

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended March 2, 1996

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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: (612) 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 ☒ No ☐
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The aggregate market value of voting stock held by non-affiliates of the
registrant on March 31, 1996 was \$275,304,192. The number of shares outstanding
of the Registrant's Common Stock at March 31, 1996 was 13,528,942.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the Proxy Statement for
the Annual Meeting of Shareholders to be held June 18, 1996.

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 ☐

APOGEE ENTERPRISES, INC.
FORM 10-K

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PART I

ITEM 1. BUSINESS

The Company
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Apogee Enterprises, Inc. is a holding company incorporated under the laws of

the State of Minnesota in 1949. The Company, through its operating subsidiaries, is primarily engaged in the fabrication, distribution and installation of value-added glass products and window and curtainwall systems. Almost two-thirds of the Company's revenues are generated from the nonresidential construction market with the other one-third is coming from operations serving the auto glass market. Three business segments comprise Apogee's operations: Building Products & Services (BPS) serves certain sectors of the commercial and institutional, detention and security building markets. Glass Technologies (GT) serves the construction and imaging and display markets. Automotive Glass (AG) serves the automotive glass replacement market. Financial information about the Company's segments can be found at Note 17 to the consolidated financial statements of Apogee Enterprises, Inc. contained in a separate section of this report. See "Index of Financial Statements and Schedules"

Unless the context otherwise requires, the terms "Company" and "Apogee" as used herein refer to Apogee Enterprises, Inc. and its subsidiaries.

Building Products & Services

The Company's Building Products & Services segment operates principally in the design, engineering and installation of custom and standard curtainwall and window systems for commercial, institutional as well as specialized and detention and security building products and services. BPS operating units include our detention and security companies (Norment and affiliates), our full service glazing units, our global new construction curtainwall contractor (Harmon Contract) and our metal fabricating and finishing businesses (Wausau Architectural Products).

BPS's detention and security units design, manufacture and install complex windows, doors and monitoring systems, for high-security buildings such as prisons, jails, convenience stores, hospitals, schools and other governmental facilities. BPS competes in the detention and security market through its Norment operating unit which is a leader in the design, manufacture and installation of institutional and governmental security and detention systems. BPS also includes Airteq, which assembles pneumatic locks used in Norment's and other detention and security systems.

BPS also has seven Harmon full service operations located around the country. These centers offer complete replacement or glazing services for commercial and other buildings. In addition, the full service units offer 24-hour replacement service for storm or vandalism damage. In-house engineering capabilities allow the units to duplicate the original design or create a completely new appearance for renovated buildings.

BPS's Harmon Contract unit is one of the world's largest designers and installers of curtainwall and window systems for nonresidential construction. It has six offices throughout the United States as well as five in Europe and Asia. BPS acquired a majority interest in Harmon Europe S.A., in fiscal 1994, a French company engaged in both the manufacture and installation of curtainwall. This office, in addition to the other European and Asian offices, has given the division a stronger presence in overseas markets. All of the offices typically design, assemble and install a building's exterior skin. The enclosure usually consists of a metal framing system which is glazed (filled) with glass in the vision areas and opaque glass or panels in the non-vision (spandrel) areas. Panels are usually made from aluminum, precast concrete or natural stone. The segment procures its materials from a number of independent fabricators, including the BPS's architectural metals units and Glass Technology's architectural glass unit. Harmon Contract also serves as a stone subcontractor, setting stone on both the exterior and interior of buildings.

BPS is subject to normal subcontractor's risks, including material and wage increases, construction and transportation work stoppages and contractor credit worthiness. In addition, office vacancy rates, tax laws concerning real estate and interest rates are important factors which affect nonresidential construction markets. Reduced competition on larger projects, custom designing capability and a trend toward the use of more sophisticated materials for energy conservation and design flexibility have helped BPS increase its market share over the past several years.

The Wausau Architectural Products units of BPS designs and manufactures high-quality, thermally-efficient aluminum window and curtainwall systems under the "Wausau Metals and Milco" trade names. These products meet high standards of wind load capacity and resistance to air and moisture seepage. 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, including Harmon Contract, for new construction and to building owners for retrofitting older buildings. Wausau Metals maintains design and product engineering staffs to prepare aluminum window and curtainwall system designs to fit customers' needs and to originate new product designs. Wausau Metals occasionally joins Harmon Contract in pursuing certain projects, as many architects and general contractors prefer to work with an experienced curtainwall subcontractor and manufacturer team.

Operating under the "Linetec" name, the architectural products unit also 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 wide color selection. Coatings are applied to window and curtainwall components for the Company, as well as other companies' architectural and industrial aluminum products.

Glass Technologies - - - - -

The businesses of our Glass Technologies segment add value to ordinary glass through fabrication of high-technology coatings products which provide strength, energy efficiency in high-rise structures and optical clarity for mirrors, glare filter screens and picture frame glass. The operating units in this segment include Viracon our architectural glass unit, Tru Vue, our picture framing glass unit and our two coating units, Marcon Coatings (Marcon) and Viratec Thin Films (Viratec), which were 50%-owned joint ventures through fiscal 1996.

Viracon, our architectural glass unit, fabricates finished glass products and provides glass coating services, primarily under the "Viracon" and "Marcon Coatings" names. These operating units purchase flat, unprocessed glass in bulk quantities from which a variety of glass products are fabricated, including insulated and laminated architectural glass; security glass and laminated industrial glass.

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. Sales of laminated safety glass products have increased with the adoption of federal and state safety glazing standards. Insulating 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.

The Viracon unit is able to fabricate all types of architectural glass (insulating, laminated and combinations of both) at its Owatonna, Minnesota complex. Combined with the adjacent Marcon glass coating capabilities, the segment is able to provide a full range of products from a central location. It markets its products nationally and overseas to glass distributors, glazing contractors (including Harmon Contract) and industrial glass fabricators. A substantial portion of its glass products 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.

Marcon provides glass coating services to Viracon, as well as outside customers. Marcon'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.

Viratec develops advanced, optical-display and imaging coatings for glass and other surfaces. These products are used in aftermarket 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. Through fiscal 1996, the Company accounted for its investment in Marcon and Viratec using the equity

method. Information about the Company's ownership and investment in Marcon and Viratec is further described in Note 10 to the consolidated financial statements of Apogee Enterprises, Inc. contained in a separate section of this report. See "Index of Financial Statements and Schedules"

Tru Vue is one of the largest domestic manufacturers of 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 conservation glass, which blocks ultraviolet rays. Tru Vue is also a manufacturer of conservation picture framing matboard, which complements the unit's glass product offerings. The products are distributed primarily through independent distributors which, in turn, supply local picture framing markets.

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Automotive Glass

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The Automotive Glass (AG) segment is engaged in the automotive replacement glass business through its Harmon Glass service centers (retail), Glass Depot wholesale distribution centers (wholesale) and Curv-lite fabrication center.

Harmon Glass operates automotive glass service centers in 36 states. The centers replace and repair auto glass on the premises and also provide mobile installation service. Primary customers include insurance companies (on behalf of their insured clients), fleet owners and car owners. The service centers also carry limited inventories of flat glass, which are sold at retail for such purposes as home window repair and table tops. Some automotive accessories are also sold and installed at certain service centers. Quality service is emphasized in all service centers. The Company believes Harmon Glass is the third-largest auto glass retailer in the United States. The unit also operates a centralized service for handling auto glass claims under the name "National Call Center" (Center). The Center, on behalf of its insurance company and fleet customers, handles replacement glass claims made by policyholders or fleet owners. Calls are placed through a toll-free number to the Center located in Orlando, Florida. Customer service agents arrange for the prompt replacement or repair of auto glass by either a Harmon Glass service center or an affiliated shop member of the Center's network and begins the process of filing the claim electronically with the applicable insurance company. The Center subcontracts for replacement and repair services with over 3,300 auto glass stores nationwide. The unit seeks to maximize the electronic exchange of information, which reduces claim costs and eliminates errors. This type of service is a fast-growing segment for the segment.

The auto glass distribution centers, known as "Glass Depot", supply the Harmon Glass service centers with auto and flat glass and related products, as well as selling wholesale to other glass installers. Due to the variety of makes and models of automobiles, automotive glass service centers typically stock only windshields for the most popular models. As a result, there is a demand for distributors to maintain inventories of automotive glass and to provide prompt delivery. The Glass Depot distribution centers maintain a broad selection of automotive glass. Purchases of fabricated automotive glass are made from several primary glass manufacturers and fabricators, including the segment's Curv-lite unit.

Curv-lite fabricates replacement windshields for foreign and domestic automobiles and laminated glass parts for the transportation industry. It fabricates approximately 800 types of replacement windshields which are marketed nationally to distributors and glass shops, including the Glass Depot distribution centers. Curv-lite seeks to offer a broad selection of windshields by promptly adding new windshields as new models are introduced.

In fiscal 1996, the AG segment acquired or opened 7 new distribution centers and 8 service centers, bringing its year-end total to 60 and 264 respectively. The segment continues to evaluate opportunities to expand both its retail and wholesale auto glass segments, while closely monitoring existing units' profitability.

Under a franchise agreement with Midas International Corporation, the segment operates eight Midas Muffler locations in Minnesota, South Dakota, North Dakota and Wisconsin.

Competition

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All segments of the Company's business are fairly mature and are highly competitive. The curtainwall subcontractor business is primarily price competitive, although Harmon Contract's reputation for quality engineering and service is an important factor in receiving invitations to bid on large complex projects. The Wausau Architectural Products group competes against several major aluminum window manufacturers. Wausau Metals 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 Glass Technologies segment competes with several large integrated glass manufacturers and numerous smaller specialty fabricators. Product pricing and service are the primary competitive factors in this market. The Auto Glass units compete with other auto glass shops, glass distributor 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.

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Markets

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BPS serves the domestic and international nonresidential construction market, which tends to be cyclical and has been on a slow recovery, both in terms of dollars and square feet of new contract awards. This market was hard hit due to the overbuilding in past years, tax law changes, tightening credit standards, business restructurings and other factors. The resulting contraction in demand for building materials and construction services has intensified competition, squeezed profit margins and contributed to some business failures in the market sectors served by the Company. In response to these circumstances, BPS has consolidated manufacturing facilities, closed offices and reduced personnel and discretionary expenses. It has also redirected its marketing focus to sectors with relative strength, including remodeling, institutional (including detention and security) and international markets.

GT services the architectural glass, computer, optical imaging and picture framing glass markets in which coated glass is becoming the industry standard. These markets are very competitive, highly responsive to new products and can be price sensitive. GT is believed to possess the world's largest coating capacity for glass and to be a leading global fabricator of high-performance architectural glass. Its one location capabilities allows the segment to meet customer needs and react quickly to market demands while improving margins and developing new products.

AG services the automotive glass aftermarket which is influenced by a variety of factors, including new car sales, gasoline prices, speed limits, road conditions, the economy, weather and average number of miles driven. A transformation of the industry's pricing structure has intensified competition. In recent years, major purchasers of auto glass, such as insurance companies, have increasingly requested volume pricing and awarded regions to glass providers at significant discounts from historical levels. As a result, margins have narrowed at the retail level and, to a lesser extent, at wholesale and manufacturing levels.

Sources and Availability of Raw Materials

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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

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The Company has several nationally recognized trademarks and trade names which it believes have significant value in the marketing of its products. Harmon Glass(R), Harmon Contract(R), Norment(R), Airtec(R), Viratec(R), Tru Vue(R), The Glass Depot(R), and Linetec(R) are registered trademarks of the Company. Viratec Thin Films has obtained several patents pertaining to its glass coating methods. However, no single patent is considered to be materially important to the Company.

Foreign Operations and Export Sales

BPS has sales offices in Europe and Asia. Sales for those offices were approximately \$114,305,000, \$66,580,000 and \$65,021,000 for the years ended March 2, 1996, February 25, 1995 and February 26, 1994, respectively. Operating losses for 1996, 1995 and 1994, were \$1,983,000, \$6,575,000 and \$887,000, respectively. At March 2, 1996, February 25, 1995 and February 26, 1994, the identifiable assets of foreign operations totaled \$58,753,000, \$41,880,000 and \$31,786,000, respectively. At March 2, 1996, the backlog of work for European and Asian projects was \$133 million. In addition, during the years ended March 2, 1996, February 25, 1995 and February 26, 1994, the Company's export sales, principally from GT operations, amounted to approximately \$38,348,000, \$30,241,000 and \$27,643,000, respectively.

Employees

The Company employed 6,163 persons at March 2, 1996, of whom 1,225 were represented by labor unions. The Company is a party to 88 collective bargaining agreements with several different unions. Fifty-two (52) of the collective bargaining agreements will expire during fiscal 1997. 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.

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Backlog

The backlog of orders is significant in the Company's construction-related BPS segment. At March 2, 1996, the Company's total backlog of orders considered to be firm was \$405,000,000, compared with \$366,000,000 at February 25, 1995. Approximately \$73,000,000 is not expected to be reflected as revenue in fiscal 1997.

ITEM 2. PROPERTIES

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

Facility	Location	Owned/Leased	Function
Building Products & Services			
Harmon Contract headquarters	Minneapolis, MN	Leased	Administrative
Norment	Montgomery, AL	Owned	Mfg./Admin.
Harmon CFEM -- Sitracco	Pinon, France	Owned	Mfg.
Harmon CFEM -- Facalu	Epernon, France	Owned	Mfg.
Wausau Metals	Wausau, WI	Owned	Mfg./Admin.
Wausau Metals - Plant II	Wausau, WI	Owned	Mfg.
Linetec (Painting)	Wausau, WI	Owned	Mfg./Admin.
Linetec (Anodizing)	Wausau, WI	Owned	Mfg.
Glass Technologies			
Viracon	Owatonna, MN	Owned	Mfg./Admin.
Tru Vue	Chicago, IL	Owned	Mfg./Admin.
Marcon Coatings, Inc. (1)	Owatonna, MN	Owned	Mfg./Admin.
Viratec Thin Films (1)	Faribault, MN	Owned	Mfg./Admin.
Automotive Glass			
Curv-lite	Owatonna, MN	Owned	Mfg./Admin.
Harmon Glass and Glass			
Depot headquarters	Minneapolis, MN	Leased	Administrative
National Call Center	Orlando, FL	Owned	Administrative

Other
- ----

Apogee Corporate Office Minneapolis, MN Leased Administrative

(1) 50% owned joint ventures through fiscal 1996.

The Building Products & Services segment 12 sales offices, 7 glazing service centers and 8 fabrication facilities generally located in major metropolitan areas in the United States, Europe and Asia, virtually all of which are leased.

The Glass Technologies segment has four fabrication facilities located in the Midwest.

The Automotive Glass segment has 324 retail service and distribution centers located nationally and eight Midas Muffler franchises located in the Midwest, the majority of which are leased.

The Curv-lite plant, a Wausau Metals facility, the Linetec paint facility, an addition to one of the Wausau Metals plants and the National Call Center administrative center 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.

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ITEM 3. LEGAL PROCEEDINGS -----

Apogee has been party to joint venture agreements with a 50% partner, Marvin Lumber & Cedar Company (JV partner), forming Marcon Coatings, Inc. and its subsidiary, Viratec Thin Films, Inc. (Marcon/Viratec). Marcon/Viratec operates glass coating facilities. Our 50% ownership investment in Marcon/Viratec was accounted for using the equity method.

In November 1995, the JV Partner commenced litigation in the Third Judicial District Court of Rice County pursuant to Minn. Stat. (S)302A.751 against Apogee alleging claims for damages and seeking to have the Court order Apogee to sell its 50% interest in the joint venture to the JV Partner. Apogee filed counterclaims seeking to have the JV Partner's 50% interest sold to Apogee, and in March 1996, the Court ordered the JV Partner to sell the share of stock representing its 50% interest in Marcon/Viratec to Apogee upon payment by Apogee of fair value for these shares as determined by the Court. The JV Partner's rights and status as shareholder and directors were terminated as of the effective date of the order and the fair value for the share is to be determined by the Court after further proceedings. The Court has not yet scheduled a trial or hearing to determine fair value.

At a hearing on April 23, 1996, the Court ordered Apogee to post a bond or letter of credit in the amount of \$50 million, or to pay the JV Partner \$25 million and agree to set aside an additional \$25 million, as security for the ultimate payment of the purchase price for the JV Partner's shares. The amount of such a bond or other means is intended as security and is not intended to reflect the Court's view on what is fair value for the shares. The JV Partner's claims against Apogee for damages are still pending and the Court also is considering a motion brought by the JV Partner to add a claim for punitive damages.

In addition to the above matter, Apogee is party to various legal proceedings incidental to our normal operating activities. In particular, like others in the construction industry, our 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, we believe, based on facts currently available to us, that none of such claims will result in losses that would have a material adverse effect on our financial condition.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

NAME ----	AGE ---	POSITION -----
Donald W. Goldfus	62	Chairman of the Board of Directors, Chief Executive Officer and President
Richard Gould	56	Senior Vice President
James L. Martineau	55	Vice President
Terry L. Hall	42	Vice President Finance and Chief Financial Officer
William G. Gardner	50	Treasurer and Secretary

Executive officers are elected annually by the Board of Directors and serve for a one-year period. With the exception of Richard Gould, who has an employment contract with the Company that covers the period through 2000, no other officers have employment contracts with the Company. None of the executive officers or directors of the Company are related.

All of the above named executive officers have been employees of the Company for more than the last five years with the exception of Mr. Gould who joined the Company in May 1994 and Mr. Hall who joined the Company in April 1995. Prior to joining the Company, Mr. Gould was president of Gould Associates, a strategic management consulting firm to a wide

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range of companies. Prior to joining the Company, Mr. Hall was Chief Financial Officer of Tyco International from 1993 to 1995 and Vice President and Treasurer of United Airlines from 1990 to 1993.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

MATTERS

Apogee common stock is traded in the National Market System of the NASDAQ over-the-counter market, under the ticker symbol APOG. Stock price quotations are printed daily in major newspapers. During the fiscal year ended March 2, 1996, the average trading volume of Apogee common stock was 887,870 shares per month, according to NASDAQ.

As of March 31, 1996, there were 13,528,942 shares of common stock outstanding, of which about 7.0 percent were owned by officers and directors of Apogee. At that date, there were approximately 2,039 shareholders of record and 3,270 shareholders for whom securities firms acted as nominees.

The following chart shows the quarterly range and year-end close of the company's common stock over the past five fiscal years.

	QUARTER I	QUARTER II	QUARTER III	QUARTER IV	YEAR END
1992	12 3/4-18	12 3/4-14 1/2	10 3/4-14 3/8	9 1/2-14	12 1/4
1993	10 1/4-12 3/4	8 1/4-10 3/4	9 3/4-12 1/4	9 3/4-12 1/4	11 5/8
1994	10 1/4-12 1/2	11 1/2-14 1/4	11 1/4-14 1/2	13 1/2-17 3/4	14 1/2
1995	11 1/2-15 1/4	11 3/4-15 3/4	14 3/4-18 1/4	14 3/4-18 1/2	17 1/4
1996	16 1/2-18	14 1/2-18 1/4	14 1/4-15 3/4	13 -19 3/4	19 5/8

It is Apogee's policy to pay quarterly cash dividends in May, August, November and February. Cash dividends have been paid each quarter since 1974 and have been increased each year since then. The chart below shows quarterly cash dividends per share for the past five years.

	QUARTER I	QUARTER II	QUARTER III	QUARTER IV	YEAR
1992	0.065	0.065	0.065	0.065	0.260
1993	0.065	0.065	0.070	0.070	0.270
1994	0.070	0.070	0.075	0.075	0.290
1995	0.075	0.075	0.080	0.080	0.310
1996	0.080	0.080	0.085	0.085	0.330

ITEM 6. SELECTED FINANCIAL DATA

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.

	1996	1995	1994*	1993	1992
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OPERATING RESULTS					
Net sales	\$ 871,147	756,549	688,233	572,450	596,281
Gross profit	\$ 118,523	105,889	83,895	78,201	101,580
Operating income	\$ 32,457	24,262	7,058	6,369	19,249
Net earnings	\$ 17,835	13,050	3,833	4,514	8,505
Earnings per share	\$ 1.31	0.97	0.29	0.34	0.63
Effective tax rate - %	36.9	40.2	60.9	42.3	39.6

OPERATING RATIOS					
Gross margin - %	13.6	14.0	12.2	13.7	17.0
Operating margin - %	3.7	3.2	1.0	1.1	3.2
Net margin - %	2.0	1.7	0.6	0.8	1.4
Return on					
Average shareholders' equity - %	13.5	10.9	3.4	4.0	7.6
Average invested capital - %	7.6	6.7	2.4	3.0	5.7
Average total assets - %	4.8	3.9	1.4	1.8	3.4

FUNDS FLOW DATA

Cash flow before changes in					
operating assets and liabilities	\$ 31,514	27,192	20,470	19,187	31,256
Depreciation and amortization	\$ 16,528	15,131	15,724	15,110	16,305
Capital expenditures	\$ 22,615	24,957	14,046	9,166	12,974
Dividends	\$ 4,453	4,155	3,841	3,584	3,505

YEAR-END DATA

Total assets	\$ 386,136	361,928	306,188	251,456	249,509
Current assets	\$ 258,559	256,820	221,286	169,029	166,376
Current liabilities	\$ 142,477	135,719	140,846	99,787	101,011
Working capital	\$ 116,081	121,101	80,440	69,242	65,365
Current ratio	1.8	1.9	1.6	1.7	1.6
Long-term debt	\$ 79,102	80,566	35,688	28,419	25,267
% of invested capital	32.5	35.6	21.6	18.7	17

Shareholders' equity	\$ 138,921	124,629	114,063	112,335	113,781
% of invested capital	57.0	55.1	69.0	74.1	76.6
Backlog	\$ 404,737	363,751	405,223	322,323	231,949
INVESTMENT INFORMATION					
Dividends per share	\$ 0.330	0.310	0.290	0.270	0.260
Book value per share	\$ 10.28	9.27	8.57	8.53	8.45
Price range during year:					
High	\$ 19 3/4	18 1/2	17 3/4	12 3/4	18
Low	\$ 13	11 1/2	10 1/4	8 1/4	9 1/2
Close	\$ 19 5/8	17 1/4	14 1/2	11 5/8	12 1/4
Price/earnings ratio at year-end	15	18	50	34	19
Dividend yield at year-end - %	1.7	1.9	2	2.3	2.1
Shares outstanding	13,517,000	13,443,000	13,312,000	13,177,000	13,461,000
Average monthly trading volume	887,870	806,506	259,450	322,147	693,029

* 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.

