive factors are product quality, reliable service and the ability to provide technical engineering and design services.

The Auto Glass segment competes with other auto glass shops, glass distributors, car dealers, body shops and fabrication facilities on the basis of pricing, national coverage and customer service. Its competition consists of national and regional chains as well as significant local competition.

There can be no assurance that the Company will continue to be able to compete effectively in its markets.

Discontinued International Curtainwall Operations

During fiscal 1998, the Company made the strategic decision to close or exit its European and Asian international curtainwall operations in order to focus more selectively on higher-margin domestic curtainwall business. As a result of such restructuring, the Company recorded nonrecurring pre-tax charges of $26.0 million and $35.9 million in the third and fourth quarters of fiscal 1998, respectively. While the Company believes these restructuring charges are adequate to cover all expenses the Company has incurred or will incur in order to close or exit such operations, there can be no assurance given that additional charges will not be required to be made in future periods. The Company faces related risks and uncertainties, including the inability to effectively manage restructured business units and the inability to effectively manage costs or difficulties related to the operation of the businesses or execution of restructuring or exit activities. The occurrence of one or more of

such events may have a material adverse effect on the business, financial condition or results of operations of the Company.

Capital Expenditures/Facility Utilization

The Architectural segment's continued growth depends, to a significant degree, on its ability to increase capacity utilization at these facilities. In response to continued strong demand for the segment's high-performance architectural glass products, the Company, in fiscal 1999, undertook a capital investment program, the primary purpose of which was to increase production capacity and productivity of its Viracon business unit. Pursuant to this plan, the Viracon unit completed construction in fiscal 2000 of a new architectural glass fabrication complex in Statesboro, Georgia.

Additionally, the LSO segment's growth is also dependent on its ability to expand its production facilities and fully utilize these expanded facilities. LSO's unit, Tru Vue, completed construction of a new facility in the first quarter of fiscal 2000 and in fiscal 2001, purchased two manufacturers to expand its pre-framed art business. The segment's Viratec unit installed a new, large-scale flat-glass coating line that went on line in late fiscal 2000. During fiscal 1999, the Viratec unit moved its Optium line to San Diego, a location closer to the flow of customers' computer monitor supply chains. During fiscal 2001, the Company was notified that this facility's primary customer planned to relocate its computer monitor facility, eliminating the need for the Company's facility. The Company accrued expenses associated with the shut down of this facility in fiscal 2001.

The Company believes, although these ramp-ups and acquisitions have been completed, that the continued utilization of these facilities will be important in enabling the Architectural and LSO segments to continue to satisfy the demand for their products and services. Although the Company believes it has the capital and managerial resources to execute these plans, there can be no assurance that the planned expansions and acquisitions will produce the improved operating and financial results expected by the Company. Additionally, there are no assurances that the shut down of the Viratec San Diego facility will not result in an additional charge to earnings.



Consolidation of Auto Glass Installation Industry

The auto glass installation industry is consolidating in response to insurance companies' growing preference to interact with only a few major providers that are capable of offering efficient claims management services throughout a large geographic region. Due to an industry merger in 1997, Auto Glass became the second largest company in the auto glass repair and replacement industry. During fiscal 2001, the Company and PPG combined their U.S. automotive replacement businesses into a newly formed entity, PPG Auto Glass, LLC, of which the Company maintains a 34% ownership interest. The Company expects further industry consolidation in the auto glass retail and wholesales businesses. The Auto Glass segment has also initiated several cost savings initiatives over the past three fiscal years to lessen the impact of reduced margins on the operating results of the Company.

There is no assurance PPG Auto Glass will achieve any anticipated efficiencies or be able to improve or maintain margins. Additionally, if the Auto Glass segment is unable to control costs while providing required services to the insurance market, it may not be able to remain a viable competitor in this industry. The failure by the Auto Glass segment to timely respond to such changes could have a material adverse effect on its, and the Company's, business, financial condition or results of operations.

Government Regulation

Many states have statutes or regulations prohibiting certain referral practices by insurers. Approximately 30 states currently have statutes or regulations that

prohibit an insurance company from requiring a policyholder to use a particular vendor. In addition, new laws or regulations relating to the referral practices of insurance companies may be adopted in these or other states. The Auto Glass segment does not enter into arrangements with insurance companies pursuant to which such insurance companies require policyholders to use the Auto Glass segment for auto glass replacement or repair services. Although the Company does not believe that existing government regulation of insurance company referral practices will have a material adverse effect on the Company, no assurance can be given that future regulation of such referral practices will not have a material adverse effect on its, and the Company's, business, financial condition or results of operations.

Effect of Weather Conditions

The severity of weather has historically affected the Auto Glass segment's sales and operating income, with severe weather generating increased sales and income and mild weather resulting in lower sales and income. Accordingly, mild weather conditions may adversely affect the Auto Glass segment's results of operations.