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	1991	1990	1989	1988	1987**	1986**
	----	----	----	----	----	----
OPERATING RESULTS						
Net sales	\$ 599,525	589,657	433,740	312,051	279,097	249,570
Gross profit	\$ 100,097	93,718	72,214	57,350	48,300	42,189
Operating income	\$ 33,267	32,033	24,134	20,211	17,867	17,383
Net earnings	\$ 17,017	14,095	13,421	11,615	8,523	8,233
Earnings per share	\$ 1.25	1.04	1.00	0.87	0.64	0.62
Effective tax rate - %	37.1	37.1	38.2	41.8	46.6	47.5
OPERATING RATIOS						
Gross margin - %	16.7	15.9	16.6	18.4	17.3	16.9
Operating margin - %	5.5	5.4	5.6	6.5	6.4	7.0
Net margin - %	2.8	2.4	3.1	3.7	3.1	3.3
Return on						
Average shareholders' equity - %	17.8	15.7	17.2	17.3	14.5	15.9
Average invested capital - %	11.4	9.8	11.4	13.2	11.2	11.9
Average total assets - %	6.9	6.2	7.6	9.0	7.8	8.5
FUNDS FLOW DATA						
Cash flow before changes in						
operating assets and liabilities	\$ 34,284	31,030	23,145	18,167	13,200	17,227
Depreciation and amortization	\$ 13,309	12,141	8,987	6,586	4,339	3,601
Capital expenditures	\$ 12,798	16,985	23,680	11,311	15,773	7,905
Dividends	\$ 3,248	2,693	2,140	1,807	1,516	1,342
YEAR-END DATA						
Total assets	\$ 250,343	244,103	207,686	143,487	115,738	102,580
Current assets	\$ 162,676	154,845	126,881	86,026	68,250	71,823
Current liabilities	\$ 102,492	94,948	68,921	47,652	36,199	30,253
Working capital	\$ 60,184	59,897	57,960	38,374	32,051	41,570
Current ratio	1.6	1.6	1.8	1.8	1.9	2.3
Long-term debt	\$ 29,398	41,366	46,277	17,899	12,136	14,196
% of invested capital	19.9	27.7	33.3	18.7	15.3	19.6
Shareholders' equity	\$ 109,050	95,754	83,871	72,062	62,561	55,381
% of invested capital	73.8	64.2	60.4	75.2	78.7	76.6
Backlog	\$ 245,000	299,810	333,240	228,532	124,161	108,195
INVESTMENT INFORMATION						
Dividends per share	\$ 0.240	0.200	0.160	0.135	0.112	0.101
Book value per share	\$ 8.09	7.11	6.25	5.40	4.68	4.17
Price range during year:						
High	\$ 20 1/8	18 3/4	14 1/4	12 1/4	15 1/8	10 3/4
Low	\$ 13 1/4	13	10	7 1/2	7 5/8	6 1/8
Close	\$ 18	14 3/4	13 5/8	11	10 3/8	10 13/32
Price/earnings ratio at year-end	14	14	14	13	16	17
Dividend yield at year-end - %	1.3	1.4	1.2	1.2	1.1	1.0
Shares outstanding	13,477,000	13,467,000	13,414,000	13,349,000	13,362,000	13,268,000
Average monthly trading volume	606,341	861,486	720,041	633,493	880,458	473,599

** The per share data for fiscal 1987 and 1986 has been adjusted for the fiscal 1987 stock dividend.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION -----

AND RESULTS OF OPERATIONS

FINANCIAL GOALS

Prior to fiscal year 1992, a significant portion of Apogee's operating income was generated by units serving the nonresidential construction market. Specifically, when office building construction activity dropped precipitously in the early 1990's, Apogee's history of steadily growing sales and earnings came to an abrupt halt. In an effort to return to historical earnings growth, we have reexamined the manner in which we direct assets and how we operate our businesses. The results of these efforts have been to begin to reallocate our capital to our more profitable businesses, to set higher return requirements for capital investments, to reduce working capital levels and to raise productivity of our enterprises.

A year ago we stated that our primary goal was to exceed the record earnings achieved in fiscal 1991. We were able to fulfill that goal in fiscal 1996. Going forward, assuming reasonably stable competitive and economic conditions, it is our goal to increase earnings per share at a compounded annual rate of 15% or greater.

In support of the above goal, we have now divided our businesses into three segments that reflect how we view our company while providing a clearer picture of our operations. Our new segmentation is defined as: Building Products & Services (BPS), Glass Technologies (GT) and Auto Glass (AG). Our commitment to the efforts described above is further outlined in the following segment analysis.

PERFORMANCE

FISCAL 1996 COMPARED TO FISCAL 1995

The following table illustrates the relationship between various components of operations, stated as a percent of net sales, for the three years ended March 2, 1996.

	Percent of Net Sales		
	1996	1995	1994
	----	----	----
Net sales.....	100.0	100.0	100.0
Cost of sales.....	86.4	86.0	87.8
Gross profit.....	13.6	14.0	12.2
Selling, general and administrative expenses.....	9.9	10.8	10.4
Provision for business restructuring and..... asset valuation	-	-	0.8
Operating income.....	3.7	3.2	1.0
Interest and other expense, net.....	0.7	0.5	0.4
Earnings before income taxes and other items...	3.1	2.7	0.6
Income taxes.....	1.1	1.1	0.4
Equity in net earnings of affiliated companies....	(0.1)	(0.1)	(0.3)
Minority interest.....	(0.1)	-	0.1
Net earnings before cumulative effect of change in accounting for income taxes.....	2.0	1.7	0.5
Cumulative effect of change in accounting for income taxes.....	-	-	0.1
Net earnings.....	2.0	1.7	0.6

Consolidated net sales grew 15% to \$871 million in fiscal 1996 as all three

segments reported double-digit gains. Our GT segment benefitted from improved volume and firm pricing for its fabricated architectural glass products while our AG segment experienced higher unit volumes at a greater number of locations. AG's sales improvement was somewhat dampened by the continuation of industry pricing pressure. Apogee's BPS segment's sales grew mainly due to higher

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overseas building activity. Approximately 2% of the consolidated net sales came from an additional week in the 53-week fiscal 1996 compared to a 52-week fiscal 1995.

Overall, cost of sales, as a percent of sales, grew slightly as productivity gains at GT were offset by narrowing margins at our AG segment.

Selling, general and administrative expenses (SG&A) grew 5%, reflecting increased information systems and marketing costs at our AG segment as it worked to expand market coverage and develop new services to meet customers' needs. However, SG&A costs fell sharply as a percentage of sales, due to strong sales gains and cost cutting measures undertaken by all of our operating segments.

Net interest expense rose 38% due to a combination of higher interest rates and higher borrowing levels in the first half of the year necessitated by our working capital needs.

Our effective tax rate dropped to 36.9% from 40.2% in fiscal 1995. The decrease was primarily due to the tax benefits related to higher export sales levels and a decrease in our deferred tax asset valuation allowance.

Equity in net earnings of affiliates dropped slightly as pricing for certain coated products became more competitive in the latter half of the year, and continuing development costs at Viratec Thin Films offset solid earnings from its main product line. Minority interest rose due to a larger loss at Harmon Europe S.A., our 70%-owned French unit.

Consolidated net earnings advanced 37% in fiscal 1996 to \$17.8 million or \$1.31 a share, from \$13.1 million, or \$0.97 a share, a year ago. Return on shareholders' equity rose to 13.5% from 10.9% a year earlier.

SEGMENT ANALYSIS

The following information provides a more detailed look at each of our three segments. For a concise five year look at each segment, see "Index of Financial Statements and Schedules" Note 17 Business Segment Information.

BUILDING PRODUCTS & SERVICES (BPS) made substantial progress in fiscal 1996. Revenues grew 16%, primarily due to progress on the Kuala Lumpur City Centre project in Malaysia and higher European revenues. The segment's operating loss fell from prior year's \$6.1 million to \$2.1 million. Harmon Contract, BPS's domestic and international curtainwall construction unit reduced its loss approximately 60% while the segment's Wausau Architectural Products group reported modest operating income compared to a loss a year earlier, and 17% revenue growth. Both units' improvements were achieved through overhead and operating cost reductions and by newly implemented monitoring systems which allow money-saving decisions to be made earlier in a project's completion cycle. BPS believes the new project management systems and cost saving efforts will allow it to make further improvements in profitability.

The segment's full service glazing group had another solid year generating strong revenues and healthy operating income. BPS's detention and security unit reported lower revenues, but produced a small profit, though notably less than a year ago. However, the unit's year-end backlog was up 53% over a year ago.

In July 1995, BPS sold the Nanik Window Coverings group for \$17.6 million. A \$4.2 million gain on the sale was included under the caption, "Other expense, net" in the Consolidated Results of Operations. In fiscal 1996, the window coverings group contributed 3% of segment sales and a small operating profit compared to 7% of sales and a \$1.4 million operating profit in fiscal 1995.

Apogee ended the fiscal year with a \$405 million backlog, up 11% from \$364 million at the end of fiscal 1995. BPS's backlog is almost 98% of the total.

Based upon analysis of its backlog, BPS anticipates nominal sales growth in fiscal 1997 due to the increased selectivity of projects taken over the past year. However, better margins are expected as the segment completes its remaining older, lower-margin projects and progresses further with healthier margin projects. Approximately \$73 million of the February 1996 backlog will not be reflected as revenue in fiscal 1997.

GLASS TECHNOLOGIES (GT) includes Viracon, our architectural glass fabricator, and Tru Vue, our picture framing glass manufacturer, both previously part of BPS. Marcon Coatings (Marcon), which applies coatings to architectural and

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residential building glass, and Viratec Thin Films (Viratec), which applies optical-grade coatings to glass and other substrates, are also part of GT. Through fiscal 1996, Apogee's equity in Marcon's and Viratec's net earnings was included in the Consolidated Results of Operations under the caption "Equity in net earnings of affiliated companies."

GT had outstanding results in fiscal 1996, increasing revenues and operating income by 24% and 57%, respectively. Both operations experienced strong demand for products and benefitted from firmer pricing environments. While the segment contributed just 17% of consolidated revenues, it provided 51% of consolidated operating income.

Much of the segment's success was due to our Viracon operation, which ran at near or full capacity for most of the year. In fiscal 1996, Viracon grew revenues and operating income by 27% and 67%, respectively. Additional capacity is planned to be on-line in summer 1996. Viracon's cost structure, along with the expansion, will allow the unit to begin to penetrate the mid-performance architectural glass market, a market which is approximately two times the size of the high-performance architectural glass market, a market Viracon traditionally serves. Tru Vue had similar results, increasing revenue and earnings by 12% and 27%, respectively. The unit was able to achieve the growth through efforts to streamline operations and integrate the two-year old matboard acquisition.

Both Marcon and Viratec increased revenues over the prior year. Marcon had a decline in operating income, as start-up expenses related to a new coater negatively affected earnings. Viratec was able to grow operating income despite pricing pressures for its flat glass operations and developmental costs related to the CaRT line. At March 2, 1996, Viratec's backlog of \$8 million was down 43% from the prior year-end.

In November 1995, Apogee's 50% joint venture partner (JV Partner) in Marcon/Viratec commenced litigation against us, alleging claims for damages and seeking to have the Court order Apogee to sell its 50% interest to the JV Partner. Apogee filed counterclaims seeking to have the JV Partner's 50% interest sold to Apogee, and in March 1996, the Court ordered the JV Partner to sell the shares of stock representing its 50% interest in Marcon/Viratec to Apogee upon payment by Apogee of fair value for those shares as determined by the Court. The JV Partner's rights and status as shareholder and directors were terminated as of the effective date of the order and the fair value for the shares is to be determined by the Court after further proceedings. The Court has not yet scheduled a trial or hearing to determine fair value.

At a hearing on April 23, 1996, the Court ordered Apogee to post a bond or letter of credit in the amount of \$50 million, or to pay the JV Partner \$25 million and agree to set aside an additional \$25 million, as security for the ultimate payment of the purchase price for the JV Partner's shares. The amount of such a bond or other means is intended as security and is not intended to reflect the Court's view on what is the fair value for the shares. The JV Partner's claims against Apogee for damages are still pending and the Court also is considering a motion brought by the JV Partner to add a claim for punitive damages.

Apogee anticipates GT will report sales and earnings gains in fiscal 1997 through expanded production capacity and streamlined operations for Viracon and Tru Vue. The Company believes full control of Marcon and Viratec will allow Apogee more strategic and operating flexibility.

AUTO GLASS (AG) had mixed results in fiscal 1996. The segment grew sales 10% during the year despite pricing pressures and lower unit movement in the auto

glass industry. Operating income declined 5% due to lower margins and expenses related to investment in improved information systems and marketing programs.

AG, which operates retail stores under the Harmon Glass (Harmon) name and distribution centers under the Glass Depot name, possesses the third-largest share in the auto glass repair and replacement industry.

The segment increased market penetration in fiscal 1996 as Harmon grew by 8 retail locations while Glass Depot added 7 distribution centers. At March 2, 1996, AG had 264 Harmon retail glass stores, 60 Glass Depot locations and 8 Midas Muffler franchises in 36 states.

Insurance companies increasingly rely on auto glass vendors with information systems to expedite claims processing and other administrative efforts related to auto glass replacement and repair. This outsourcing allowed insurance companies to improve customer satisfaction and lower costs. The segment's significant investment in information systems provides Harmon the means to offer comprehensive claims processing and management services to these customers on a nationwide basis. Harmon was able to use this competitive edge to gain market share in fiscal 1996. This market share gain is

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reflected in Harmon's 7.5% jump in retail same-store sales as contrasted with a 10% drop in overall industry unit movement.

Curv-lite, AG's auto glass fabricator, reported increased sales and unit volume in a declining sales price market. However, weaker pricing and costs related to setting up its new product and delivery systems negatively affected operating income. Through the unit's National Distribution Center, a mega-distribution center offering other manufacturers' products as well as its own for both domestic and foreign vehicles, Curv-lite was able to offer a more complete product line to its customers. Another new program was AutoGlass Express, a delivery system which allows Curv-lite to fill customer's orders on an individual basis more completely and faster than many of its competitors. The unit believes the two new initiatives will give it a competitive edge and help to gain market share.

AG anticipates sales growth to continue as it starts to leverage its information and delivery systems in fiscal 1997. Even with higher sales, it is difficult to project if operating earnings will improve as the full costs of the information systems begin to be realized in fiscal 1997 and industry pricing pressures continue.

FISCAL 1995 COMPARED TO FISCAL 1994

Consolidated net sales rose 10% to \$757 million in fiscal 1995, primarily due to strong replacement auto glass markets, robust demand for architectural glass products, and higher detention and security contracting revenues. Our gross margin increased nearly two percentage points as pricing improved slightly for replacement auto glass and architectural glass products. Productivity gains outpaced moderate increases in wages and benefits, including lower medical plan costs. In addition, the margin gains reflected operating improvements by our nonresidential construction and architectural products operations, despite the continuation of depressed margins for those units' markets.

As a percentage of net sales, selling, general and administrative expenses (SG&A) crept slightly higher, but grew substantially in absolute dollars. The majority of the increase resulted from expenditures by our auto glass retail and wholesale businesses for the development of improved information systems to better meet customer needs, as well as for expanded marketing programs related to windshield repair.

Net interest expense rose 51%, due to the combination of higher interest rates and increased borrowing levels required to meet working capital and capital investment needs.

Our effective income tax rate fell substantially, from 60.9% in fiscal 1994, to 40.2% in 1995, as increased domestic earnings were taxed at essentially the statutory rate. The fiscal 1994 rate was unusually high due to an increase in our deferred tax asset valuation.

Equity in net earnings of affiliated companies dropped 67%, to \$0.8 million, in

fiscal 1995. New product and process development costs at Viratec Thin Films substantially offset strong earnings of the unit's anti-glare screen business. Minority interest differed from a year ago as Harmon Europe S.A. reported a loss in fiscal 1995 compared to net earnings in the prior year.

Fiscal 1995 consolidated net earnings grew 240%, to \$13.1 million, or \$.97 per share, up from \$3.8 million or 29 cents per share a year ago, which included the \$525,000, or 4 cents per share, cumulative effect of the change in accounting for income taxes reported in fiscal 1994. Return on average shareholders' equity grew to 10.9%, up from 3.4% a year earlier.

At February 25, 1995, our consolidated backlog was \$364 million, down 10% from \$405 million twelve months earlier. Decreases in our domestic and Asian construction backlogs exceeded the combined increases in other areas. While our backlog declined, it was expected that recently recorded orders would provide margin improvement. At February 25, 1995, approximately \$84 million of the February 1995 backlog was not expected to be reflected as revenue in fiscal 1996.

BUILDING PRODUCTS & SERVICES (BPS) increased revenues 6% in fiscal 1995, to \$400 million, and reported a \$6.1 million operating loss, a \$16.4 million reduction from its loss a year earlier. Within the segment, 24% revenue growth was achieved at the detention and security unit, largely due to fast-track projects entered into early in the year. Harmon Contract reported a 2% decline in domestic revenues, but slashed its operating loss by 85%. With a lower cost structure and improved project management, Harmon worked through much of its narrow-margin backlog, obtained in the intensely competitive pricing environment of 1991-1993.

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Harmon Contract's overseas operations recorded flat revenues compared to a year ago, with higher Asian revenues offset by less activity in Europe. Operating results suffered from low-margin projects and overhead growth related to brisk bidding activity in both Europe and Asia. The segment's architectural products group also rebounded sharply. Sales grew 9%, with firmer pricing, beefed-up engineering and better factory utilization, nearly eliminating the prior year's significant operating loss.

Overall, BPS made progress in controlling its costs, with a \$2 million reduction in SG&A expenses, the result of restructuring measures taken in fiscal 1994, as well as ongoing cost control measures.

GLASS TECHNOLOGIES (GT) had a 19% gain in revenues and a 32% increase in operating income year over year. High demand and firmer pricing for Viracon's architectural glass products boosted its sales 22%, which led to margin gains and strong profit growth for the unit. Viracon ran at near capacity for most of the year as demand for its products remained strong. GT's picture framing products unit recorded steady sales gains and solid earnings, although behind historical levels.

Marcon Coatings reported healthy sales and earnings growth, as that unit benefitted from rapidly growing Viracon sales. Viratec reported an 8% gain in revenues, while pre-tax earnings were down 74% from last year. Demand for Viratec's coated glass for anti-glare computer screens remained strong, especially in overseas markets, as the European Community adopted stricter safety regulations for limiting computer emissions. Viratec invested heavily in research and development costs during fiscal 1995 to begin limited direct-coating of cathode ray tubes (CRTs), accounting for the reduction in bottom-line results. At February 25, 1995, Viratec's backlog stood at \$14.5 million, up 11% from a year earlier.

AUTO GLASS (AG) segment achieved net sales of \$249 million, up 12% over a year ago, while reporting operating income of \$19.1 million, modestly ahead of fiscal 1994's strong performance. High demand for replacement auto glass, along with share gains in selected markets, helped to boost revenues. Price increases early in the year were somewhat eroded by volume discounts to major customers. Despite the sales increase, operating income for the segment was flat with the prior year, as costs to expand marketing programs and develop state-of-the-art information systems offset gross profit gains.

Both Harmon Glass (retail) and Glass Depot (wholesale) advanced same-location sales by 7%, reflecting overall market growth. The higher volume contributed to

gross margin growth, but higher SG&A costs limited the units' operating income gain to 4%. Viracon/Curvlite maintained high factory utilization throughout the year, producing record sales and strong earnings. Windshield unit shipments grew 8%. Also, Curvlite invested in equipment to expand capacity and lower production costs.

During the year, the AG segment acquired or started up 33 retail stores and nine wholesale depots, including a chain of 13 retail stores and one warehouse in the Washington, D.C. area, acquired in January, 1995. This acquisition gave AG a significant position in that attractive East Coast market. The group closed seven retail and one distribution locations during the year, to end the year with 256 retail stores, 53 wholesale depots and 7 Midas Muffler locations.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL CONDITION Major balance sheet items as a percentage of total assets at March 2, 1996 and February 25, 1995 are presented below:

	Percent of Total Assets	
	1996	1995
	----	----
Current assets.....	67	71
Current liabilities.....	37	37
Long-term debt.....	20	22
Other liabilities.....	7	5
Shareholders' equity.....	36	34

Net receivables decreased 4% due in part to strong efforts by all segments to keep accounts current and reduce working capital. The sale of our window coverings group also reduced both receivables and inventories by almost \$5 million each. Inventories and costs in excess of billings grew by approximately \$3 million and \$7 million, respectively. The increases

occurred with rising production levels and changes in contract billing agreements, which extended billing cycles for the nonresidential construction units.

Total long-term and short-term debt stood at \$84.4 million at March 2, 1996, down \$8.8 million from a year earlier. The Company made working capital reduction one of its priorities in fiscal 1996 as can be evidenced by the reduction in debt. In May 1996, Apogee expanded its revolving credit facilities to \$150 million; as a result, \$73.4 million of short-term borrowings at March 2, 1996 were classified as long-term debt. For fiscal 1997, we believe our continued efforts to reduce working capital plus our credit facilities will enable us to maintain liquidity while achieving improved results.

CAPITAL INVESTMENT New capital investment in fiscal 1996 totaled \$29.0 million, versus \$39.6 million and \$19.4 million in fiscal 1995 and 1994, respectively. Expenditures for new property, plant and equipment totaled \$22.5 million, and consisted of information systems, facility additions and manufacturing equipment additions and upgrades. We also invested \$3.8 million to fund AG's acquisition of retail stores and wholesale depots.

Capital investment for fiscal 1997 is estimated at \$30 million. Further upgrading of information and communication systems and construction of a major distribution center are the primary components of AG's plan. GT's plans primarily consist of expenditures for capacity expansion and productivity improvements and BPS plans include information systems upgrades and productivity improvements.

SHAREHOLDERS' EQUITY Apogee's book value rose 10% in fiscal 1996 from \$9.27 to \$10.28 per share, with outstanding common shares increasing by one percent. Net earnings less dividends, along with common stock issued in connection with long-

term compensation plans, essentially accounted for the increase. During fiscal 1996, we increased our quarterly dividend by 6%, to 8.5 cents per share, our 21st consecutive year of increase.

IMPACT OF INFLATION Apogee's financial statements are prepared on a historical cost basis, which does not completely account for the effects of inflation. However, since the cost of most 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.

Although year-end prices were essentially unchanged from a year ago, the cost of glass, one of Apogee's primary raw materials, fluctuated during fiscal 1996 reflecting varying demand from the U.S. construction and auto industries. We expect the cost of glass to rise moderately in fiscal 1997. Aluminum prices were volatile during the fiscal year and ended on a slight decline from fiscal 1995 year-end pricing. While our construction and supply contracts are at fixed prices, the material components are usually based on firm quotes obtained from suppliers. Labor cost increases, including taxes and fringe benefits, can be reasonably anticipated. Through new efficiencies and cost containment programs set up at most operating units, selling, general and administrative expenses were reduced or held relatively constant during fiscal 1996.

OUTLOOK

We believe that improving market conditions for nonresidential construction, flat demand for automotive replacement glass and continued strong demand for architectural glass and coated glass products will allow Apogee to improve earnings in fiscal 1997. Better project selection and management, continued cost containment programs and efficiencies, and competitive advantages from information management technology should contribute to earnings growth.

CAUTIONARY STATEMENT

A number of 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. These factors are set forth in Exhibit 99 to this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

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 above in "Executive Officers of the Registrant," is included on pages 1 to 10 of the Proxy Statement for the Annual Meeting of Shareholders to be held June 18, 1996, 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 report of KPMG Peat Marwick LLP, independent auditors, are filed as part of this report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 2, 1996.

(c) Exhibits -

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

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- 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 28, 1996

APOGEE ENTERPRISES, INC.

By: /s/ Donald W. Goldfus

Donald W. Goldfus
Chairman of the Board of Directors,
Chief Executive Officer and President

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/ Donald W. Goldfus	Chairman of the Board of Directors and Chief Executive Officer and President	May 28, 1996
-----	-----	-----
Donald W. Goldfus		
/s/ Gerald K. Anderson	Director	May 28, 1996
-----	-----	-----
Gerald K. Anderson		
/s/ Laurence J. Niederhofer	Director	May 28, 1996
-----	-----	-----
Laurence J. Niederhofer		
/s/ James L. Martineau	Vice President and Director	May 28, 1996
-----	-----	-----
James L. Martineau		
/s/ D. Eugene Nugent	Director	May 28, 1996
-----	-----	-----

D. Eugene Nugent

/s/ Richard Gould Senior Vice President May 28, 1996

Richard Gould

/s/ William G. Gardner Treasurer and Secretary May 28, 1996

William G. Gardner

/s/ Terry L. Hall Chief Financial Officer May 28, 1996

Terry L. Hall

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APOGEE ENTERPRISES, INC.
FORM 10-K
ITEMS 8, 14(a) AND 14(d)

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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.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Apogee Enterprises, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apogee Enterprises, Inc. and subsidiaries as of March 2, 1996 and February 25, 1995 and

the results of their operations and their cash flows for each of the years in the three-year period ended March 2, 1996 in conformity with generally accepted accounting principles. 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 information set forth therein.

As discussed in note 9, the company changed its method of accounting for income taxes in fiscal 1994 to adopt the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.

KPMG Peat Marwick LLP

Minneapolis, Minnesota
April 12, 1996

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CONSOLIDATED BALANCE SHEETS
APOGEE ENTERPRISES, INC.

(Dollar amounts in thousands)	March 2, 1996	February 25, 1995
-----	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents (including restricted funds of \$208 and \$885, respectively)	\$ 7,389	\$ 2,894
Receivables, net of allowance for doubtful accounts	158,368	165,099
Inventories	54,484	54,559
Costs and earnings in excess of billings on uncompleted contracts	26,276	19,606
Deferred tax assets	6,689	10,384
Other current assets	5,353	4,278
	-----	-----
Total current assets	\$258,559	\$256,820
	-----	-----
Property, plant and equipment, net	78,485	75,028
Other assets		
Marketable securities - insurance subsidiary	12,231	-
Investments in and advances to affiliated companies	16,433	15,016
Intangible assets, at cost less accumulated amortization of \$8,044 and \$8,681, respectively	10,332	8,383
Deferred tax assets	6,970	5,082
Other	3,126	1,599
	-----	-----
	49,092	30,080
	-----	-----
Total assets	\$386,136	\$361,928
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 57,678	\$ 53,793
Accrued expenses	52,430	41,168
Billings in excess of costs and earnings on uncompleted contracts	19,470	17,717
Accrued income taxes	7,634	10,454
Notes payable	-	7,065
	-----	-----
Current installments of long-term debt	5,265	5,522
	-----	-----
Total current liabilities	\$142,477	\$135,719
	-----	-----

First	\$219,032	\$178,927	\$148,752	First	\$ 31,925	\$ 25,388	\$19,947
Second	222,186	185,971	175,568	Second	31,824	29,240	22,093
Third	215,487	186,253	184,529	Third	28,264	26,204	23,917
Fourth	214,442	205,398	179,384	Fourth	26,510	25,057	17,938
	-----	-----	-----		-----	-----	-----
Total	\$871,147	\$756,549	\$688,233	Total	\$118,523	\$105,889	\$83,895
	=====	=====	=====		=====	=====	=====

NET EARNINGS (LOSS)

EARNINGS (LOSS) PER SHARE

Quarter	1996	1995	1994*	Quarter	1996	1995	1994*
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
First	\$ 3,481	\$ 2,600	\$ 1,443	First	\$0.26	\$0.19	\$ 0.11
Second	5,646	4,294	2,441	Second	0.41	0.32	0.18
Third	5,172	3,763	2,902	Third	0.38	0.28	0.22
Fourth	3,536	2,393	(2,953)	Fourth	0.26	0.18	(0.22)
	-----	-----	-----		-----	-----	-----
Total	\$17,835	\$13,050	\$ 3,833	Total	\$1.31	\$0.97	\$ 0.29
	=====	=====	=====		=====	=====	=====

*During the first quarter of 1994, Apogee adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. The cumulative effect of the change in accounting for income taxes increased net earnings by \$525,000, or 4 cents per share, and is included in fiscal 1994 figures.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Apogee Enterprises, Inc.

(Dollar amounts in thousands)

	Year Ended March 2, 1996	Year Ended February 25, 1995	Year Ended February 26, 1994
- - - - -	- - - - -	- - - - -	- - - - -
OPERATING ACTIVITIES			
Net earnings	\$ 17,835	\$ 13,050	\$ 3,833
Adjustments to reconcile net earnings to net cash provided by (used by) operating activities:			
Cumulative effect of change in accounting for income taxes	-	-	(525)
Depreciation and amortization	16,528	15,131	15,724
Provision for losses on accounts receivable	1,983	3,871	2,388
Deferred income tax expense	1,807	(3,486)	(2,929)
Provision for business restructuring and asset valuation	-	-	5,178
Gain on sale of Nanik Window Coverings Group	(4,166)	-	-
Equity in net earnings of affiliated companies	(528)	(762)	(2,294)
Minority interest	(516)	(262)	675
Other, net	(1,429)	(296)	(1,580)
	-----	-----	-----
Cash flow before changes in operating assets and liabilities	31,514	27,192	20,470
Changes in operating assets and liabilities, net of effect of acquisitions:			
Receivable	2,134	(23,080)	(40,205)
Inventories	(3,286)	(11,356)	(6,402)
Cost and earnings in excess of billings on uncompleted contracts	(6,670)	(9,846)	(3,853)
Other current assets	(1,220)	483	351
Accounts payable and accrued expenses	14,494	2,557	17,003
Billings in excess of costs and earnings on uncompleted contracts	1,753	1,806	(1,529)
Accrued income taxes	(2,820)	5,930	(31)
Other long-term liabilities	4,593	5,327	3,299
	-----	-----	-----
Net cash provided by (used by) operating activities	40,492	(987)	(10,897)
	-----	-----	-----
INVESTING ACTIVITIES			
Capital expenditures	(22,615)	(24,957)	(14,046)
Acquisition of businesses, net of cash acquired	(3,793)	(8,823)	(3,154)
Increase in marketable securities	(12,231)	-	-
Investment in and advances to affiliated companies	(889)	(2,070)	1,527
Proceeds from sale of property, plant and equipment	301	1,004	832
Proceeds from sale of Nanik Window Coverings Group	17,550	-	-
Other, net	(1,991)	929	(1,340)
	-----	-----	-----
Net cash used by investing activities	(23,668)	(33,917)	(16,181)
	-----	-----	-----
FINANCING ACTIVITIES			
(Decrease) increase in notes payable	(7,065)	(16,785)	23,850
Payments on long-term debt	(5,576)	(4,182)	(6,851)

Proceeds from issuance of long-term debt	3,855	50,425	14,100
Proceeds from issuance of common stock	1,150	1,671	1,945
Repurchase and retirement of common stock	(240)	(209)	-
Dividends paid	(4,453)	(4,155)	(3,841)
	-----	-----	-----
Net cash (used by) provided by financing activities	(12,329)	26,974	28,994
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	4,495	(7,930)	1,916
Cash and cash equivalents at beginning of year	2,894	10,824	8,908
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 7,389	\$ 2,894	\$ 10,824
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Apogee Enterprises, Inc.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED DATA

PRINCIPLES OF CONSOLIDATION Our consolidated financial statements include the accounts of Apogee and all majority-owned subsidiaries. We use the equity method to account for our 50%-owned joint ventures. Intercompany transactions have been eliminated. 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. Restricted funds represent collateral required by certain construction contracts' terms.

INVENTORIES Inventories, which consist primarily of purchased glass and aluminum, are valued at cost, principally by using the last-in, first-out (LIFO) method, which does not exceed market. If the first-in, first-out (FIFO) method had been used, our inventories would have been \$2,550,000 and \$2,700,000 higher than reported at March 2, 1996 and February 25, 1995, 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. Apogee computes depreciation 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 non-compete agreements. We review the ongoing value of intangibles annually. The continuing benefit of such assets is evaluated based upon an assessment of relevant economic and other criteria, including projections of future results. Goodwill is amortized on a straight-line basis over periods ranging from 10 to 40 years, except for \$923,000, which is not being amortized.

Non-compete agreements related to purchased businesses are amortized ratably over the term of the agreements. Amortization expense amounted to \$665,000, \$288,000 and \$2,328,000 in 1996, 1995 and 1994, respectively.

MARKETABLE SECURITIES - INSURANCE SUBSIDIARY We established a wholly owned insurance subsidiary, Prism Assurance, Inc. (Prism) in 1996 to insure our workers compensation general liability and automobile liability risks. Prism invests in fixed maturity investments which we classify as available-for-sale and are carried at market value as prescribed by Statement of Financial Accounting Standards 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. Losses estimated to be paid within twelve months are classified as accrued expenses, while losses expected to be payable in later periods are included in other long-term liabilities.

REVENUE RECOGNITION We recognize 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, project management and other direct costs related to contract performance. We establish provisions for estimated losses, if any, on uncompleted contracts in the period in which such losses are determined. Revenue from the sale of products and the related cost of sales are recorded upon shipment.

INCOME TAXES We account for income taxes as prescribed by Statement of

Financial Accounting Standards 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.

EARNINGS PER SHARE Apogee computes earnings per share by dividing net earnings by the weighted average number of common shares and common share equivalents outstanding during the year. Our average common shares and common share equivalents outstanding during 1996, 1995 and 1994 were 13,629,000, 13,501,000 and 13,289,000, respectively.

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

We periodically enter into forward currency exchange contracts to manage specific foreign currency exposures related to foreign construction contracts and receivables denominated in foreign currencies. As of March 2, 1996 we had forward contracts maturing in 1997 with a value of approximately \$32 million. 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 part of the related transaction.

ACCOUNTING PERIOD Apogee's fiscal year ends on the Saturday closest to February 28. Fiscal year 1996 consisted of fifty-three weeks, while 1995 and 1994 were each fifty-two weeks.

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ACCOUNTING ESTIMATES The preparation of Apogee's consolidated financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Amounts subject to significant estimates and assumptions include, but are not limited to, insurance reserves and revenue recognition for construction contracts, including the status of outstanding disputes and claims. Actual results could differ from those estimates.

FUTURE CHANGES IN ACCOUNTING PRINCIPLES Apogee believes that neither Statement of Financial Accounting Standards No. 121, which deals with accounting for impairment of the value of long-lived assets, nor No. 123, dealing with accounting for stock-based compensation, will have a material effect on its consolidated financial statements when they become effective for fiscal year 1997. With regard to No. 123, Apogee has elected to adopt only the disclosure requirements.

2. RECEIVABLES

(In thousands)	1996	1995
Trade accounts	\$ 67,839	\$ 68,332
Construction contracts	59,014	67,546
Contract retainage	29,519	32,284
Other receivables	8,768	5,595
Total receivables	165,140	173,757
Less allowance for doubtful accounts	(6,772)	(8,658)
Net receivables	\$158,368	\$165,099

Apogee provides products and services to the commercial and institutional new construction and remodeling markets, the automotive replacement glass market and

selected consumer markets. We do not believe a concentration of credit risk exists, due to the diversity of our markets and channels of distribution, and the geographic location of our customers. Allowances are maintained for potential credit losses and such losses have been within management's expectations. The provision for bad debt expense was \$1,983,000, \$3,817,000 and \$2,388,000 in 1996, 1995 and 1994, respectively.

3. INVENTORIES

(In thousands)	1996	1995
-----	-----	-----
Raw materials	\$ 10,402	\$ 14,802
Work-in process	3,964	3,232
Finished	40,118	36,525
	-----	-----
Total inventories	\$ 54,484	\$ 54,559
	=====	=====

4. PROPERTY, PLANT AND EQUIPMENT

(In thousands)	1996	1995
-----	-----	-----
Land	\$ 2,392	\$ 2,430
Buildings and improvements	50,097	50,332
Machinery and equipment	77,709	74,387
Office equipment and furniture	35,383	30,418
Construction in progress	8,646	4,127
	-----	-----
Total property, plant and equipment	174,227	161,694
Less accumulated for depreciation	(95,742)	(86,666)
	-----	-----
Net property, plant and equipment	\$ 78,485	\$ 75,028
	=====	=====

Depreciation expense was \$15,863,000, \$14,903,000 and \$13,397,000 in 1996, 1995 and 1994, respectively.

5. ACCRUED EXPENSES

(In thousands)	1996	1995
-----	-----	-----
Payroll and related benefits	\$17,675	\$11,493
Insurance	13,983	10,771
Taxes, other than income taxes	7,120	2,182
Pension	3,598	3,319
Interest	530	804
Other	9,524	12,599
	-----	-----
Total accrued expenses	\$52,430	\$41,168
	=====	=====

6. LONG-TERM DEBT

(In thousands)	1996	1995
-----	-----	-----
Promissory note, 9.65%, due in annual installments through 1998	\$ 4,464	\$ 8,036
Promissory notes, 7.5%, due in quarterly installments through 2000	3,975	5,300
Borrowings under revolving credit and other bank agreements	73,400	70,000
Other	2,528	2,752
	-----	-----
Total long-term debt	84,367	86,088
Less current installments	(5,265)	(5,522)
	-----	-----
Net long-term debt	\$79,102	\$80,566
	=====	=====

Long-term debt maturities are as follows:

Fiscal Year	(In thousands)
-----	-----
1997	\$ 5,265
1998	2,601
1999	1,725
2000	1,038
2001	188
Thereafter	73,550

Total	\$84,367
	=====

The terms of the 9.65% promissory note include certain dividend and debt level restrictions and requirements to maintain minimum levels of tangible net worth and certain financial ratios. Retained earnings available for dividends under the note's terms were approximately \$48 million at March 2, 1996.

At March 2, 1996, Apogee had revolving credit agreements with four banks expiring in 1997. The agreements allow us to borrow up to \$70 million at fixed or floating rates. The agreements require us to maintain minimum levels of tangible net worth and certain financial ratios. At March 2, 1996, there were no borrowings outstanding under the committed credit facilities. In May 1996, a five-year, multi-currency, committed credit facility was obtained in the amount of \$150 million, replacing the previous credit agreements. The new agreement requires us to maintain minimum levels of net worth and certain financial ratios.

We also had access to short-term credit on an uncommitted basis with several major banks. At March 2, 1996, \$73.4 million in bank borrowings were outstanding under these agreements. We may refinance these short-term borrowings on a long-term basis under the revolving credit agreements discussed above. Accordingly, our short-term bank borrowings, which were not expected to be paid within one year, were classified as long-term debt.

Interest rates on the year-end bank under uncommitted credit facilities, ranged from 5.89% to 5.95%.

Selected information related to bank borrowings is as follows:

(Dollar amounts in thousands)	1996	1995
-----	-----	-----
Average daily borrowings during the year	\$ 84,273	\$58,027

Maximum borrowings outstanding during the year	\$106,650	78,865
Weighted average interest rate during the year	6.7%	5.5%

In 1996, we entered into an interest rate swap agreement that effectively converted \$20 million of our variable rate borrowings into a fixed rate obligation. Under this agreement, which expires in fiscal 1999, we receive payments at variable rates while we make payments at 6.3%. The net interest paid or received is included in interest expenses.

In 1992, we entered into three interest rate swap agreements that effectively converted \$250 million of our fixed rate, long-term borrowings into variable rate obligations. During 1993, we sold two of the swap agreements at net gains. The gains are being recognized as reductions in interest expense through 1997. The third agreement expired in 1995.

The net book value of property and plant pledged as collateral under industrial development bonds was \$1.2 million at March 2, 1996.

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7. SHAREHOLDERS' EQUITY

(In thousands)	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings
-----	-----	-----	-----	-----
Balance at February 27, 1993	13,177	\$4,392	\$15,845	\$ 92,098
Net earnings	-	-	-	3,833
Common stock issued	152	51	1,894	-
Common stock repurchased or retired	(17)	(6)	(21)	(182)
Cash dividends	-	-	-	(3,841)
-----	-----	-----	-----	-----
Balance at February 26, 1994	13,312	4,437	17,718	91,908
Net earnings	-	-	-	13,050
Common stock issued	131	44	1,627	-
Cash dividends	-	-	-	(4,155)
-----	-----	-----	-----	-----
Balance at February 25, 1995	13,443	4,481	19,345	100,803
Net earnings	-	-	-	17,835
Common stock issued	88	30	1,120	-
Common stock repurchased or retired	(14)	(5)	(20)	(215)
Cash dividends	-	-	-	(4,453)
-----	-----	-----	-----	-----
Balance at March 2, 1996	13,517	\$4,506	\$20,445	\$113,970
=====	=====	=====	=====	=====

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

Apogee has a Shareholders' Rights Plan, under which each share of our 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.

8. INTEREST AND OTHER EXPENSE, NET

(In thousands)	1996	1995	1994
-----	-----	-----	-----
Interest on debt	\$ 6,747	\$4,381	\$3,008
Other interest	273	595	620

	-----	-----	-----
Total interest expense	7,020	4,976	3,628
Less interest income	(1,323)	(841)	(893)
	-----	-----	-----
Interest expense, net	\$ 5,697	\$4,135	\$2,735
	=====	=====	=====

Interest payments were \$7,095,000, \$4,778,000 and \$3,714,000 in 1996, 1995 and 1994, respectively.

Other expense, net, consisted of charges totaling \$4.3 million primarily related to write-off of a minority investment in a research and development venture and an adjustment to our insurance reserves, offset by the \$4.2 million gain from the sale of the Nanik Window Coverings Group discussed in Note 12.

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9. INCOME TAXES

Effective February 28, 1993, we adopted the provisions of Statement of Financial Accounting Standards No. 109. The cumulative effect of this change in accounting for income taxes is included in the 1994 Consolidated Results of Operations.

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

(In thousands)	1996	1995	1994
-----	-----	-----	-----
CURRENT:			
Federal	\$6,559	\$ 9,663	\$ 3,342
State and local	910	1,608	701
Foreign	544	316	1,520
	-----	-----	-----
Total current	8,013	11,587	5,563
DEFERRED:			
Federal	1,503	(3,233)	(2,794)
State and local	304	(653)	(485)
Foreign	-	400	350
	-----	-----	-----
Total deferred	1,807	(3,486)	(2,929)
	-----	-----	-----
Total income tax expense	\$9,820	\$ 8,101	\$ 2,634
	=====	=====	=====

Income tax payments, net of refunds, were \$10,878,000, \$5,790,000 and \$5,934,000 in 1996, 1995 and 1994, respectively.

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

	1996	1995	1994
	-----	-----	-----
Statutory federal tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefit	3.0	3.0	3.2
Tax credits	(0.5)	(1.1)	(3.3)
Foreign items with no tax benefit	0.8	2.1	18.6
Valuation allowance	(0.6)	1.6	13.9
Other, net	(0.8)	(0.4)	(6.5)
	-----	-----	-----
Consolidated effective tax rate	36.9%	40.2%	60.9%

=====

Deferred tax assets and deferred tax liabilities at March 2, 1996 and February 25, 1995 are as follows:

(In thousands)	1996		1995	
	Current	Noncurrent	Current	Noncurrent
Accounts Receivable	\$ 2,304	\$ -	\$ 3,478	\$ -
Accrued insurance	2,575	8,054	4,123	6,522
Deferred compensation	-	3,492	-	3,556
Restructuring reserve	-	631	-	1,286
Inventory	1,569	-	2,311	-
Depreciation	226	(4,722)	216	(4,841)
Employee benefit plans	(1,434)	-	(1,218)	-
Other	1,449	703	1,474	(88)
	6,689	8,158	10,384	6,435
Less valuation allowance	-	(1,188)	-	(1,353)
Deferred tax assets	\$ 6,689	\$ 6,970	\$10,384	\$ 5,082
	=====	=====	=====	=====

Apogee's valuation allowance decreased by \$165,000 in 1996 and related primarily to foreign tax credits. The valuation allowance at March 2, 1996 and February 25, 1995 reflect amounts for foreign tax credits and capital loss carryforward.

10. INVESTMENT IN AFFILIATED COMPANIES

Apogee is party to joint venture agreements with a 50% partner (JV partner), forming Marcon Coatings, Inc. and its subsidiary, Viratec Thin Films, Inc. (Marcon/Viratec). Marcon/Viratec operates glass coating facilities. Our 50% ownership investment in Marcon/Viratec is accounted for using the equity method.

In November 1995, the JV Partner commenced litigation against Apogee alleging claims for damages and seeking to have the Court order Apogee to sell its 50% interest in the joint venture to the JV Partner. Apogee filed counterclaims seeking to have the JV

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Partner's 50% interest sold to Apogee, and in March 1996, the Court ordered the JV Partner to sell the share of stock representing its 50% interest in Marcon/Viratec to Apogee upon payment by Apogee of fair value for these shares as determined by the Court. The JV Partner's rights and status as shareholder and directors were terminated as of the effective date of the order and the fair value for the share is to be determined by the Court after further proceedings. The Court has not yet scheduled a trial or hearing to determine fair value.

At a hearing on April 23, 1996, the Court ordered Apogee to post a bond or letter of credit in the amount of \$50 million, or to pay the JV Partner \$25 million, as security for the ultimate payment of the purchase price for the JV Partner's shares. The amount of such a bond or other means is intended as security and is not intended to reflect the Court's view on what is fair value for the shares. The JV Partner's claims against Apogee for damages are still pending and the Court also is considering a motion brought by the JV Partner to add a claim for punitive damages.

Apogee and the JV Partner have leased certain glass coating equipment and made cash advances to Marcon. Our net investment in Marcon/Viratec as of March 2, 1996 and February 25, 1995 was \$15,821,000, \$14,278,000, respectively. Our equity in Marcon/Viratec's net earnings is included in the accompanying Consolidated Results of Operations. Marcon/Viratec's net earnings for 1994 included a \$437,000 tax benefit from net operating loss carryforward. A summary of assets, liabilities and results of operations for Marcon/Viratec is presented

below:

(In thousands)	1996	1995	1994
Current assets	\$11,950	\$ 8,620	\$10,248
Noncurrent assets	23,444	16,716	15,704
Current liabilities	19,098	6,153	7,214
Noncurrent liabilities	8,602	12,673	14,066
Net sales	46,297	38,299	34,497
Gross profit	8,981	9,205	11,717
Net earnings	1,183	1,838	4,566

11. EMPLOYEE BENEFIT AND STOCK OPTION PLANS

We maintain 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. We deposit pension costs with the trustee annually. All pension costs were fully funded or accrued as of year end. Contributions to the plan were \$3,687,000, \$3,394,000 and \$3,014,000 in 1996, 1995 and 1994, respectively.

We also maintain 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. Our contributions to the plan were \$1,495,000, \$1,242,000 and \$1,206,000 in 1996, 1995 and 1994, respectively.

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 stock. The purchased stock is then matched by an equal award of restricted stock, which vests over a predetermined period. 1,100,000 common shares are authorized for issuance under the plan. As of March 2, 1996, 676,000 shares have been issued under the plan. We expensed \$666,000, \$708,000 and \$478,000 in conjunction with the Partnership Plan in 1996, 1995 and 1994, respectively.

The 1987 Stock Option Plan provides for the issuance of up to 1,250,000 options to purchase company stock. Options awarded under this plan, 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. Changes in stock options outstanding for each of the last three fiscal years are as follows:

	1996	1995	1994
Options outstanding at beginning of the year	578,000	477,000	481,000
Granted	245,000	168,000	148,000
Exercised	(87,000)	(25,000)	(4,000)
Forfeited	(34,000)	(42,000)	(148,000)
Options outstanding at end of the year	702,000	578,000	477,000
Options exercisable at end of year	489,000	212,000	129,000
Price range of outstanding options	\$ 8.95-18.91	\$8.95-\$18.91	\$ 8.95-\$18.91
Price range of exercised options	\$10.75-16.25	\$8.95-\$16.25	\$10.75-\$12.00

12. ACQUISITIONS

In 1996, our Auto Glass segment purchased the assets of 12 retail auto glass stores and one distribution center in five separate transactions. The aggregate purchase price of the acquisitions was \$3.8 million, including \$0.7 million of cost in excess of the fair value of acquired assets. Promissory notes of \$0.5 million were issued in connection with the transactions.

In 1995, our Auto Glass segment purchased the assets of 16 retail auto glass stores and one distribution center in four separate transactions. The aggregate purchase price of the acquisitions was \$8.8 million, including \$4.6 million of cost in excess of the fair value of acquired assets. Promissory notes of \$5.3 million were issued in connection with the transactions.

In 1994, the Glass Technologies segment's Tru Vue unit purchased the assets of a company serving another sector of the picture framing market. Also in 1994, the Building Products & Services segment purchased certain assets of CFEM Facades, a curtainwall company based in France. The purchase price of assets acquired in 1994 was \$3.2 million.

No liabilities were assumed in any of the transactions. All of the above transactions were accounted for by the purchase method. Accordingly, Apogee's consolidated financial statements include the net assets and results of operations from the dates of acquisition.

In 1996, we sold selected assets and liabilities of the Nanik Window Coverings Group (Nanik) for \$17.6 million, realizing a \$4.2 million gain included in "Other expense, net" in the accompanying Consolidated Results of Operations. Nanik accounted for less than 4% of consolidated net sales in 1996, 1995 and 1994.

13. PROVISION FOR BUSINESS RESTRUCTURING AND ASSET VALUATION

During 1994, we recorded a business restructuring and asset valuation provision of \$5.6 million (\$4.5 million after tax) in our Building Products and Services segment. The charge was principally related to the consolidation or closing of 10 Harmon Contract offices and facilities, the write-down of certain assets and the reorganization of the architectural metals operations. The provision consisted of asset writedowns of \$2.5 million and projected cash outlays of \$3.1 million. At March 2, 1996, the remaining reserve for projected expenditures was less than \$100,000.

14. LEASES

As of March 2, 1996, we were 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)
-----	-----
1997	\$10,619
1998	7,255
1999	5,970
2000	4,365
2001	1,823
Thereafter	1,240

Total minimum payments	\$31,272
	=====

Total rental expense was \$22,155,000, \$18,242,000 and \$17,129,000 in 1996, 1995 and 1994, respectively.

15. COMMITMENTS AND CONTINGENT LIABILITIES

Apogee has ongoing letters of credit related to 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 2, 1996 was approximately \$54,320,000. Apogee has entered into a number of non-compete agreements. As of March 2, 1996, we were committed to make future payments of \$3,083,000 under such agreements.

In addition to the matter discussed in Note 10, Apogee is party to various legal proceedings incidental to our normal operating activities. In particular, like others in the construction industry, our 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, we believe, based on facts currently available to us, that none of such claims will result in losses that would have a material adverse effect on our financial condition.

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16. FAIR VALUE DISCLOSURES

Estimated fair values of our financial instruments at March 2, 1996 are as follows:

(In thousands)	Carrying Amount	Estimated Fair Value
-----	-----	-----
Long-term debt including current installments	\$84,367	\$84,429
Interest rate swap agreement in a net payable position	-	\$ 397

Estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, judgment is required in developing the estimates of fair value. Accordingly, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange.

For cash and cash equivalents, receivables, marketable securities and accounts payable, carrying value is a reasonable estimate of fair value. The carrying value of long-term debt that has variable interest rates is a reasonable estimate of fair value. For long-term debt with fixed interest rates, fair value is based on discounted projected cash flows using the rate at which similar borrowings could currently be made. The fair value of interest rate swaps is the difference between the present value of our future interest obligation at a fixed rate and the counter party's obligation at a floating rate.

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17. BUSINESS SEGMENTS

Sales, operating income, identifiable assets and other related data for our operations in different business segments, are listed below and are an integral part of the financial statements. Fiscal 1992 and 1993 segment data are not covered by the Independent Auditors' Report.

(Dollar amounts in thousands)	1996		1995		1994		1993		1992	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
SALES										
Building products & services	\$462,102	53.0	\$399,540	52.8	\$377,916	54.9	\$312,311	54.6	\$347,850	58.3
Glass technologies	150,457	17.3	120,890	16.0	101,166	14.7	83,893	14.7	79,345	13.3
Auto glass	273,133	31.4	248,904	32.9	223,209	32.4	187,642	32.8	177,188	29.7
Intersegment elimination	(14,545)	(1.7)	(12,785)	(1.7)	(14,058)	(2.0)	(11,396)	(2.0)	(8,102)	(1.4)
Net sales	\$871,147	100.0	\$756,549	100.0	\$688,233	100.0	\$572,450	100.0	\$596,281	100.0
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
OPERATING INCOME (LOSS)										
Building products & services	\$ (2,073)	(6.4)	\$ (6,081)	(25.1)	\$ (22,443)	(318.0)	\$ (5,598)	(87.9)	\$ 22,702	117.9
Glass technologies	16,431	50.6	10,475	43.2	7,931	112.4	3,247	51.0	(6,185)	(32.1)

Auto glass	18,069	55.7	19,067	78.6	18,961	268.6	8,869	139.3	3,528	18.3
Corporate and other	30	0.1	801	3.3	2,609	37.0	(149)	(2.3)	(796)	(4.1)
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Operating income	32,457	100.0	24,262	100.0	7,058	100.0	6,369	100.0	19,249	100.0
Interest expense, net	(5,697)		(4,135)		(2,735)		(1,794)		(970)	
Other expense, net	(149)		-		-		-		-	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Earnings before income taxes and other items	\$ 26,611		\$ 20,127		\$ 4,323		\$ 4,575		\$ 18,279	
	=====		=====		=====		=====		=====	

	Identifiable Assets			Capital Expenditures			Depreciation & Amortization		
	1996	1995	1994	1996	1995	1994	1996	1995	1994
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Building products & services	\$172,019	\$182,931	\$157,595	\$ 5,096	\$ 4,429	\$ 4,802	\$ 6,146	\$ 6,443	\$ 6,435
Glass technologies	67,606	62,643	46,702	4,171	8,286	3,286	3,700	3,425	3,257
Auto glass	108,342	92,346	74,041	12,954	12,201	5,906	6,522	5,116	5,891
Corporate and other	38,169	24,008	27,850	394	41	52	160	147	141
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	\$386,136	\$361,928	\$306,188	\$22,615	\$24,957	\$14,046	\$16,528	\$15,131	\$15,724
	=====	=====	=====	=====	=====	=====	=====	=====	=====

Apogee's Building Products & Services segment has subsidiaries in Europe and Asia. During 1996, 1995 and 1994, such operations had net sales of \$114,305,000, \$66,580,000 and \$65,021,000, respectively. Operating losses for 1996, 1995 and 1994 were \$1,983,000, \$6,575,000 and \$887,000, respectively. At March 2, 1996, February 25, 1995 and February 26, 1994 identifiable assets of the subsidiaries totaled \$58,753,000, \$41,880,000 and \$31,786,000, respectively. Foreign currency transaction gains or losses included in net earnings for 1996, 1995 and 1994 were immaterial.

Apogee's export 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 (loss) 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.

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SCHEDULE II

APOGEE ENTERPRISES, INC. AND SUBSIDIARIES

Valuation and Qualifying 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 2, 1996:				
Allowance for doubtful receivables	\$8,658	\$1,983	\$3,869	\$6,772
	=====	=====	=====	=====
For the year ended February 25, 1995:				
Allowance for doubtful receivables	\$7,879	\$3,817	\$3,038	\$8,658
	=====	=====	=====	=====
For the year ended February 26, 1994:				
Allowance for doubtful receivables	\$6,339	\$2,388	\$ 848	\$7,879
	=====	=====	=====	=====

EXHIBIT INDEX

- Exhibit (3A) Restated Articles of Incorporation
Filed in Registrant's Annual Report on Form 10-K for year
ended February 27, 1988.
- Exhibit (3B) Restated By Laws of Apogee Enterprises, Inc., as amended to
date. Filed in Registrant's Annual Report on Form 10-K for
year ended February 29, 1992.
- Exhibit (4A) Specimen certificate for shares of common stock of Apogee
Enterprises, Inc. Filed in Registrant's Annual Report on Form
10-K for year ended February 29, 1992.
- Exhibit (10A) Deferred Incentive Compensation Plan dated February 27, 1986
between Registrant and certain executive officers. Filed in
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 is incorporated by reference to Registrant's
S-8 registration statement (File No. 33-60400)
- Exhibit (10C) 1987 Apogee Enterprises, Inc. Stock Option Plan is
incorporated by reference to Registrant's S-8 registration
statement (File No. 33-35944)
- Exhibit (10D) Note Agreement dated June 1, 1988 between the registrant and
Teachers Insurance and Annuity Association of America
(\$25,000,000). Filed in Registrant's Quarterly Report on Form
10-Q for quarter ended August 27, 1988.
- Exhibit (10E) Incentive Compensation Agreement between Registrant and
Gerald K. Anderson dated February 23, 1987. Filed with
Registrant's Annual Report on Form 10-K for year ended
March 2, 1991.
- Exhibit (10F) Consulting Agreement between Registrant and Gerald K.
Anderson dated March 1, 1989. Filed with Registrant's Annual
Report on Form 10-K for year ended March 2, 1991.
- Exhibit (10G) Rights Agreement between Registrant and American Stock
Transfer Co. dated October 19, 1990. Filed with Registrant's
Form 8-A on October 19, 1990.
- Exhibit (10H) Consulting Agreement between Registrant and Laurence J.
Niederhofer dated November 1, 1993. Filed with Registrant's
Annual Report on Form 10-K for year ended February 26, 1994.
- Exhibit (10I) Employment Agreement between Registrant and Richard Gould
dated May 23, 1994. Filed with Registrant's Annual Report on
Form 10-K for year ended February 25, 1995.
- Exhibit (10J) \$150 million Multicurrency Credit Agreement between Apogee
Enterprises, Inc. and banks party to the agreement, ABN AMRO
Bank N.V., Administrative Agent and First Bank National
Association, Co-Agent dated April 29, 1996.
- Exhibit (11) Statement of Determination of Common Shares and Common Share
Equivalents
- Exhibit (21) Subsidiaries of the Registrant
- Exhibit (99) Litigation Reform Act of 1995 - Cautionary Statement

=====

U.S. \$150,000,000

MULTICURRENCY CREDIT AGREEMENT

DATED AS OF

APRIL 29, 1996

AMONG

APOGEE ENTERPRISES, INC.,

THE BANKS PARTY HERETO,

ABN AMRO BANK N.V.,
as Administrative Agent

AND

FIRST BANK NATIONAL ASSOCIATION,
as Co-Agent

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EXHIBIT E - Confirmation of Bid
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CREDIT AGREEMENT

CREDIT AGREEMENT, dated as of April 29, 1996 among Apogee Enterprises, Inc., a Minnesota corporation (the "Borrower"), the banks from time to time party hereto (each a "Bank," and collectively the "Banks"), ABN AMRO Bank N.V. in its capacity as agent for the Banks hereunder (in such capacity, the "Administrative Agent") and First Bank National Association, in its capacity as co-agent for the Banks hereunder (in such capacity, the "Co-Agent").

WITNESSETH THAT:

WHEREAS, the Borrower desires to obtain the several commitments of the Banks to make available a revolving credit for loans and letters of credit (the "Revolving Credit"), as described herein; and

WHEREAS, the Banks are willing to extend such commitments subject to all of the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth.

NOW, THEREFORE, in consideration of the recitals set forth above and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1. Definitions. The following terms when used herein have the following meanings:

"Account" is defined in Section 8.4(b) hereof.

"Adjusted LIBOR" is defined in Section 2.9(b) hereof.

"Administrative Agent" is defined in the first paragraph of this Agreement and includes any successor Administrative Agent pursuant to Section 10.7 hereof.

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with their correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event for purposes of this definition: (i) any Person which owns directly or indirectly 15% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 15% or more of the partnership or other ownership

interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (ii) each director and executive officer of the Borrower or any Subsidiary shall be deemed an Affiliate of the Borrower and each Subsidiary.

"Agreement" means this Credit Agreement, including all Exhibits and Schedules hereto, as it may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Alternative Currency" means French Francs, Pounds Sterling, Deutsche Marks

and Yen.

"Applicable Margin" means, at any time (i) with respect to Base Rate Loans, the Base Rate Margin and (ii) with respect to Eurocurrency Loans, the Eurocurrency Margin.

"Applicable Telerate Page" is defined in Section 2.9(b) hereof.

"Application" is defined in Section 2.2(b) hereof.

"Authorized Representative" means those persons shown on the list of officers provided by the Borrower pursuant to Section 6.1(e) hereof, or on any updated such list provided by the Borrower to the Agent, or any further or different officer of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Agent.

"Bank" is defined in the first paragraph of this Agreement.

"Base Rate" is defined in Section 2.9(a) hereof.

"Base Rate Loan" means a Committed Loan bearing interest prior to maturity at a rate specified in Section 2.9(a) hereof.

"Base Rate Margin" means the percentage set forth in Schedule 1 hereto as the "Base Rate Margin" beside the then applicable Leverage Ratio.

"Bid" is defined in Section 2.4(c) hereof.

"Bid Loan" is defined in Section 2.3 hereof.

"Bid Loan Request" is defined in Section 2.4(a) hereof.

"Bid Loan Request Confirmation" is defined in Section 2.4(a) hereof.

"Bid Note" is defined in Section 2.16(b) hereof.

"Borrower" is defined in the first paragraph of this Agreement.

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"Borrowing" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by the Banks on a single date and for a single Interest Period. Borrowings of Committed Loans are made and maintained ratably from each of the Banks according to their Percentages. Borrowings of a Bid Loan or Bid Loans are made by any Bank or Banks in accordance with the procedures set forth in Section 2.3 through 2.8 hereof. A Borrowing is "advanced" on the day Banks advance funds comprising such Borrowing to the Borrower, is "continued" on the date a new Interest Period for the same type of Committed Loans commences for such Borrowing, and is "converted" when such Borrowing is changed from one type of Committed Loan to the other, all as requested by the Borrower pursuant to Section 2.11(a).

"Business Day" means any day other than a Saturday or Sunday on which Banks are not authorized or required to close in Chicago, Illinois and, if the applicable Business Day relates to the borrowing or payment of a Eurocurrency Loan or Eurodollar Bid Loan, on which banks are dealing in U.S. Dollar deposits or the relevant Alternative Currency in the interbank market in London, England and, if the applicable Business Day relates to the borrowing or payment of a Eurocurrency Loan or Eurodollar Bid Loan denominated in an Alternative Currency, on which banks and foreign exchange markets are open for business in the city where disbursements of or payments on such Loan are to be made.

"Capital Lease" means at any date any lease of Property which, in accordance with GAAP, would be required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligations" means, for any Person, the amount of such Person's liabilities under Capital Leases determined at any date in accordance with GAAP.

"Change of Control Event" means (i) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities

Exchange Act of 1934), directly or indirectly of securities of the Borrower (or other securities convertible into such securities) representing 20% or more of the combined voting power of all securities of the Borrower entitled to vote in the election of directors or (ii) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of control over securities of the Borrower (or other securities convertible into such securities) representing 20% or more of the combined voting power of all securities of the Borrower entitled to vote in the election of directors.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitments" means the Revolving Credit Commitments and the L/C Commitment.

"Committed Note" is defined in Section 2.16(a) hereof.

"Compliance Certificate" means a certificate in the form of Exhibit H hereto.

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"Consolidated Net Income" means, for any period, the net income (or net loss) of the Borrower and its Subsidiaries for such period computed on a consolidated basis in accordance with GAAP.

"Consolidated Net Worth" means, as of the date of any determination thereof, the amount reflected as stockholders' equity upon a consolidated balance sheet of the Borrower and its Subsidiaries.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its Property is bound.

"Controlled Group" means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control that, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Credit Documents" means this Agreement, the Notes, the Applications and the Letters of Credit.

"Credit Event" means the advancing of any Loan, the continuation of or conversion into a Eurocurrency Loan, or the issuance of, extension of the expiration date or increase in the amount of, any Letter of Credit.

"Debt" means, for any Person, Indebtedness of such Person of the types described in clauses (i), (ii), (iii), (v) and (vi) of the definition of such term but excluding any Indebtedness of such Person consisting of (a) any surety bond, or any letter of credit or Guaranty serving the same function as a surety bond, provided, that such surety bond, letter of credit or Guaranty has been provided to such Person in the ordinary course of such Person's business and provided, further, that if there has been a demand or drawing made under any such surety bond, letter of credit or Guaranty, then such surety bond, letter of credit or Guaranty shall be included as Indebtedness of such Person in an amount equal to the unreimbursed amount of such demand or the unreimbursed amount of such drawing and (b) any trade payable incurred in the ordinary course of such Person's business so long as no note or similar instrument has been executed by such Person in connection with such trade payable.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Deutsche Mark" means the lawful currency of the Federal Republic of Germany.

"EBIT" means, for any period, Consolidated Net Income for such period plus all amounts deducted in arriving at such Consolidated Net Income amount for such period for Interest Expense and for federal, state and local income tax expense.

"Effective Date" means the date on which the Administrative Agent has received signed counterpart signature pages of this Agreement from each of the signatories (or, in the case of a Bank, confirmation that such Bank has executed such a counterpart and dispatched it for delivery to the Administrative Agent) and the documents required by Section 6.1 hereof.

"Environmental and Health Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, judgments, permits and other governmental rules or restrictions relating to human health, safety (including without limitation occupational safety and health standards), or the environment or to emissions, discharges or releases of Hazardous Materials into the environment, including without limitation ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials or the clean-up or other remediation thereof.

"ERISA" is defined in Section 5.8 hereof.

"Eurocurrency Loan" means a Committed Loan bearing interest prior to maturity at the rate specified in Section 2.9(b) hereof.

"Eurocurrency Margin" means the percentage set forth in Schedule 1 hereto as the "Eurocurrency Margin" beside the then applicable Leverage Ratio.

"Eurocurrency Reserve Percentage" is defined in Section 2.9(b) hereof.

"Eurodollar Bid Loan" is defined in Section 2.3 hereof.

"Event of Default" means any of the events or circumstances specified in Section 8.1 hereof.

"Facility Fee Rate" means the percentage set forth in Schedule 1 hereto as the "Facility Fee Rate" beside the then applicable Leverage Ratio.

"Federal Funds Rate" means the fluctuating interest rate per annum described in part (x) of clause (ii) of the definition of Base Rate set forth in Section 2.9(a) hereof.

"Fee Letter" means that certain letter between the Administrative Agent, the Issuing Agent and the Borrower dated on or about the date hereof pertaining to fees to be paid by the Borrower to the Administrative Agent and the Issuing Agent for their sole account and benefit.

"Financial Letter of Credit" means a Letter of Credit that is not, as reasonably determined by the Administrative Agent, a Performance Letter of Credit.

"Financial Letter of Credit Fee Rate" means the percentage set forth in Schedule 1 hereto as the "Financial Letter of Credit Fee Rate" beside the then applicable Leverage Ratio.

"Fixed Rate Loan" means Bid Loans and Eurocurrency Loans.

"French Franc" means the lawful currency of the Republic of France.

"GAAP" means generally accepted accounting principles as in effect in the United States from time to time, applied by the Borrower and its Subsidiaries on a basis consistent with the preparation of the Borrower's financial statements furnished to the Banks as described in Section 5.4 hereof.

"Guaranty" by any Person means all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation (including, without limitation, limited or full recourse obligations in connection with sales of receivables or any other Property) of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation or any Property or assets constituting

security therefor, (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness or obligation, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, or (iii) to lease property or to purchase Securities or other property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation, or (iv) otherwise to assure the owner of the Indebtedness or obligation of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any obligation shall be deemed to be equal to the maximum aggregate amount of such obligation or, if the Guaranty is limited to less than the full amount of such obligation, the maximum aggregate potential liability under the terms of the Guaranty.

"Hazardous Material" means any substance or material which is "hazardous" or "toxic," pursuant to any Environmental and Health Laws, and includes, without limitation, (a) asbestos, polychlorinated biphenyls, dioxins and petroleum or its by-products or derivatives (including crude oil or any fraction thereof) and (b) any other material or substance classified or regulated as "hazardous" or "toxic" pursuant to any Environmental and Health Law.

"Indebtedness" means and includes, for any Person, all obligations of such Person, without duplication, which are required by GAAP to be shown as liabilities on its balance sheet, and in any event shall include all of the following whether or not so shown as liabilities (i) obligations of such Person for borrowed money, (ii) obligations of such Person representing the deferred purchase price of property or services, (iii) obligations of such Person evidenced by bonds, debentures, notes, acceptances, or other instruments of such Person or arising out of letters of credit issued for such Person's account, (iv) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (v) Capitalized Lease Obligations of such Person and (vi) obligations for which such Person is obligated pursuant to a Guaranty.

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"Interest Coverage Ratio" means, for any period of four consecutive fiscal quarters of the Borrower ending with the most recently completed such fiscal quarter, the ratio of EBIT to Interest Expense for such period.

"Interest Expense" means, for any period, the sum of all interest charges of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"Interest Period" is defined in Section 2.12 hereof.

"Investments" is defined in Section 7.13.

"Issuing Agent" means ABN AMRO Bank N.V.

"L/C Commitment" means \$50,000,000.

"L/C Documents" means the Letters of Credit, any draft or other document presented in connection with a drawing thereunder, the Applications and this Agreement.

"L/C Fee Rate" means, at any time (i) with respect to Performance Letters of Credit, the Performance Letter of Credit Fee Rate and (ii) with respect to Financial Letters of Credit, the Financial Letter of Credit Fee Rate.

"L/C Obligations" means the aggregate undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"Lending Office" is defined in Section 9.4 hereof.

"Letter of Credit" is defined in Section 2.2(a) hereof.

"Leverage Ratio" means the ratio of (a) all Debt of the Borrower and its Subsidiaries determined on a consolidated basis to (b) the sum of all Debt of the Borrower and its Subsidiaries determined on a consolidated basis plus Consolidated Net Worth.

"LIBOR" is defined in Section 2.9(b) hereof.

"Lien" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a "Lien."

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"Loan" means and includes Committed Loans and Bid Loans, and each of them singly, and the term "type" of Loan refers to its status as a Base Rate Loan, Eurocurrency Loan, Eurodollar Bid Loan or Stated Rate Bid Loan.

"Multiemployer Plan" means a multiemployer plan, as such term is defined in Section 4001(a)(3) of ERISA, which is maintained (on the date hereof, within the five years preceding the date hereof, or at any time after the date hereof) for employees of the Borrower or any member of the Controlled Group.

"Note" means and includes the Committed Notes and the Bid Notes and each individually, unless the context in which such term is used shall otherwise require.

"Obligations" means all fees payable hereunder, all obligations of the Borrower to pay principal or interest on Loans and L/C Obligations, and all other payment obligations of the Borrower arising under or in relation to any Credit Document.

"Offer" is defined in Section 2.4(c) hereof.

"Original Dollar Amount" means (i) the amount of any Obligation, if such Obligation is denominated in U.S. Dollars and, (ii) in relation to any Obligation denominated in an Alternative Currency, the U.S. Dollar Equivalent of such Obligation on the day such amount is being computed.

"Participating Interest" is defined in Section 2.2(d) hereof.

"Percentage" means, for each Bank, the percentage of the Revolving Credit Commitments represented by such Bank's Revolving Credit Commitment or, if the Revolving Credit Commitments have been terminated, the percentage of the Revolving Credit Commitments that was represented by such Bank's Revolving Credit Commitment immediately prior to such termination.

"Performance Letter of Credit" means a Letter of Credit that, as reasonably determined by the Administrative Agent, assures that the Borrower or a Subsidiary will fulfill a contractual nonfinancial obligation, that is, an obligation that does not primarily consist of the payment of money.

"Performance Letter of Credit Fee Rate" means the percentage set forth in Schedule 1 hereto as the "Performance Letter of Credit Fee Rate" beside the then applicable Leverage Ratio.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means at any time an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by a member of the Controlled Group or (ii) maintained pursuant to a

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collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, other than a Multiemployer Plan.

"PBGC" is defined in Section 5.8 hereof.

"Pounds Sterling" means the lawful currency of the United Kingdom.

"Pricing Date" is defined in Schedule 1 hereto.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Reimbursement Obligation" is defined in Section 2.2(c) hereof.

"Required Banks" means, as of the date of determination thereof, (i) prior to the termination of the Commitments, Banks holding at least 60% of the Percentages and (ii) following the termination of the Commitments, Banks holding at least 60% of the Obligations.

"Revolving Credit Commitment" is defined in Section 2.1 hereof.

"SEC" means the Securities and Exchange Commission.

"Security" has the same meaning as in Section 2(l) of the Securities Act of 1933, as amended.

"Stated Rate Bid Loans" is defined in Section 2.3 hereof.

"Subsidiary" means, as to the Borrower, any corporation or other entity of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the Board of Directors of a corporation or similar governing body in the case of a non-corporation (irrespective of whether or not, at the time, stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by the Borrower or by one or more of its Subsidiaries.

"Telerate Service" means the Dow Jones Telerate Service."

"Termination Date" means April 29, 2001.

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

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"U.S. Dollars" and "\$" each means the lawful currency of the United States of America.

"U.S. Dollar Equivalent" means the amount of U.S. Dollars which would be realized by converting an Alternative Currency into U.S. Dollars in the spot market at the exchange rate quoted by ABN AMRO Bank N.V., at approximately 11:00 a.m. (London time) two Business Days prior to the date on which a computation thereof is required to be made, to major banks in the interbank foreign exchange market for the purchase of U.S. Dollars for such Alternative Currency.

"Viratec/Marcon Acquisition" means the acquisition by the Borrower of 50% ownership interests in Viratec Thin Films, Inc. and Marcon Coatings, Inc. from Marvin Windows, Inc. pursuant to an order of the Rice County, Minnesota State District Court.

"Voting Stock" of any Person means capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person.

"Welfare Plan" means a "welfare plan", as defined in Section 3(1) of ERISA.

"Wholly-Owned" when used in connection with any Subsidiary of the Borrower means a Subsidiary of which all of the issued and outstanding shares of stock or

other equity interests (other than directors' qualifying shares as required by law) shall be owned by the Borrower and/or one or more of its Wholly-Owned Subsidiaries.

"WSA, Inc." means W.S.A., Inc., a Minnesota corporation.

"Yen" means the lawful currency of Japan.

Section 1.2. Interpretation. The foregoing definitions shall be equally applicable to both the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to Chicago, Illinois time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement.

Section 2. The Revolving Credit.

Section 2.1. The Loan Commitment. Subject to the terms and conditions hereof, each Bank, by its acceptance hereof, severally agrees to make a loan or loans (individually a "Committed Loan" and collectively the "Committed Loans") to the Borrower from time to time on a revolving basis in U.S. Dollars and Alternative Currencies in an aggregate outstanding Original Dollar Amount up to the amount of its revolving credit commitment set forth on the applicable signature page hereof (such amount, as reduced pursuant to Section 2.18 or changed as a result of one or more assignments under Section 11.12, its

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"Revolving Credit Commitment" and, cumulatively for all the Banks, the "Revolving Credit Commitments") before the Termination Date, provided that the sum of the aggregate Original Dollar Amount of Loans (whether Committed Loans or Bid Loans) and of L/C Obligations at any time outstanding shall not exceed the Revolving Credit Commitments in effect at such time. Each Borrowing of Committed Loans shall be made ratably from the Banks in proportion to their respective Percentages. As provided in Section 2.11(a) hereof, the Borrower may elect that each Borrowing of Committed Loans denominated in U.S. Dollars be either Base Rate Loans or Eurocurrency Loans. All Committed Loans denominated in an Alternative Currency shall be Eurocurrency Loans. Committed Loans may be repaid and the principal amount thereof reborrowed before the Termination Date, subject to all the terms and conditions hereof.

Section 2.2. Letters of Credit. (a) General Terms. Subject to the terms and conditions hereof, as part of the Revolving Credit, the Issuing Agent shall issue letters of credit denominated in U.S. Dollars (each a "Letter of Credit") for the Borrower's account in an aggregate undrawn face amount up to the amount of the L/C Commitment, provided that the aggregate L/C Obligations at any time outstanding shall not exceed the difference between the Revolving Credit Commitments in effect at such time and the aggregate Original Dollar Amount of Loans (whether Committed Loans or Bid Loans) then outstanding. Each Letter of Credit shall be either a Performance Letter of Credit or a Financial Letter of Credit. Each Letter of Credit shall be issued by the Issuing Agent, but each Bank shall be obligated to purchase an undivided percentage participation interest of such Letter of Credit from the Issuing Agent pursuant to Section 2.2(d) hereof in an amount equal to its Percentage of the amount of each drawing thereunder and, accordingly, the undrawn face amount of each Letter of Credit shall constitute usage of the Revolving Credit Commitment of each Bank pro rata in accordance with each Bank's Percentage.

(b) Applications. At any time before the Termination Date, the Issuing Agent shall, at the request of the Borrower given at least four (4) Business Days prior to the requested date of issuance, issue one or more Letters of Credit, in a form satisfactory to the Issuing Agent, with expiration dates no later than the earlier of (i) one year from the date of issuance of such Letter of Credit and (ii) the Termination Date, in an aggregate face amount as set forth above, upon the receipt of a duly executed application for the relevant Letter of Credit in the form customarily prescribed by the Issuing Agent for the type of Letter of Credit requested (each an "Application"). The current form of Application prescribed by the Issuing Agent is attached hereto as Exhibit I. The Issuing Agent shall use reasonable efforts to provide the Borrower with any change in such prescribed form. Notwithstanding anything contained in any Application to the contrary (i) the Borrower's obligation to pay fees in

connection with each Letter of Credit shall be as exclusively set forth in Section Three hereof, (ii) the Administrative Agent will not call for the funding by the Borrower of any amount under a Letter of Credit, or any other form of collateral security for the Borrower's obligations in connection with such Letter of Credit, before being presented with a drawing thereunder, and (iii) if the Issuing Agent is not timely reimbursed for the amount of any drawing under a Letter of Credit on the date such drawing is paid, the Borrower's obligation to reimburse the Issuing Agent for the amount of such drawing shall bear interest (which the Borrower hereby promises to pay on demand) from and after the date such drawing is paid at a rate per annum equal to the sum of 2% plus the Base Rate Margin plus the Base Rate from

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time to time in effect. The Issuing Agent will promptly notify the Administrative Agent, who will then promptly notify the Banks, of each issuance by it of a Letter of Credit and any amendment or extension of a Letter of Credit. Without limiting the generality of the foregoing, the Issuing Agent's obligation to issue, amend or extend the expiration date of a Letter of Credit is subject to the conditions set forth herein (including the conditions set forth in Section Six and the other terms of this Section 2.2).

(c) The Reimbursement Obligations. Subject to Section 2.2(b) hereof, the obligation of the Borrower to reimburse the Issuing Agent for all drawings under a Letter of Credit (a "Reimbursement Obligation") shall be governed, to the extent not inconsistent with this Agreement, by the Application related to such Letter of Credit, except that reimbursement of each drawing shall be made in immediately available funds at the Administrative Agent's principal office in Chicago, Illinois by no later than 12:00 Noon (Chicago time) on the date when such drawing is paid or, if such drawing was paid after 11:30 a.m. (Chicago time), by the end of such day. If the Borrower does not make any such reimbursement payment on the date due (whether through a deemed request for a Base Rate Loan pursuant to Section 2.11(c) or otherwise) and the Banks fund their participations therein in the manner set forth in Section 2.2(d) below, then all payments thereafter received by the Administrative Agent in discharge of any of the relevant Reimbursement Obligations shall be distributed in accordance with Section 2.2(d) below.

(d) The Participating Interests. Each Bank, by its acceptance hereof, severally agrees to purchase from the Issuing Agent, and the Issuing Agent hereby agrees to sell to each Bank, an undivided percentage participating interest (a "Participating Interest"), to the extent of its Percentage, in each Letter of Credit issued by, and each Reimbursement Obligation owed to, the Issuing Agent. Upon any failure by the Borrower to pay any Reimbursement Obligation on the date required, as set forth in Section 2.2(c) above, or if the Issuing Agent is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment of any Reimbursement Obligation, each Bank shall, not later than the Business Day it receives a demand from the Issuing Agent to such effect, if such demand is received before 1:00 p.m. (Chicago time), or not later than the following Business Day, if such demand is received after such time, pay to the Issuing Agent an amount equal to its Percentage of such unpaid or recaptured Reimbursement Obligation together with interest on such amount accrued from the date the related payment was made by the Issuing Agent to the date of such payment by such Bank at a rate per annum equal to (i) from the date the related payment was made by the Agent to the date two (2) Business Days after payment by such Bank is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Bank to the date such payment is made by such Bank, the Base Rate in effect for each such day. Each such Bank shall thereafter be entitled to receive its Percentage of each payment received in respect of the relevant Reimbursement Obligation and of interest paid thereon, with the Issuing Agent retaining its Percentage as a Bank hereunder.

The several obligations of the Banks to the Issuing Agent under this Section 2.2 shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment which any Bank may have or have had against the Borrower, the Agents, the Issuing Agent any other Bank or any other

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Person whatsoever. Without limiting the generality of the foregoing, such

obligations shall not be affected by any Default or Event of Default or by any reduction or termination of any Commitment of any Bank, and each payment by a Bank under this Section 2.2 shall be made without any offset, abatement, withholding or reduction whatsoever. The Issuing Agent and the Administrative Agent shall be entitled to offset amounts received for the account of a Bank under the Credit Documents against unpaid amounts due from such Bank to the Issuing Agent or the Administrative Agent hereunder (whether as fundings of participations, indemnities or otherwise).

(e) Indemnification. The Banks shall, to the extent of their respective Percentages, indemnify the Issuing Agent (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Issuing Agent's gross negligence or willful misconduct) that the Issuing Agent may suffer or incur in connection with any Letter of Credit. The Issuing Agent shall be entitled to all of the rights and protections afforded the Administrative Agent under Section 10 hereof (other than Sections 10.1, 10.3 and 10.7). The obligations of the Banks under this Section 2.2(e) and all other parts of this Section 2.2 shall survive termination of this Agreement and of all other L/C Documents.

(f) Issuing Agent. Each Bank hereby appoints ABN AMRO Bank N.V. as the Issuing Agent hereunder and hereby authorizes the Issuing Agent to take such action as Issuing Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Issuing Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The relationship between the Issuing Agent and the Banks is and shall be that of agent and principal only, and nothing contained in this Agreement or any other Credit Document shall be construed to constitute the Issuing Agent as a trustee or fiduciary for any Bank or the Borrower. The term "Bank" as used herein and in all other Credit Documents, unless the context otherwise clearly requires, includes the Issuing Agent in its individual capacity as a Bank.

Section 2.3. The Bid Loans. At any time before the Termination Date the Borrower may request the Banks to offer to make uncommitted loans in U.S. Dollars (each such loan being hereinafter referred to as a "Bid Loan" and collectively as the "Bid Loans") in the manner set forth in Sections 2.3 through 2.8 hereof and in amounts such that the aggregate principal amount of all Loans (whether Committed Loans or Bid Loans) and L/C Obligations at any time outstanding hereunder shall not exceed the Revolving Credit Commitments then in effect. The Banks may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in Sections 2.3 through 2.8 hereof. Each Bank may offer to make Bid Loans in any amount (whether greater than, equal to, or less than its Revolving Credit Commitment), subject to the limitation that the Original Dollar Amount of all Loans (whether Committed Loans or Bid Loans) and L/C Obligations outstanding under this Agreement may not at any time exceed the Revolving Credit Commitments then in effect and subject to the other conditions of this Agreement. Bid Loans may either bear interest at a stated rate per annum ("Stated Rate Bid Loans") or at a margin (the "Bid Margin") over or under Adjusted LIBOR ("Eurodollar Bid Loans"); provided that there may be no more than fifteen different Interest Periods for Fixed Rate Loans outstanding at the same time.

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Section 2.4. Requests for Bid Loans.

(a) Requests and Confirmations. In order to request a Borrowing of Bid Loans (a "Bid Loan Request") the Borrower shall give telephonic, telex or telecopy notice to the Administrative Agent by no later than 11:00 a.m. (Chicago time) (i) on the date at least four (4) Business Days prior to the date of the requested Bid Borrowing (the "Borrowing Date") in the case of a request for Eurodollar Bid Loans or for both Eurodollar Bid Loans and Stated Rate Bid Loans and (ii) on the date at least one (1) Business Day prior to the Borrowing Date in the case of a request solely for Stated Rate Bid Loans. Each such request shall be followed on the same day by a duly completed confirmation (a "Bid Loan Request Confirmation"), delivered by telecopier or other means of facsimile communication, substantially in the form of Exhibit C hereto or otherwise containing the information required by this Section, to be received by the Administrative Agent no later than 11:30 a.m. (Chicago time). Bid Loan Request Confirmations that do not conform substantially to the format of Exhibit C may be rejected by the Administrative Agent, and the Administrative Agent shall give telephonic notice to the Borrower of such rejection promptly after it determines

(which determination shall be conclusive) that the Bid Loan Request Confirmation does not substantially conform to the format of Exhibit C. Bid Loan Requests shall in each case refer to this Agreement and specify (i) the proposed Borrowing Date (which must be a Business Day), (ii) the aggregate principal amount thereof (which shall not be less than \$5,000,000 and thereafter in integral multiples of \$1,000,000, and (iii) the proposed Interest Period thereof, which in the case of Stated Rate Bid Loans shall be 7 to 180 days after the Borrowing Date and in the case of Eurodollar Bid Loans shall be 1, 2, 3 or 6 months after the proposed Borrowing Date, but with no Interest Period to extend beyond the Termination Date. Interest on Bid Loans shall be payable on the last day of the applicable Interest Period and at maturity (whether by acceleration or otherwise), and if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period. A Bid Loan Request shall not be made within five (5) Business Days after the date of any previous Bid Loan Request.

(b) Invitation to Bid. Upon receipt by the Administrative Agent of a Bid Loan Request Confirmation that conforms substantially to the format of Exhibit C hereto or is otherwise acceptable to the Administrative Agent, the Administrative Agent shall, by telephone, promptly confirmed by a telecopy or other form of facsimile communication in the form of Exhibit D hereto, invite each Bank to bid, on the terms and conditions of this Agreement, to make Bid Loans pursuant to the Bid Loan Request.

(c) Bids. Each Bank may, in its sole discretion, offer to make a Bid Loan or Bid Loans (a "Bid") to the Borrower responsive to the Bid Loan Request. Each Bid by a Bank must be received by the Administrative Agent by telephone not later than (i) 10:00 a.m. (Chicago time) on the proposed Borrowing Date in the case of a bid for a Stated Rate Bid Loan and (ii) 10:00 a.m. (Chicago time) three (3) Business Days prior to the proposed Borrowing Date in the case of a bid for a Eurodollar Bid Loan, in each instance promptly confirmed in writing by a duly completed Confirmation of Bid delivered by telecopier or other means of facsimile communication substantially in the form of Exhibit E hereto, to be received by the Administrative Agent on the same day; provided, however, that any Bid made by ABN AMRO Bank N.V. must be made by telephone to the Borrower by no later than

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fifteen minutes prior to the time that Bids from the other Banks are required to be received. Each Bid and each Confirmation of Bid shall refer to this Agreement and specify (i) the principal amount of each Bid Loan that the Bank is willing to make to the Borrower and the type of Bid Loan (i.e., Stated Rate or Eurodollar), (ii) the interest rate (which shall be computed on the basis of a 360-day year and actual days elapsed and, in the case of a Eurodollar Bid Loan, shall be expressed in terms of the Bid Margin to be added to or subtracted from the Adjusted LIBOR for the Interest Period to be applicable to such Eurodollar Bid Loan) at which the Bank is prepared to make each Bid Loan, and (iii) the Interest Period applicable thereto. The Administrative Agent shall reject any Bid if such Bid (i) does not specify all of the information specified in the immediately preceding sentence, (ii) contains any qualifying, conditional, or similar language, (iii) proposes terms other than or in addition to those set forth in the Bid Loan Request to which it responds, or (iv) is received by the Administrative Agent later than the times provided for above. Any Bid submitted by a Bank pursuant to this Section 2.4 shall be irrevocable and shall be promptly confirmed by a telecopy or other form of facsimile communication in the form of Exhibit E, provided that in all events the telephone Bid received by the Administrative Agent shall be binding on the relevant Bank and shall not be altered, modified, or in any other manner affected by any inconsistent terms contained in, or terms missing from, the Bank's Confirmation of Bid. Each offer contained in a Bid to make a Bid Loan in a certain amount, at a certain interest rate, and for a certain Interest Period is referred to herein as an "Offer".

Section 2.5. Notice of Bids; Advice of Rate. The Administrative Agent shall give telephonic notice to the Borrower of the number of Bids made, the terms of the Offers contained in such Bids (including the interest rate(s) and Interest Period(s) applicable to each Bid, the maximum principal amount bid at each interest rate for each Interest Period, and the identity of the Bank making such Bid), such notice to be given by 10:30 a.m. (Chicago time) on (i) the Borrowing Date in the case of Bid Loan Requests solely for Stated Rate Bid Loans or (ii) three (3) Business Days prior to the proposed Borrowing Date in the case of Bid Loan Requests for Eurodollar Bid Loans or for both Stated Rate Bid Loans and Eurodollar Bid Loans. The Administrative Agent shall send a written summary of all Bids received by it to the Borrower on the same day. The interest rates

quoted for Eurodollar Bid Loans shall be expressed in terms of the Bid Margin to be added to or subtracted from LIBOR to be applicable to such Bid Loan.

Section 2.6. Acceptance or Rejection of Bids. The Borrower may in its sole and absolute discretion, subject only to the provisions of this Section, irrevocably accept or reject any Offer contained in a Bid. No later than 11:00 a.m. (Chicago time) on the date the Administrative Agent provides the Borrower with the terms of an Offer pursuant to Section 2.5, the Borrower shall give telephonic notice to the Administrative Agent of whether and to what extent it has decided to accept or reject any or all of the Offers contained in the Bids made in response to the related Bid Loan Request, which notice shall be promptly confirmed by telecopier or other form of facsimile communication to be received by the Administrative Agent (i) on the proposed Borrowing Date in the case of Stated Rate Bid Loans and (ii) three (3) Business Days prior to the proposed Borrowing Date in the case of Eurodollar Bid Loans; provided, however, that (A) the Borrower shall accept Offers for any of the maturities specified by the Borrower in the related Bid Loan Request Confirmation solely on the basis of ascending interest rates for each such Interest Period, (B) if the

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Borrower declines to borrow, or if it is restricted by any other condition hereof from borrowing, the maximum principal amount of Bid Loans in respect of which Offers at a particular interest rate for a particular Interest Period have been made, then the Borrower shall accept a pro rata portion of each such Offer, based as nearly as possible on the ratio of the maximum aggregate principal amounts of Bid Loans for which each such Offer was made by each Bank (provided that, if the available principal amount of Bid Loans to be so allocated is not sufficient to enable Bid Loans to be so allocated to each relevant Bank in integral multiples of \$1,000,000, then the Borrower may round allocations up or down in integral multiples not less than \$100,000, (C) the aggregate principal amount of all Offers accepted by the Borrower shall not exceed the maximum amount contained in the related Bid Loan Request Confirmation, and (D) no Offer of a Bid Loan shall be accepted in a principal amount less than \$1,000,000 and thereafter in integral multiples of \$500,000 (provided that such Offer may be rounded up or down as provided for in (B) above). Any telephone notice given by the Borrower pursuant to this Section shall be irrevocable and shall not be altered, modified, or in any other manner affected by any inconsistent terms contained in, or terms missing from, any written confirmation of such notice.

Section 2.7. Notice of Acceptance or Rejection of Bids.

(a) Notice to Banks Making Successful Bids. The Administrative Agent shall give telephonic notice to each Bank if any of the Offers contained in its Bid have been accepted (including the amount, the applicable interest rate and Interest Period for each accepted Offer) no later than 11:30 a.m. (Chicago time) (i) on the proposed Borrowing Date in the case of Stated Rate Bid Loans and (ii) three (3) Business Days prior to the proposed Borrowing Date in the case of Eurodollar Bid Loans, and each successful bidder will thereupon become bound, subject to Section Six and the other applicable conditions hereof, to make the Bid Loan(s) in respect of which its Offer has been accepted. As soon as practicable thereafter the Administrative Agent shall send a Notice of Acceptance of Bid substantially in the form of Exhibit F hereto to each such successful bidder; provided, however, that failure to give such notice shall not affect the obligation of such successful bidder to disburse its Bid Loans as herein required.

(b) Notice to all Banks. As soon as practicable after each Borrowing Date for Bid Loans, the Administrative Agent shall notify each Bank (whether or not its Bid or its Bids were successful) of the aggregate amount of Bid Loans advanced pursuant to the relevant Bid Loan Request on such Borrowing Date, the maturities thereof, and the lowest and highest interest rates at which Bid Loans were made for each maturity.

(c) Disbursement of Bid Loans. Not later than 1:00 p.m. (Chicago time) on the Borrowing Date for each Borrowing of a Bid Loan(s), each Bank bound to make a Bid Loan(s) in accordance with Section 2.7(a) shall, subject to Section Six and the other applicable conditions hereof, make available to the Administrative Agent the principal amount of each such Bid Loan in immediately available funds at the Administrative Agent's principal office in Chicago, Illinois. The Administrative Agent shall promptly thereafter make available to the Borrower like funds as received from each Bank, at such office of the Administrative Agent in Chicago, Illinois.

Section 2.8. Telephonic Notice. Each Bank's telephonic notice to the Administrative Agent of its Bid pursuant to Section 2.4(c) hereof, and the Borrower's telephonic acceptance of any Offer contained in a Bid pursuant to Section 2.6 hereof, shall be irrevocable and binding on such Bank and the Borrower and shall not be altered, modified, or in any other manner affected by any inconsistent terms contained in, or missing from, any telecopy or other confirmation of such telephonic notice. It is understood and agreed by the parties hereto that the Administrative Agent shall be entitled to act (or to fail to act) hereunder in reliance on its records of any telephonic notices provided for herein and that the Administrative Agent shall not incur any liability to any Person in so doing if its records conflict with any telecopy or other confirmation of a telephone notice or otherwise, provided that the Administrative Agent has acted (or failed to act) in good faith. It is further understood and agreed by the parties hereto that the times of day as set forth in Section 2.7 are for the convenience of all the parties for providing notices and that no party shall incur any liability or other responsibility for any failure to provide such notices within the specified times; provided, however, that the Administrative Agent shall have no obligation to notify the Borrower of any Bid received by it later than 10:00 a.m. (Chicago time) (i) on the proposed Borrowing Date in the case of a Bid for a Stated Rate Bid Loan or (ii) three (3) Business Days prior to the proposed Borrowing Date in the case of a Bid for a Eurodollar Bid Loan, and no acceptance by the Borrower of any Offer contained in such a Bid shall be effective to bind any Bank to make a Bid Loan, nor shall the Administrative Agent be under any obligation to notify any Person of an acceptance, if notice of such acceptance is received by the Administrative Agent later than 11:00 a.m. (Chicago time) (x) on the proposed Borrowing Date in the case of Stated Rate Bid Loans and (y) three (3) Business Days prior to the proposed Borrowing Date in the case of Eurodollar Bid Loans.

Section 2.9. Applicable Interest Rates. (a) Base Rate Loans. Each Base Rate Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Eurocurrency Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate from time to time in effect, payable on the last day of its Interest Period and at maturity (whether by acceleration or otherwise).

"Base Rate" means for any day the greater of:

(i) the rate of interest announced by ABN AMRO Bank N.V. in the United States from time to time as its prime rate, or equivalent, for U.S. Dollar loans as in effect on such day, with any change in the Base Rate resulting from a change in said prime rate to be effective as of the date of the relevant change in said prime rate; and

(ii) the sum of (x) the rate published by the Federal Reserve Bank of New York as the prevailing rate per annum (rounded upwards, if necessary, to the nearest one hundred-thousandth of a percentage point) at approximately 10:00 a.m. (New York time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) for the purchase at face value of overnight Federal funds in an amount comparable to the principal amount

owed to ABN AMRO Bank N.V. for which such rate is being determined, plus (y) 1/2 of 1% (0.50%).

(b) Eurocurrency Loans. Each Eurocurrency Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued, or created by conversion from a Base Rate Loan until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Applicable Margin plus the Adjusted LIBOR applicable for such Interest Period, payable on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period. All payments of principal and interest on

a Loan shall be made in the same currency as was advanced by the Bank in connection with such Loan.

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Loans or Eurodollar Bid Loans, as applicable, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurocurrency Reserve Percentage}}$$

"LIBOR" means, for an Interest Period for a Borrowing of Eurocurrency Loans or Eurodollar Bid Loans, as applicable, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, or (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest one-sixteenth of one percent) at which deposits in U.S. Dollars or the relevant Alternative Currency, as appropriate, in immediately available funds are offered to ABN AMRO Bank N.V. at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurocurrency market for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to (i) in the case of a Borrowing of Eurocurrency Loans, the greater of (x) the principal amount of the Eurocurrency Loan scheduled to be made by ABN AMRO Bank N.V. as part of such Borrowing and (y) \$1,000,000, and (ii) in the case of Eurodollar Bid Loans, the aggregate principal amount of the Eurodollar Bid Loan requested by the Borrower in the applicable Bid Loan Request.

"LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one-sixteenth of one percent) for deposits in U.S. Dollars or the relevant Alternative Currency, as appropriate, for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to (i) in the case of a Borrowing of Eurocurrency Loans, the greater of (x) the principal amount of the Eurocurrency Loan scheduled to be made by ABN AMRO Bank N.V. as part of such Borrowing and (y) \$1,000,000 and (ii) in the case of Eurodollar Bid Loans, the aggregate principal amount of the Eurodollar Bid Loan requested by the Borrower in the applicable Bid Loan Request, which appears on the Applicable Telerate Page, as appropriate for such

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currency, as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period.

"Applicable Telerate Page" means, with regard to Eurocurrency Loans denominated in U.S. Dollars and Eurodollar Bid Loans, the display page designated as "Page 3750" on the Telerate Service and with regard to each other Alternate Currency, the display page on the Telerate Service as designated by the Administrative Agent which displays the appropriate British Bankers' Association Interest Settlement Rates for such Alternative Currency (or such other page as may replace such pages, as appropriate, on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for deposits in U.S. Dollars or the Alternative Currency, as applicable).

"Eurocurrency Reserve Percentage" means, for any Borrowing of Eurocurrency Loans or Eurodollar Bid Loans, the daily average for the applicable Interest Period of the maximum rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are imposed during such Interest Period by the Board of Governors of the Federal Reserve System (or any successor) on "eurocurrency liabilities", as defined in such Board's Regulation D (or in respect of any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Loans or Eurodollar Bid Loans is determined or any category of extensions of credit or other assets that include loans by non-United States offices of any Bank to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurocurrency Loans and Eurodollar Bid Loans shall be deemed to be "eurocurrency liabilities" as defined in Regulation D without benefit or credit for any prorrations, exemptions or offsets under Regulation D.

(c) Bid Loans. Bid Loans shall bear interest for the relevant Interest Period from the date such Loan is advanced until maturity (whether by acceleration or otherwise) at a rate per annum equal to (i) in the case of Eurodollar Bid Loans, the sum of Adjusted LIBOR plus the Bid Margin set forth in the applicable Bid pursuant to which such Eurodollar Bid Loan was made and (ii) in the case of Stated Rate Bid Loans, the stated rate per annum set forth in the applicable Bid pursuant to which such Stated Rate Bid Loan was made.

(d) Rate and Currency Determinations. The Administrative Agent shall determine each interest rate applicable to Obligations and the Original Dollar Amount of all Obligations, and a determination thereof by the Administrative Agent shall be conclusive and binding except in the case of manifest error. The Original Dollar Amount of a Loan denominated in an Alternative Currency shall be determined or redetermined, as applicable, effective as of the first day of each Interest Period for such Loan. The Original Dollar Amount of each Letter of Credit shall be determined or redetermined, as applicable, on the date of issuance, increase or extension of such Letter of Credit and on the last day of each calendar quarter.

Section 2.10. Minimum Borrowing Amounts. Each Borrowing of Base Rate Loans shall be in an amount not less than \$1,000,000 and in integral multiples of \$500,000, provided that a Borrowing of Base Rate Loans applied to pay a Reimbursement Obligation pursuant to

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Section 2.2(c) hereof shall be in an amount equal to such Reimbursement Obligation. Each Borrowing of Eurocurrency Loans denominated in U.S. Dollars shall be in an amount not less than \$5,000,000 and in integral multiples of \$1,000,000. Each Borrowing of Eurocurrency Loans denominated in an Alternative Currency shall be in an amount not less than an Original Dollar Amount of \$5,000,000 and in such integral multiple of 100,000 units of the relevant currency as would have an Original Dollar Amount most closely approximating \$1,000,000 or an integral multiple thereof.

Section 2.11. Manner of Borrowing Committed Loans and Designating Interest Rates Applicable to Committed Loans. (a) Notice to the Agent. The Borrower shall give notice to the Administrative Agent by no later than 12:00 Noon (Chicago time) (i) at least four (4) Business Days before the date on which the Borrower requests the Banks to advance a Borrowing of Eurocurrency Loans denominated in an Alternative Currency, (ii) at least three (3) Business Days before the date on which the Borrower requests the Banks to advance a Borrowing of Eurocurrency Loans denominated in U.S. Dollars and (iii) on the date the Borrower requests the Banks to advance a Borrowing of Loans comprised of Base Rate Loans. The Loans included in each such Borrowing shall bear interest initially at the type of rate specified in such notice of a new Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing of Committed Loans or, subject to Section 2.10's minimum amount requirement for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of Eurocurrency Loans, on the last day of the Interest Period applicable thereto, the Borrower may continue part or all of such Borrowing as Eurocurrency Loans of the same currency for an Interest Period or Interest Periods specified by the Borrower or, if such Eurocurrency Loan is denominated in U.S. Dollars, convert part or all of such Borrowing into Base Rate Loans, (ii) if such Borrowing is of Base Rate Loans, on any Business Day, the Borrower may convert all or part of such Borrowing into Eurocurrency Loans denominated in U.S. Dollars for an Interest Period or Interest Periods specified by the Borrower. The Borrower shall give all such notices requesting the advance, continuation, or conversion of a Borrowing of Loans to the Administrative Agent by telephone or telecopy (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing). Notices of the continuation of a Borrowing of Loans comprised of Eurocurrency Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of Eurocurrency Loans denominated in U.S. Dollars into Base Rate Loans or of Base Rate Loans into Eurocurrency Loans denominated in U.S. Dollars must be given by no later than 12:00 Noon (Chicago time) at least three (3) Business Days before the date of the requested continuation or conversion. All such notices concerning the advance, continuation, or conversion of a Borrowing of Loans shall specify the date of the requested advance, continuation or conversion of such Borrowing (which shall be a Business Day), the amount of the requested Borrowing of Loans to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of Eurocurrency Loans, the currency and Interest Period applicable thereto. The

Borrower agrees that the Administrative Agent may rely on any such telephonic or telecopy notice given by any person it in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Administrative Agent has acted in reliance thereon.

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There may be no more than fifteen different Interest Periods for Fixed Rate Loans in effect at any one time.

Without limiting the Borrower's obligations under any other provision of this Agreement, upon the occurrence and continuance of an Event of Default, each Eurocurrency Loan denominated in U.S. Dollars will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan and (ii) the obligation of the Banks to make or continue, or to convert Loans into, Eurocurrency Loans shall be suspended.

(b) Notice to the Banks. The Administrative Agent shall give prompt telephonic or telecopy notice to each Bank of any notice from the Borrower received pursuant to Section 2.11(a) above. The Administrative Agent shall give notice to the Borrower and each Bank by like means of the interest rate applicable to each Borrowing of Eurocurrency Loans and, if such Borrowing is denominated in an Alternative Currency, shall give notice by such means to the Borrower and each Bank of the Original Dollar Amount thereof.

(c) Borrower's Failure to Notify. Any outstanding Borrowing of Base Rate Loans shall automatically be continued for an additional Interest Period on the last day of its then current Interest Period unless the Borrower has notified the Administrative Agent within the period required by Section 2.11(a) that it intends to convert such Borrowing into a Borrowing of Eurocurrency Loans or notifies the Administrative Agent within the period required by Section 2.14(a) that it intends to prepay such Borrowing. If the Borrower fails to give notice pursuant to Section 2.11(a) above of the continuation or conversion of any outstanding principal amount of a Borrowing of Eurocurrency Loans denominated in U.S. Dollars before the last day of its then current Interest Period within the period required by Section 2.11(a) and has not notified the Administrative Agent within the period required by Section 2.14(a) that it intends to prepay such Borrowing, such Borrowing shall automatically be converted into a Borrowing of Base Rate Loans. If the Borrower fails to give notice pursuant to Section 2.11(a) above of the continuation of any outstanding principal amount of a Borrowing of Eurocurrency Loans denominated in an Alternative Currency before the last day of its then current Interest Period within the period required by Section 2.11(a) and has not notified the Administrative Agent within the period required by Section 2.14(a) that it intends to prepay such Borrowing, such Borrowing shall automatically (subject to the terms hereof) be continued as a Borrowing of Eurocurrency Loans in the same Alternative Currency with an Interest Period of one month, including the application of Section 2.10 and of the restrictions contained in the definition of Interest Period. In the event the Borrower fails to give notice pursuant to Section 2.11(a) above of a Borrowing equal to the amount of a Reimbursement Obligation and has not notified the Administrative Agent by 11:00 a.m. (Chicago time) on the day such Reimbursement Obligation becomes due that it intends to repay such Reimbursement Obligation through funds not borrowed under this Agreement, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans on such day in the amount of the Reimbursement Obligation then due, subject to Section 6 hereof, which Borrowing shall be applied to pay the Reimbursement Obligation then due.

(d) Disbursement of Committed Loans. Not later than 1:00 p.m. (Chicago time) on the date of any requested advance of a new Borrowing of Loans comprised of Eurocurrency Loans or Base Rate Loans, subject to Section 6 hereof, each Bank shall make available its

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Loan comprising part of such Borrowing in funds immediately available at the principal office of the Administrative Agent in Chicago, Illinois, except that if such Borrowing is comprised of Eurocurrency Loans denominated in an Alternative Currency each Bank shall, subject to Section 2.9(c) and Section 6 hereof, make available its Loan comprising part of such Borrowing at such office as the Administrative Agent has previously specified in a notice to each Bank, in such funds as are then customary for the settlement of international

transactions in such currency and no later than such local time as is necessary for such funds to be received and transferred to the Borrower for same day value on the date of the Borrowing. The Administrative Agent shall make available to the Borrower Loans at the Administrative Agent's principal office in Chicago, Illinois or such other office as the Administrative Agent has previously agreed in writing to with the Borrower, in each case in the type of funds received by the Administrative Agent from the Banks.

(e) Administrative Agent Reliance on Bank Funding. Unless the Administrative Agent shall have been notified by a Bank before the date on which such Bank is scheduled to make payment to the Administrative Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Bank does not intend to make such payment, the Administrative Agent may assume that such Bank has made such payment when due and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Bank and, if any Bank has not in fact made such payment to the Administrative Agent, such Bank shall, on demand, pay to the Administrative Agent the amount made available to the Borrower attributable to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Bank pays such amount to the Administrative Agent at a rate per annum equal to the Federal Funds Rate or, in the case of a Loan denominated in an Alternative Currency, the cost to the Administrative Agent of funding the amount it advanced to fund such Bank's Loan, as determined by the Administrative Agent. If such amount is not received from such Bank by the Administrative Agent immediately upon demand, the Borrower will, on demand, repay to the Administrative Agent the proceeds of the Loan attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan.

Section 2.12. Interest Periods. The term "Interest Period" means the period commencing on the date a Borrowing of Loans is advanced, continued, or created by conversion and ending: (a) in the case of Base Rate Loans, on the last Business Day of the calendar quarter in which such Borrowing is advanced, continued, or created by conversion (or on the last day of the following calendar quarter if such Loan is advanced, continued or created by conversion on the last Business Day of a calendar quarter); (b) in the case of Eurodollar Bid Loans or Eurocurrency Loans, the date selected by the Borrower that is 1, 2, 3, or 6 months thereafter or (c) in the case of any Stated Rate Bid Loan, the date selected by the Borrower that is 7-180 days thereafter; provided, however, that:

(a) any Interest Period for a Borrowing of Base Rate Loans that otherwise would end after the Termination Date shall end on the Termination Date;

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(b) for any Borrowing of Fixed Rate Loans, the Borrower may not select an Interest Period that extends beyond the Termination Date;

(c) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, provided that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurodollar Bid Loans or Eurocurrency Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(d) for purposes of determining an Interest Period for a Borrowing of Eurodollar Bid Loans or Eurocurrency Loans, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.13. Maturity of Loans. Unless an earlier maturity is provided for hereunder (whether by acceleration or otherwise), each Bid Loan shall mature and become due and payable by the Borrower on the last day of the Interest Period applicable thereto and each Base Rate Loan and each Eurocurrency Loan shall mature and become due and payable by the Borrower on the Termination Date.

Section 2.14. Prepayments. (a) The Borrower may prepay without premium or

penalty and in whole or in part (but, if in part, then: (i) if such Borrowing is of Base Rate Loans, in an amount not less than \$1,000,000 and integral multiples of \$500,000, (ii) if such Borrowing is of Eurocurrency Loans denominated in U.S. Dollars, in an amount not less than \$5,000,000 and integral multiples of \$1,000,000, (iii) if such Borrowing is denominated in an Alternative Currency, an amount for which the U.S. Dollar Equivalent is not less than \$5,000,000 and integral multiples of 100,000 units of the applicable currency most closely approximating the U.S. Dollar Equivalent of \$1,000,000 and (iv) in an amount such that the minimum amount required for a Borrowing pursuant to Section 2.10 hereof remains outstanding) any Borrowing of Eurocurrency Loans upon three Business Days' prior notice to the Administrative Agent or, in the case of a Borrowing of Base Rate Loans, notice delivered to the Administrative Agent no later than 10:00 a.m. (Chicago time) on the date of prepayment, such prepayment to be made by the payment of the principal amount to be prepaid and accrued interest thereon to the date fixed for prepayment. The Administrative Agent will promptly advise each Bank of any such prepayment notice it receives from the Borrower. Any amount paid or prepaid before the Termination Date may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again. Any prepayment of Eurocurrency Loans shall be subject to Section 2.17. Bid Loans may only be prepaid with the consent of the Bank which made the Bid Loan being prepaid.

(b) If the aggregate Original Dollar Amount of outstanding Loans and L/C Obligations shall at any time for any reason exceed the Revolving Credit Commitments then in

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effect, the Administrative Agent shall notify the Borrower of such circumstance and the Borrower shall, within three (3) Business Days, pay the amount of such excess to the Administrative Agent for the ratable benefit of the Banks as a prepayment of the Loans and, if necessary, a prefunding of Letters of Credit. Immediately upon determining the need to make any such prepayment the Borrower shall notify the Administrative Agent of such required prepayment. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and shall be subject to Section 2.17.

Section 2.15. Default Rate. If any payment of principal on any Loan is not made when due (whether by acceleration or otherwise), such Loan shall bear interest (computed on the basis of a year of 360 days and actual days elapsed or, if based on the Base Rate, on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed) from the date such payment was due until paid in full, payable on demand, at a rate per annum equal to:

(a) for any Base Rate Loan, the sum of two percent (2%) plus the Applicable Margin plus the Base Rate from time to time in effect; and

(b) for any Fixed Rate Loan, the sum of two percent (2%) plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, if such Loan is denominated in U.S. Dollars, at a rate per annum equal to the sum of two percent (2%) plus the Base Rate Margin plus the Base Rate from time to time in effect or, if such Loan is denominated in an Alternative Currency, at a rate per annum equal to the sum of the Eurocurrency Margin, plus two percent (2%) plus the rate of interest per annum as determined by the Administrative Agent (rounded upwards, if necessary, to the nearest whole multiple of one-sixteenth of one percent (1/16%)) at which overnight or weekend deposits of the appropriate currency (or, if such amount due remains unpaid more than three Business Days, then for such other period of time not longer than six months as the Administrative Agent may elect in its absolute discretion) for delivery in immediately available and freely transferable funds would be offered by ABN AMRO Bank N.V. to major banks in the interbank market upon request of such major banks for the applicable period as determined above and in an amount comparable to the unpaid principal amount of any such Loan (or, if ABN AMRO Bank N.V. is not placing deposits in such currency in the interbank market, then the ABN AMRO Bank N.V.'s cost of funds in such currency for such period).

Section 2.16. The Notes. (a) All Committed Loans made to the Borrower by a Bank shall be evidenced by a single promissory note of the Borrower issued to such Bank in the form of Exhibit A hereto (each a "Committed Note" and collectively the "Committed Notes"), each such Committed Note to be payable to the order of the applicable Bank in the amount of its Revolving Credit Commitment.

(b) All Bid Loans made to the Borrower by a Bank shall be evidenced by a promissory note of such Borrower in the form of Exhibit B hereto (individually a "Bid Note" and collectively the "Bid Notes"), payable to the order of the applicable Bank and otherwise in the form of Exhibit B hereto.

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(c) Each Bank shall record on its books and records or on a schedule to the appropriate Note the amount of each Loan advanced, continued, or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan, and, for any Fixed Rate Loan, the Interest Period, the currency in which such Loan is denominated, and the interest rate applicable thereto. The record thereof, whether shown on such books and records of a Bank or on a schedule to any Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans made to it hereunder together with accrued interest thereon. At the request of any Bank and upon such Bank tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such Bank to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.17. Funding Indemnity. If any Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit, and any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Fixed Rate Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

(a) any payment (whether by acceleration or otherwise), prepayment or conversion of a Fixed Rate Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section Six or otherwise) by the Borrower to borrow or continue a Fixed Rate Loan, or to convert a Base Rate Loan into a Fixed Rate Loan, on the date specified in a notice given pursuant to Section 2.11(a) or established pursuant to Section 2.11(c) hereof, or

(c) any acceleration of the maturity of a Fixed Rate Loan as a result of the occurrence of any Event of Default hereunder,

then, upon the demand of such Bank, the Borrower shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense. If any Bank makes such a claim for compensation, it shall provide to the Borrower, with a copy to the Administrative Agent, a certificate executed by an officer of such Bank setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) and the amounts shown on such certificate if reasonably calculated shall be conclusive absent manifest error.

Section 2.18. Commitment Terminations. The Borrower shall have the right at any time and from time to time, upon five (5) Business Days' prior written notice to the Administrative Agent, to terminate the Revolving Credit Commitments without premium or penalty, in whole or in part, any partial termination to be (i) in an amount not less than \$5,000,000 or an integral multiple thereof, and (ii) allocated ratably among the Banks in

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proportion to their respective Percentages, provided that the Revolving Credit Commitments may not be reduced to an amount less than the sum of the Original Dollar Amount of all Loans and all L/C Obligations then outstanding. The Borrower shall have the right at any time and from time to time, by notice to the Administrative Agent, to terminate the L/C Commitment without premium or penalty, in whole or in part, provided that the L/C Commitment may not be reduced to an amount less than the L/C Obligations outstanding. Any such termination of the L/C Commitment shall not reduce the Revolving Credit Commitments unless the Borrower elects to do so in the manner provided in the preceding sentence. The Administrative Agent shall give prompt notice to each

Bank of any such termination of Commitments. Any termination of Revolving Credit Commitments or the L/C Commitment pursuant to this Section 2.18 may not be reinstated.

Section 3. Fees and Extensions.

Section 3.1. Fees.

(a) Facility Fee. For the period from the Effective Date to and including the Termination Date, the Borrower shall pay to the Administrative Agent for the ratable account of the Banks in accordance with their Percentages a facility fee accruing at a rate per annum equal to the Facility Fee Rate on the average daily amount of the Revolving Credit Commitments (whether used or unused). Such facility fee is payable in arrears on June 28, 1996, on the last Business Day of each calendar quarter thereafter and on the Termination Date, unless the Revolving Credit Commitments are terminated in whole on an earlier date, in which event the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination.

(b) Letter of Credit Fees. (i) The Borrower shall pay to the Administrative Agent for the account of each Bank letter of credit fees with respect to the Letters of Credit at a rate per annum equal to (x) in the case of Performance Letters of Credit, the Performance Letter of Credit Fee Rate on the average daily undrawn amount of the outstanding Performance Letters of Credit for the applicable period and (y) in the case of Financial Letters of Credit, the Financial Letter of Credit Fee Rate on the average daily undrawn amount of the outstanding Financial Letters of Credit, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter and on the Termination Date (or such later date on which all Letters of Credit have been terminated).

(ii) The Borrower shall pay to the Issuing Agent, for the account of such Issuing Agent, a letter of credit fronting fee for each Letter of Credit issued by such Issuing Agent at the rate per annum equal to the rate set forth in the Fee Letter on the average daily undrawn amount of outstanding Letters of Credit, computed on the last Business Day of each calendar quarter and on the Termination Date.

(iii) The letter of credit fees payable under Section 3.1(b)(i) and the fronting fees payable under Section 3.1(b)(ii) shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter during which Letters of Credit are outstanding, commencing on the first such quarterly date to occur after the Effective Date, through the

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Termination Date, with the final payment to be made on the Termination Date, unless the Revolving Credit Commitments are terminated in whole on an earlier date, in which event the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination.

(iv) The Borrower shall pay to the Issuing Agent from time to time on demand the normal issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Issuing Agent relating to letters of credit as from time to time in effect.

(c) Other Fees. The Borrower shall pay to the Administrative Agent and the Issuing Agent, for the sole account of the Administrative Agent or the Issuing Agent, as applicable, the fees agreed to between the Administrative Agent, the Issuing Agent and the Borrower in the Fee Letter or as otherwise agreed in writing between them.

(d) Fee Calculations. All fees payable under this Agreement shall be payable in U.S. Dollars and shall be computed on the basis of a year of 360 days, for the actual number of days elapsed. All determinations of the amount of fees owing hereunder (and the components thereof) shall be made by the Administrative Agent and shall be conclusive absent manifest error.

Section 4. Place and Application of Payments.

Section 4.1. Place and Application of Payments. All payments of principal of and interest on the Loans and the Reimbursement Obligations, and of all other amounts payable by the Borrower under this Agreement, shall be made by the Borrower to the Administrative Agent by no later than 12:00 Noon (Chicago time) on the due date thereof at the principal office of the Administrative Agent in

Chicago, Illinois (or no later than 12:00 noon local time at such other location as the Administrative Agent and the Borrower may agree) or, if such payment is on a Reimbursement Obligation, no later than provided by Section 2.2(c) hereof, for the benefit of the Person or Persons entitled thereto. All payments of principal and interest on any Loan advanced by a Bank or reimbursements to the Issuing Agent for payments made by the Issuing Agent under a Letter of Credit shall be made in the same currency as was so advanced or paid. Any payments received after such time shall be deemed to have been received by the Administrative Agent on the next Business Day. All such payments shall be made free and clear of, and without deduction for, any set-off, counterclaim, levy or any other deduction of any kind (i) in U.S. Dollars, in immediately available funds at the place of payment, or (ii) in the case of amounts payable hereunder in an Alternative Currency, in such Alternative Currency in such funds then customary for the settlement of international transactions in such currency. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Committed Loans or applicable fees ratably to the Banks and like funds relating to the payment of any other amount payable to any Person to such Person, in each case to be applied in accordance with the terms of this Agreement.

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Section 5. Representations and Warranties.

The Borrower hereby represents and warrants to each Bank as to itself and, where the following representations and warranties apply to Subsidiaries, as to each of its Subsidiaries, as follows:

Section 5.1. Corporate Organization and Authority. The Borrower is duly organized and existing in good standing under the laws of the State of Minnesota; has all necessary corporate power to carry on its present business; and is duly licensed or qualified and, in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing, qualification or good standing necessary and in which the failure to be so licensed, qualified or in good standing would materially and adversely affect its business, operations, Property or financial or other condition.

Section 5.2. Subsidiaries. Schedule 5.2 (as updated from time to time pursuant to Section 7.1) hereto identifies each Subsidiary, the jurisdiction of its incorporation, the percentage of issued and outstanding shares of each class of its capital stock owned by the Borrower and the Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and the number of shares of each class issued and outstanding. Each Subsidiary is duly incorporated and existing in good standing as a corporation under the laws of the jurisdiction of its incorporation, has all necessary corporate power to carry on its present business, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing or qualification necessary and in which the failure to be so licensed or qualified would have a material adverse effect on the business, operations, Property or financial or other condition of such Subsidiary. All of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and outstanding and fully paid and nonassessable. All such shares owned by the Borrower are owned beneficially, and of record, free of any Lien.

Section 5.3. Corporate Authority and Validity of Obligations. The Borrower has full right and authority to enter into this Agreement and the other Credit Documents to which it is a party, to make the borrowings herein provided for, to issue its Notes in evidence thereof, to apply for the issuance of the Letters of Credit, and to perform all of its obligations under the Credit Documents to which it is a party. Each Credit Document to which it is a party has been duly authorized, executed and delivered by the Borrower and constitutes valid and binding obligations of the Borrower enforceable in accordance with its terms. No Credit Document, nor the performance or observance by the Borrower of any of the matters or things therein provided for, contravenes any provision of law or any charter or by-law provision of the Borrower or any material Contractual Obligation of or affecting the Borrower or any of its Properties or results in or requires the creation or imposition of any Lien on any of the Properties or revenues of the Borrower.

Section 5.4. Financial Statements; No Material Adverse Change. All financial statements heretofore delivered to the Banks showing historical

performance of the Borrower for any of the Borrower's fiscal years ending on or before March 2, 1996, have been

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prepared in accordance with generally accepted accounting principles applied on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year, subject, in the case of unaudited financial statements, to year-end audit adjustments. Each of such financial statements fairly presents on a consolidated basis the financial condition of the Borrower and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby. The Borrower and its Subsidiaries have no material contingent liabilities other than those disclosed in the most recent financial statements referred to in this Section 5.4 or in comments or footnotes thereto, or in any report supplementary thereto, heretofore furnished to the Banks. Since March 2, 1996, there has been no material adverse change in the business, operations, Property or financial or other condition, or business prospects, of the Borrower and its Subsidiaries taken as a whole.

Section 5.5. No Litigation; No Labor Controversies. (a) Except as set forth on Schedule 5.5, there is no litigation or governmental proceeding pending, or to the knowledge of the Borrower, threatened, against the Borrower or any Subsidiary which, if adversely determined, could (individually or in the aggregate) reasonably be expected to have a material adverse effect on the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries, taken as a whole.

(b) Except as set forth on Schedule 5.5, there are no labor controversies pending or, to the best knowledge of the Borrower, threatened against the Borrower or any Subsidiary which could reasonably be expected to have a material adverse effect on the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

Section 5.6. Taxes. The Borrower and its Subsidiaries have filed all United States federal tax returns, and all other tax returns, required to be filed and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes, if any, as are being contested in good faith and for which adequate reserves have been provided. No notices of tax liens have been filed and no claims are being asserted concerning any such taxes, which liens or claims are material to the financial condition of the Borrower or the Borrower and its Subsidiaries taken as a whole. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries for any taxes or other governmental charges are adequate.

Section 5.7. Approvals. No authorization, consent, license, exemption, filing or registration with any court or governmental department, agency or instrumentality, nor any approval or consent of the stockholders of the Borrower or any Subsidiary or from any other Person, is necessary to the valid execution, delivery or performance by the Borrower of any Credit Document to which it is a party.

Section 5.8. ERISA. With respect to each Plan, the Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and with the Code to the extent applicable to it and has not incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007

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of ERISA. Neither the Borrower nor any Subsidiary has any contingent liabilities for any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

Section 5.9. Government Regulation. Neither the Borrower nor any Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company", or a "Subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "Subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.10. Margin Stock; Use of Proceeds. Neither the Borrower nor any

Subsidiary is engaged principally, or as one of its primary activities, in the business of extending credit for the purpose of purchasing or carrying margin stock ("margin stock" to have the same meaning herein as in Regulation U of the Board of Governors of the Federal Reserve System). The proceeds of the Loans and Letters of Credit are to be used solely for the purposes set forth in and permitted by Section 7.10. The Borrower will not use the proceeds of any Loan or Letter of Credit in a manner that violates any provision of Regulation U or X of the Board of Governors of the Federal Reserve System.

Section 5.11. Licenses and Authorizations; Compliance with Laws. (a) The Borrower and each of its Subsidiaries has all necessary licenses, permits and governmental authorizations to own and operate its Properties and to carry on its business as currently conducted and contemplated, except to the extent failure to have the same could not reasonably be expected to have a material adverse effect on the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries taken as a whole. The Borrower and each of its Subsidiaries is in material compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities except for any such law, regulation, ordinance or order which, the failure to comply therewith, could not reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

(b) In the ordinary course of its business, the Borrower and its Subsidiaries have conducted limited Phase I Environmental Site Assessments on some, but not all, of the Properties and operations of the Borrower and its Subsidiaries in the course of which the Borrower has identified and evaluated associated liabilities and costs. On the basis of this review, the Borrower has reasonably concluded that Environmental and Health Laws are unlikely to have any material adverse effect on the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

(c) Neither the Borrower nor any Subsidiary has given, nor is it required to give, nor has it received, any notice, letter, citation, order, warning, complaint, inquiry, claim or demand to or from any governmental entity or in connection with any court proceeding which could reasonably have a material adverse effect on the Property, business or operations of the Borrower and its Subsidiaries taken as a whole claiming that: (i) the Borrower or any Subsidiary has violated, or is about to violate, any Environmental and Health Law; (ii) there has been a release, or there is a threat of release, of Hazardous Materials from the Borrower's or any Subsidiary's Property, facilities, equipment or vehicles; (iii) the Borrower or any

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Subsidiary may be or is liable, in whole or in part, for the costs of cleaning up, remediating or responding to a release of Hazardous Materials; or (iv) any of the Borrower's or any Subsidiary's property or assets are subject to a Lien in favor of any governmental entity for any liability, costs or damages, under any Environmental and Health Law arising from, or costs incurred by such governmental entity in response to, a release of a Hazardous Materials.

Section 5.12. Ownership of Property; Liens. The Borrower and each Subsidiary has good title to or valid leasehold interests in all its Property. None of the Borrower's or any Subsidiary's Property is subject to any Lien, except as permitted in Section 7.9.

Section 5.13. No Burdensome Restrictions; Compliance with Agreements. Neither the Borrower nor any Subsidiary is (a) party or subject to any law, regulation, rule or order that (individually or in the aggregate) materially adversely affects the business, operations, Property or financial or other condition of the Borrower or the Borrower and its Subsidiaries taken as a whole or (b) in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation to which it is a party, which default materially adversely affects the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

Section 5.14. Full Disclosure. All information heretofore furnished by the Borrower to the Administrative Agent or any Bank for purposes of or in connection with the Credit Documents or any transaction contemplated thereby is, and all such information hereafter furnished by the Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects and not misleading on the date as of which such information is stated

or certified.

Section 6. Conditions Precedent.

The obligation of each Bank to advance, continue, or convert any Loan, or of the Issuing Agent to issue, extend the expiration date (including by not giving notice of non-renewal) of or increase the amount of any Letter of Credit, shall be subject to the following conditions precedent:

Section 6.1. Initial Credit Event. Before or concurrently with the initial Credit Event:

(a) The Administrative Agent shall have received for each Bank the favorable written opinion of Dorsey & Whitney LLP, counsel to the Borrower in form and substance satisfactory to the Banks;

(b) The Administrative Agent shall have received for each Bank copies of (i) the Certificate of Incorporation, together with all amendments, and a certificate of good standing, for the Borrower, both certified as of a date not earlier than 20 days prior to the date hereof by the appropriate governmental officer of the Borrower's jurisdiction of incorporation and (ii) the Borrower's bylaws (or comparable constituent

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documents) and any amendments thereto, certified in each instance by its Secretary or an Assistant Secretary;

(c) The Administrative Agent shall have received for each Bank copies of resolutions of the Borrower's Board of Directors authorizing the execution and delivery of the Credit Documents and the consummation of the transactions contemplated thereby together with specimen signatures of the persons authorized to execute such documents on the Borrower's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(d) The Administrative Agent shall have received for each Bank such Bank's duly executed Committed Note and Bid Note of the Borrower dated the date hereof and otherwise in compliance with the provisions of Section 2.16 hereof;

(e) The Administrative Agent shall have received for each Bank a list of the Borrower's Authorized Representatives and such other documents as any Bank may reasonably request;

(f) All legal matters incident to the execution and delivery of the Credit Documents shall be satisfactory to the Banks;

(g) The Administrative Agent shall have received a certificate by the chief financial officer or corporate controller of the Borrower, stating that on the date of such initial Credit Event no Default or Event of Default has occurred and is continuing; and

(h) The Administrative Agent shall have received a duly executed Compliance Certificate containing financial information as of the last day of the most recently completed fiscal year of the Borrower.

Section 6.2. All Credit Events. As of the time of each Credit Event hereunder:

(a) In the case of a Borrowing, the Administrative Agent shall have received the notice required by Section 2.4(a) or 2.11, as applicable, and in the case of the issuance of any Letter of Credit the Issuing Agent shall have received the notice required by Section 2.2(b) and a duly completed Application for a Letter of Credit and, in the case of an extension or increase in the amount of a Letter of Credit, a written request therefor, in a form acceptable to the Issuing Agent;

(b) Each of the representations and warranties set forth in Section 5 hereof shall be and remain true and correct in all material respects as of said time, taking into account any amendments to such Section (including without limitation any amendments to the Schedules referenced therein) made after the date of this Agreement in accordance with its provisions, except that if any such representation or warranty relates solely to an earlier date it need only remain true as of such date;

(c) No Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event; and

(d) After giving effect to the Credit Event the aggregate Original Dollar Amount of all Loans and L/C Obligations shall not exceed the Revolving Credit Commitments then in effect.

Each request for a Borrowing hereunder and each request for the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in paragraphs (b)-(e) of this Section 6.2.

Section 6.3. Determinations Under Section 6.1. For purposes of determining compliance with the conditions specified in Section 6.1, each Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Banks unless an officer of the Administrative Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Bank prior to the Effective Date specifying its objection thereto.

Section 7. Covenants.

The Borrower covenants and agrees that, so long as any Note or any L/C Obligation is outstanding hereunder, or any Commitment is available to or in use by the Borrower hereunder, except to the extent compliance in any case is waived in writing by the Required Banks:

Section 7.1. Corporate Existence; Subsidiaries. The Borrower shall, and shall cause each of its Subsidiaries to, preserve and maintain its corporate existence, subject to the provisions of Section 7.11 hereof. As a condition to establishing or acquiring any Subsidiary, unless the Required Banks otherwise agree, the Borrower shall deliver an updated Schedule 5.2 to reflect the new Subsidiary.

Section 7.2. Maintenance. The Borrower will maintain, preserve and keep its plants, Properties and equipment necessary to the proper conduct of its business in reasonably good repair, working order and condition and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto so that at all times such plants, Properties and equipment shall be reasonably preserved and maintained, and the Borrower will cause each of its Subsidiaries to do so in respect of Property owned or used by it.

Section 7.3. Taxes. The Borrower will duly pay and discharge, and will cause each of its Subsidiaries duly to pay and discharge, all taxes, rates, assessments, fees and governmental charges upon or against it or against its Properties, in each case before the same becomes delinquent and before penalties accrue thereon, unless and to the extent that the same is being

contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of the Borrower.

Section 7.4. ERISA. The Borrower will, and will cause each of its Subsidiaries to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets and will promptly notify the Administrative Agent of (i) the occurrence of any reportable event (as defined in ERISA) affecting a Plan, other than any such event with respect to which the PBGC has waived the thirty day notice requirement by regulation, (ii) receipt of any written notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its or any of its Subsidiaries' intention to terminate or withdraw from any Plan or Multiemployer Plan, to the extent the Borrower would incur a material liability as a result thereof, and (iv) the occurrence of any event affecting any Plan or Multiemployer Plan which could result in the incurrence by the Borrower or any of its Subsidiaries of any material liability, fine or penalty, or any material

increase in the contingent liability of the Borrower or any of its Subsidiaries under any post-retirement Welfare Plan benefit.

Section 7.5. Insurance. The Borrower will insure, and keep insured, and will cause each of its Subsidiaries to insure, and keep insured, with good and responsible insurance companies, all insurable Property owned by it of a character usually insured by companies similarly situated and operating like Property. To the extent usually insured (subject to self-insured retentions) by companies similarly situated and conducting similar businesses, the Borrower will also insure, and cause each of its Subsidiaries to insure, employers' and public and product liability risks with good and responsible insurance companies. The Borrower will upon request of any Bank furnish to such Bank a summary setting forth the nature and extent of the insurance maintained pursuant to this Section 7.5.

Section 7.6. Financial Reports and Other Information. (a) The Borrower will maintain a system of accounting in accordance with GAAP and will furnish to the Banks and their respective duly authorized representatives such information respecting the business and financial condition of the Borrower and its Subsidiaries as any Bank may reasonably request; and without any request, the Borrower will furnish each of the following to each Bank:

(i) within 90 days after the end of each fiscal year of the Borrower, a copy of the Borrower's financial statements for such fiscal year, including the consolidated balance sheet of the Borrower for such year and the related statement of income and statement of cash flow, as certified by independent public accountants of recognized national standing selected by the Borrower in accordance with GAAP with such accountants' unqualified opinion to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in all material respects in accordance with GAAP the consolidated financial position of the Company and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and,

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accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(ii) within 45 days after the end of each of the first three quarterly fiscal periods of the Borrower, a consolidated unaudited balance sheet of the Borrower, and the related statement of income and statement of cash flow, as of the close of such period, all of the foregoing prepared by the Borrower in reasonable detail in accordance with GAAP and certified by the Borrower's chief financial officer or corporate controller as fairly presenting the financial condition as at the dates thereof and the results of operations for the periods covered thereby, subject to year-end adjustments;

(iii) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports the Borrower sends to its shareholders generally, and copies of all other regular, periodic and special reports and all registration statements the Borrower files with the SEC or any successor thereto, or with any national securities exchanges.

(b) Each financial statement furnished to the Banks pursuant to subsection (i) or (ii) of this Section 7.6 shall be accompanied by (A) a written certificate signed by the Borrower's chief financial officer or corporate controller to the effect that (i) no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, (ii) the representations and warranties contained in Section 5 hereof are true and correct in all material respects as though made on the date of such certificate (other than those made solely as of an earlier date, which need only remain true as of such date), taking into account any amendments to such Section (including without limitation any amendments to the Schedules referenced therein) made after the date of this Agreement in accordance with its provisions and except as otherwise described therein, and (B) a Compliance Certificate in the form of Exhibit H hereto showing the Borrower's compliance with the covenants set forth in Sections 7.9, 7.11 and

7.13-7.17 hereof.

(c) The Borrower will promptly (and in any event within three Business Days after an officer of the Borrower has knowledge thereof) give notice to the Administrative Agent and each Bank:

(i) of the occurrence of any Default or Event of Default;

(ii) of any default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries that could reasonably be expected to have a material adverse effect on the business, operations, property or condition, financial or otherwise, of the Borrower and its Subsidiaries taken as a whole;

(iii) of a material adverse change in the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries taken as a whole;

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(iv) of any litigation or governmental proceeding of the type described in Section 5.5 hereof; and

(v) of any change in the information set forth on the Schedules hereto.

Section 7.7. Bank Inspection Rights. Upon reasonable notice from any Bank, the Borrower will, prior to the occurrence and continuance of any Default or Event of Default, at such Bank's expense and at any time a Default or Event of Default has occurred and is continuing, at the Borrower's expense, permit such Bank (and such Persons as any Bank may designate) during normal business hours to visit and inspect, under the Borrower's guidance, any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and with their independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Banks (and such Persons as any Bank may designate) the finances and affairs of the Borrower and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested; provided, however, that except upon the occurrence and during the continuation of any Default or Event of Default, not more than one such set of visits and inspections may be conducted each calendar quarter.

Section 7.8. Conduct of Business. Neither the Borrower nor any Subsidiary will engage in any line of business if, as a result, the general nature of the business of the Borrower or the Borrower and its Subsidiaries taken as a whole would be substantially changed from that conducted on the date hereof.

Section 7.9. Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, permit to exist or to be incurred any Lien of any kind on any Property owned by the Borrower or any Subsidiary; provided, however, that this Section 7.9 shall not apply to nor operate to prevent:

(a) Liens arising by operation of law in connection with worker's compensation, unemployment insurance, social security obligations, taxes, assessments, statutory obligations or other similar charges, good faith deposits, pledges or Liens in connection with bids, tenders, contracts or leases to which the Borrower or any Subsidiary is a party (other than contracts for borrowed money), or other deposits required to be made in the ordinary course of business; provided that in each case the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of the Borrower;

(b) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) securing obligations not due or, if due, being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of the Borrower;

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(c) Liens for taxes or assessments or other government charges or levies on the Borrower or any Subsidiary of the Borrower or their respective Properties, not yet due or delinquent, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of the Borrower;

(d) Liens arising out of judgments or awards against the Borrower or any Subsidiary of the Borrower, or in connection with surety or appeal bonds in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or with respect to which the Borrower or such Subsidiary shall be prosecuting an appeal or proceeding for review, and with respect to which it shall have obtained a stay of execution pending such appeal or proceeding for review; provided that the aggregate amount of liabilities (including interest and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed \$2,500,000 at any one time outstanding;

(e) Liens upon any Property acquired by the Borrower or any Subsidiary of the Borrower to secure any Indebtedness of the Borrower or any Subsidiary incurred at the time of the acquisition of such Property to finance the purchase price of such Property, or Liens upon property resulting from the sale by the Borrower or any Subsidiary of Property and the leasing of the same or similar property from the purchaser thereof (or a subsequent purchaser or lessee), provided that any such Lien shall apply only to the Property that was so acquired or sold and leased back and the aggregate principal amount of Indebtedness secured by such Liens shall not exceed \$15,000,000 at any time outstanding;

(f) Survey exceptions or encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties which are necessary for the conduct of the activities of the Borrower and any Subsidiary of the Borrower or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of the Borrower or any Subsidiary of the Borrower;

(g) Liens listed on Schedule 7.9 hereto;

(h) Liens securing Indebtedness of a Subsidiary of the Borrower incurred in connection with the acquisition or construction of Property of such Subsidiary provided that such Lien is limited to the Property being financed by such Indebtedness and any revenues of such Subsidiary directly attributable to such Property and provided further that the Indebtedness secured by such Lien is non-recourse to the Borrower and its Subsidiaries; and

(i) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing paragraphs (a) through (h), inclusive, provided, however, that the principal amount of

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Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to the Property which was subject to the Lien so extended, renewed or replaced.

Section 7.10. Use of Proceeds; Regulation U. The proceeds of each Borrowing, and the credit provided by Letters of Credit, will be used by the Borrower for general corporate purposes. Following application of the proceeds of each Loan, not more than 25% of the value of the assets (either of the Borrower only or of the Borrower and its Subsidiaries on a consolidated basis) subject to the provisions of Section 7.9 hereof will be margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

Section 7.11. Mergers, Consolidations and Sales. The Borrower shall not, nor shall it permit any Subsidiary to, be a party to any merger or

consolidation, or sell, transfer, lease or otherwise dispose of all or any substantial part of its Property, including any disposition of Property as part of a sale and leaseback transaction, or in any event sell or discount (with or without recourse) any of its notes or accounts receivable; provided, however, that this Section shall not apply to nor operate to prevent (i) the Borrower being a party to any merger where the Borrower is the surviving Person if, after giving effect to such merger, no Default or Event of Default would then exist, (ii) any Subsidiary (a) merging into the Borrower or (b) being a party to any merger which does not involve the Borrower where such Subsidiary is the surviving Person if, after giving effect to such merger, no Default or Event of Default would then exist, (iii) the Viratec/Marcon Acquisition or (iv) the Borrower or any Subsidiary from selling its inventory in the ordinary course of its business. The term "substantial" as used herein shall mean an amount in excess of 5% of the total assets of the Borrower or such Subsidiary (computed based upon the total assets of the Borrower or such Subsidiary set forth in the most recently prepared balance sheet) per year. For purposes of this Section 7.11 the Property of the Borrower and its Subsidiaries shall be valued at the greater of book or fair market value of such Property.

Section 7.12. Use of Property and Facilities; Environmental and Health and Safety Laws. (a) The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with the requirements of all Environmental and Health Laws applicable to or pertaining to the Properties or business operations of the Borrower or any Subsidiary of the Borrower. Without limiting the foregoing, the Borrower will not, and will not permit any Person to, except in accordance with applicable law, dispose of any Hazardous Material into, onto or upon any real property owned or operated by the Borrower or any of its Subsidiaries.

(b) The Borrower will promptly provide the Banks with copies of any notice or other instrument of the type described in Section 5.11(c) hereof, and in no event later than five (5) Business Days after an officer of the Borrower receives such notice or instrument.

Section 7.13. Investments, Acquisitions, Loans, Advances and Guaranties. The Borrower will not, nor will it permit any Subsidiary to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to, any other Person, or acquire all or any substantial part

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of the assets or business of any other Person or division thereof, or Guaranty or become liable as endorser, guarantor, surety or otherwise (such as liability as a general partner) for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person (cumulatively, all of the foregoing, being "Investments"); provided, however, that the foregoing provisions shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America provided that any such obligation matures within one year from the date it is acquired by the Borrower or Subsidiary;

(b) investments in commercial paper rated P-1 by Moody's Investors Services, Inc. or A-1 by Standard & Poor's Corporation maturing within one year of its date of issuance;

(c) investments in certificates of deposit issued by any Bank or any United States commercial bank having capital and surplus of not less than \$200,000,000 maturing within one year from the date of issuance thereof or in banker's acceptances endorsed by any Bank or other such commercial bank and maturing within six months of the date of acceptance;

(d) investments in repurchase obligations with a term of not more than seven (7) days for underlying securities of the types described in subsection (a) above entered into with any bank meeting the qualifications specified in subsection (c) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement,

except those delivered through the Federal Reserve Book Entry System;

(e) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in the immediately preceding subsections (a), (b), (c) and (d) above;

(f) ownership of stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any Subsidiary;

(g) endorsements of negotiable instruments for collection in the ordinary course of business;

(h) loans and advances to employees in the ordinary course of business for travel, relocation, and similar purposes;

(i) acquisitions of all or any substantial part of the assets or business of any other Person or division thereof engaged in a line of business directly related to that of

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the Borrower, or of a majority of the Voting Stock of such a Person, provided that such Person is engaged (or promptly after such acquisition will be engaged) in a line of business directly related to that of the Borrower, and provided, further, that (i) such Person becomes a Subsidiary of the Borrower as a result of such acquisition, (ii) no Default or Event of Default exists or would exist after giving effect to such acquisition, (iii) the Board of Directors or other governing body of such Person whose Property, or Voting Stock or other interests in which, are being so acquired has approved the terms of such acquisition, (iv) such acquisition does not exceed \$40,000,000 in aggregate purchase price;

(j) Investments consisting of performance bonds and letters of credit and other similar surety devices obtained to support, or in lieu of, performance bonds, in each case entered into in the ordinary course of its business;

(k) Investments in Subsidiaries; provided that Investments in WSA, Inc. made after the date hereof shall be limited to (i) conversion of obligations of WSA, Inc. to the Borrower in an amount not to exceed \$80,000,000 into equity and subordinated debt, and (ii) loans or advances to WSA, Inc. in an aggregate amount outstanding at any one time not to exceed \$35,000,000 not subordinated to any other obligations of WSA, Inc.;

(l) other Investments in stock or other securities, provided that the aggregate amount of any such Investments at any time outstanding does not exceed \$1,000,000; and

(m) the Viratec/Marcon Acquisition.

In determining the amount of investments, acquisitions, loans, advances and guarantees permitted under this Section 7.14, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), loans and advances shall be taken at the principal amount thereof then remaining unpaid, and guarantees shall be taken at the amount of obligations guaranteed thereby.

Section 7.14. Restrictions on Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any Indebtedness other than:

(a) Indebtedness of the Borrower which, when in place, will not cause the Borrower to be in violation of Sections 7.15-7.17 hereof;

(b) Indebtedness of Subsidiaries secured by Liens permitted pursuant to Sections 7.9(e) and 7.9(h) which, when in place, will not cause the Borrower to be in violation of such Sections or of Sections 7.15-7.17 hereof; and

(c) (i) Debt of Subsidiaries of the Borrower in an aggregate outstanding amount at any time not to exceed \$2,500,000 (ii) Indebtedness

consisting of any surety bond, or any letter of credit or Guaranty serving the same function as a surety bond, provided that such Indebtedness shall be permitted pursuant to this Section 7.14(c)(iii) only (x) with respect to the portion of such surety bond, letter of credit or Guaranty as to which no demand or unreimbursed drawing has been made, (y) if such surety bond, letter of credit or Guaranty has been provided in the ordinary course of such Subsidiaries' business and (z) if such Indebtedness, when in place, will not cause the Borrower to be in violation of Sections 7.15 - 7.18 hereof and (iv) Indebtedness of Subsidiaries of the Borrower consisting of trade payables not evidenced by a note or similar instrument incurred in the ordinary course of such Person's business, if such Indebtedness, when in place, will not cause the Borrower to be in violation of Sections 7.15 - 7.18 hereof.

Section 7.15. Consolidated Net Worth. The Borrower will at all times maintain Consolidated Net Worth of not less than the Minimum Required Amount. For purposes of this section, the "Minimum Required Amount" shall mean \$111,000,000 and shall increase as of the first day immediately following each fiscal year of the Borrower ending after the Effective Date, by an amount equal to 50% of the cumulative positive Consolidated Net Income earned each fiscal year commencing and completed after February 28, 1996 (but without subtraction for any negative Consolidated Net Income for any such fiscal year).

Section 7.16. Leverage Ratio. The Borrower will, as of the last day of each fiscal quarter of the Borrower, maintain a Leverage Ratio of not more than 0.55 to 1.00.

Section 7.17. Interest Coverage Ratio. The Borrower will as of the last day of each fiscal quarter of the Borrower maintain an Interest Coverage Ratio of not less than 3.00 to 1.00.

Section 7.18. Dividends and Other Shareholder Distributions. (a) The Borrower shall only declare or pay any dividends or make a distribution of any kind (including by redemption or purchase) on its outstanding capital stock, if no Default or Event of Default exists prior to or would result after giving effect to such action.

(b) The Borrower shall not permit any Subsidiary to (x) issue a Guaranty or (y) enter into any agreement or instrument which by its terms restricts the ability of such Subsidiary to (i) declare or pay dividends or make similar distributions, except any such agreement or instrument entered into by WSA, Inc. to obtain performance bonds, letters of credit or other similar surety devices in the ordinary course of its business, (ii) repay principal of, or pay any interest on, any Indebtedness owed to the Borrower or any Subsidiary, except for limitations on the repayment of subordinated indebtedness of WSA, Inc. described in Section 7.13(k)(i), (iii) make payments of royalties, licensing fees and similar amounts to the Borrower or any other subsidiary, except any such agreements or instruments entered into by WSA, Inc. to obtain performance bonds, letters of credit or other similar surety devices in the ordinary course of its business, (iv) make loans or advances to the Borrower or any other subsidiary, except any such agreement or instrument entered into by WSA, Inc. to obtain performance bonds, letters of credit or other similar surety devices in the ordinary course of its business or (v) permit the Borrower to engage in consolidated cash management consistent with its current practices.

Section 7.19. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, enter into or be a party to any material transaction or arrangement (where "material" means material for the Borrower and its Subsidiaries taken as a whole) with any Affiliate of such Person (other than the Borrower or any of its Subsidiaries), including without limitation, the purchase from, sale to or exchange of Property with, any merger or consolidation with or into, or the rendering of any service by or for, any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than would obtain in a comparable arm's-length transaction with a Person other than an

Affiliate.

Section 7.20. Compliance with Laws. Without limiting any of the other covenants of the Borrower in this Section Seven, the Borrower will, and will cause each of its Subsidiaries to, conduct its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities; provided, however, that neither the Borrower nor any Subsidiary of the Borrower shall be required to comply with any such law, regulation, ordinance or order if the failure to comply therewith could not reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the Borrower or the Borrower and its Subsidiaries taken as a whole.

Section 8. Events of Default and Remedies.

Section 8.1. Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) default in the payment when due of the principal amount of any Loan or of any Reimbursement Obligation or in the payment when due of fees, interest or of any other Obligation;

(b) default by the Borrower or any Subsidiary in the observance or performance of any covenant set forth in Section 7.1 (with respect to the Borrower), 7.6(c), 7.9 through 7.11, or 7.13 through 7.18 hereof;

(c) default by the Borrower or any Subsidiary in the observance or performance of any provision hereof or of any other Credit Document not mentioned in (a) or (b) above, which is not remedied within thirty (30) days after notice thereof shall have been given to the Borrower by the Agent;

(d) (i) failure to pay when due Indebtedness (x) outstanding under that certain Note Agreement dated as of June 1, 1988 by and between the Borrower and Teachers Insurance and Annuity Association of America, as the same may be amended, restated or modified from time to time (the "Note Agreement") or (y) in an aggregate principal amount of \$5,000,000 or more of the Borrower or any Subsidiary or (ii) default shall occur under (x) the Note Agreement or (y) one or more indentures, agreements or other instruments under which any Indebtedness of the Borrower or any Subsidiary in

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an aggregate principal amount of \$5,000,000 or more may be issued or created and such default shall continue for a period of time sufficient to permit the holder or beneficiary of such Indebtedness or a trustee therefor to cause the acceleration of the maturity of any such Indebtedness or any mandatory unscheduled prepayment, purchase or funding thereof;

(e) any material representation or warranty made herein or in any other Credit Document by the Borrower or any Subsidiary, or in any statement or certificate furnished pursuant hereto or pursuant to any other Credit Document by the Borrower or any Subsidiary, or in connection with any Credit Document, proves untrue in any material respect as of the date of the issuance or making, or deemed making or issuance, thereof;

(f) the Borrower or any Subsidiary shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, or any analogous action is taken under any other applicable law relating to bankruptcy or insolvency, (ii) fail to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action (such as the passage by the Borrower's board of directors of a resolution) in

furtherance of any matter described in parts (i)-(v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 8.1(g) hereof;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any Subsidiary or any substantial part of any of their Property, or a proceeding described in Section 8.1(f) (v) shall be instituted against the Borrower or any Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days;

(h) the Borrower or any Subsidiary shall fail within thirty (30) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$5,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution thereon;

(i) the Borrower or any other member of the Controlled Group shall fail to pay when due an amount or amounts which it shall have become liable to pay to the PBGC or to a Plan or a Multiemployer Plan under Title IV of ERISA in excess of \$200,000; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$200,000 (collectively, a "Material Plan") shall be filed under Title IV of ERISA by the Borrower or any Subsidiary or any other member of

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the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the Borrower or any other member of the Controlled Group to enforce Section 515 or 4219(c) (5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(j) the Borrower or any Subsidiary, or any Person acting on behalf of the Borrower or a Subsidiary, or any governmental authority challenges the validity of any Credit Document or the Borrower's or a Subsidiary's obligations thereunder or any Credit Document ceases to be in full force and effect or is modified other than in accordance with the terms thereof and hereof;

(k) a Change of Control Event shall have occurred; or

(l) the Obligations shall cease to rank at least pari passu in right of payment with all other senior unsecured obligations of the Borrower.

Section 8.2. Non-Bankruptcy Defaults. When any Event of Default other than those described in subsections (f) or (g) of Section 8.1 hereof with respect to the Borrower has occurred and is continuing, the Administrative Agent shall, by written notice to the Borrower, if so directed by the Required Banks: (a) terminate the remaining Commitments and all other obligations of the Banks hereunder on the date stated in such notice (which may be the date thereof); (b) declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, shall be and become immediately due and payable together with all other amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind; and (c) demand that the Borrower immediately pay to the Administrative Agent, subject to Section 8.4, the full amount of the L/C Obligations, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Banks would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Administrative Agent, for the benefit of the Banks, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Administrative Agent, after giving notice to the Borrower pursuant to Section 8.1(c) or this Section 8.2, shall also promptly send a copy of such notice to the other Banks, but the failure to do so shall not impair or annul the effect of such notice.

Section 8.3. Bankruptcy Defaults. When any Event of Default described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing with

respect to the Borrower, then all outstanding Notes shall immediately become due and payable together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, the obligation of the Banks to extend further credit pursuant to any of the terms hereof shall immediately terminate and the Borrower shall immediately pay to the Administrative Agent, subject to Section 8.4, the full amount of the L/C Obligations, the

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Borrower acknowledging that the Banks would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Banks, and the Administrative Agent on their behalf, shall have the right to require the Borrower to specifically perform such undertaking whether or not any draws or other demands for payment have been made under any of the Letters of Credit.

Section 8.4. Collateral for Undrawn Letters of Credit. (a) If the payment or prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required hereunder, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Administrative Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Administrative Agent in a separate collateral account (such account, and the credit balances, properties and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the "Account") as security for, and for application by the Administrative Agent to, the reimbursement of any payment under any Letter of Credit then or thereafter made by the Issuing Agent, and to the payment of the unpaid balance of any Loans and all other Obligations. The Account shall be held in the name of and subject to the exclusive dominion and control of the Administrative Agent for the benefit of the Agents, the Issuing Agent and the Banks. The Administrative Agent shall invest funds held in the Account from time to time in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America with a remaining maturity of one year or less, provided that the Administrative Agent is irrevocably authorized to sell investments held in the Account when and as required to make payments out of the Account for application to amounts due and owing from the Borrower to the Agents, the Issuing Agent or Banks; provided, however, that if (i) the Borrower shall have made payment of all of the Obligations, (ii) all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, and (iii) no Letters of Credit, Commitments, Loans or other Obligations remain outstanding hereunder, then the Administrative Agent shall repay to the Borrower any remaining amounts held in the Account.

Section 8.5. Expenses. The Borrower agrees to pay to the Agents, the Issuing Agent and each Bank, and any other holder of any Note outstanding hereunder, all costs and expenses incurred or paid by the Agents, the Issuing Agent or such Bank or any such holder, including attorneys' fees and court costs, in connection with the enforcement of any of the Credit Documents.

Section 9. Change in Circumstances.

Section 9.1. Change of Law. Notwithstanding any other provisions of this Agreement or any Note, if at any time after the date hereof any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Bank to make or continue to maintain Eurocurrency Loans or to perform its obligations as contemplated hereby, such Bank shall promptly give notice thereof to the Borrower and such Bank's obligations to make or

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maintain Eurocurrency Loans under this Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain Eurocurrency Loans. To the extent such change makes it unlawful for such Bank to maintain outstanding Eurocurrency Loans to the end of the then applicable Interest Period therefor, the Borrower shall prepay on demand the outstanding principal amount of any such affected Eurocurrency Loans, together with all interest accrued thereon at a rate per annum equal to the interest rate applicable to such Loan; provided, however, that the Borrower may then elect to borrow the principal amount of the affected Eurocurrency Loans from such Bank by means of Base Rate Loans from such

Bank, which Base Rate Loans shall not be made ratably by the Banks but only from such affected Bank.

Section 9.2. Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. If on or prior to the first day of any Interest Period for any Borrowing of Eurocurrency Loans:

(a) the Administrative Agent determines that deposits in U.S. Dollars or the applicable Alternative Currency (in the applicable amounts) are not generally being offered in the eurocurrency interbank market for such Interest Period, or that by reason of circumstances affecting the interbank eurocurrency market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(b) Banks having 50% or more of the aggregate amount of the Revolving Credit Commitments reasonably determine and so advise the Administrative Agent that LIBOR will not adequately and fairly reflect the cost to such Banks or Bank of funding their or its Eurocurrency Loans or Loan for such Interest Period,

then the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks or of the relevant Bank to make Eurocurrency Loans in the currency so affected shall be suspended.

Section 9.3. Increased Cost and Reduced Return. (a) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the relevant jurisdiction) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Fixed Rate Loans, its Notes, its Letter(s) of Credit, or its participation in any thereof, any Reimbursement Obligations owed to it or its obligation to make Fixed Rate Loans, issue a Letter of Credit, or to participate therein, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Fixed Rate Loans, Letter(s) of Credit, or participations therein or any other amounts due under this Agreement in respect of its Fixed Rate Loans, Letter(s) of Credit, or participations therein, any Reimbursement Obligations

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owed to it, or its obligation to make Fixed Rate Loans, issue a Letter of Credit, or acquire participations therein (except for changes in the rate of tax on the overall net income or profits of such Bank or its Lending Office imposed by the jurisdiction in which such Bank or its Lending Office is incorporated or located in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurocurrency Loans any such requirement included in an applicable Eurocurrency Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the interbank market any other condition affecting its Fixed Rate Loans, its Notes, its Letter(s) of Credit, or its participation in any thereof, any Reimbursement Obligation owed to it, or its obligation to make Fixed Rate Loans, to issue a Letter of Credit, or to participate therein;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Fixed Rate Loan, issuing or maintaining a Letter of Credit, or participating therein, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount

deemed by such Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall be obligated to pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction. Notwithstanding the foregoing, the Borrower shall not be obligated to pay any such additional amounts attributable to the period (the "Excluded Period") ending thirty (30) days prior to the date the Borrower receives from such Bank written notice of the law, rule, regulation, interpretation, directive or request by reason of which such additional amounts are payable, except to the extent such additional amounts accrued during the Excluded Period due to the retroactive application of such law, order, regulation, directive, change or request, in which case the limitation set forth in this sentence shall not apply.

(b) If on or after the date hereof, any Bank or the Administrative Agent shall have determined that the adoption after the Effective Date of any applicable law, rule or regulation regarding capital adequacy, or any change therein after the Effective Date (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change after the Effective Date in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy made after the Effective Date (whether or not having the force of law but, if not having the force of law, compliance with which is customary in the applicable jurisdiction) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of

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return on such Bank's capital, or on the capital of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction. Notwithstanding the foregoing, the Borrower shall not be obligated to pay any such additional amounts attributable to the period (the "Excluded Period") ending thirty (30) days prior to the date the Borrower receives from such Bank written notice of the law, rule, regulation, interpretation, directive or request by reason of which such additional amounts are payable, except to the extent such additional amounts accrued during the Excluded Period due to the retroactive application of such law, order, regulation, directive, change or request, in which case the limitation set forth in this sentence shall not apply.

(c) Each Bank that determines to seek compensation under this Section 9.3 shall notify the Borrower and the Administrative Agent of the circumstances that entitle the Bank to such compensation pursuant to this Section 9.3 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 9.3 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4. Lending Offices. Each Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof (each a "Lending Office") for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Administrative Agent.

Section 9.5. Discretion of Bank as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all

determinations under Section 2.17 hereof shall be made as if each Bank had actually funded and maintained each Eurocurrency Loan and Eurodollar Bid Loan through the purchase of deposits of U.S. Dollars or the applicable Alternative Currency in the eurocurrency interbank market having a maturity corresponding to such Loan's Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

Section 9.6. Substitution of Bank. If (i) the obligation of any Bank to make Eurocurrency Loans has been suspended pursuant to Section 9.1, (ii) any Bank has demanded compensation or given notice of its intention to demand compensation under Section 9.3, or (iii) the Borrower is required to pay any additional amount to any Bank pursuant to Section 11.1, and in any such case the Required Banks are not in the same situation as such Bank, the Borrower shall have the right to require such Bank to assign its entire, but not less

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than its entire, Revolving Credit Commitment to another Person or Persons (which may be one or more of the Banks already party hereto) willing to assume such Revolving Credit Commitment pursuant to Section 11.12. The recordation fee referred to in Section 11.12 shall not be applicable to assignments effected pursuant to this Section 9.6. All Obligations and any other amount owing to such Bank under the Credit Documents shall be paid in full at the time of any such assignment.

Section 10. The Agents.

Section 10.1. Appointment and Authorization of Administrative Agent. Each Bank hereby appoints ABN AMRO Bank N.V. as the Administrative Agent under the Credit Documents and hereby authorizes the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The relationship between the Administrative Agent and the Banks is and shall be that of agent and principal only, and nothing contained in this Agreement or any other Credit Document shall be construed to constitute the Administrative Agent as a trustee or fiduciary for any Bank or the Borrower.

Section 10.2. Administrative Agent and its Affiliates. The Administrative Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and the Administrative Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as if it were not the Administrative Agent under the Credit Documents.

Section 10.3. Action by Administrative Agent. If the Administrative Agent receives from the Borrower a written notice of an Event of Default pursuant to Section 7.6(c)(i) hereof, the Administrative Agent shall promptly give each of the Banks written notice thereof. The obligations of the Administrative Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Sections 8.2 and 8.5. In no event, however, shall the Administrative Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall be entitled to assume that no Default or Event of Default exists unless notified to the contrary by a Bank or the Borrower. In all cases in which this Agreement and the other Credit Documents do not require the Administrative Agent to take certain actions, the Administrative Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

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Section 10.4. Consultation with Experts. The Administrative Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel,

accountants or experts.

Section 10.5. Liability of Administrative Agent; Credit Decision. Neither the Administrative Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any other party contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 6 hereof, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectibility hereof or of any other Credit Document or of any other documents or writing furnished in connection with any Credit Document; and the Administrative Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Administrative Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, the Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Administrative Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by it under the Credit Documents. The Administrative Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Administrative Agent signed by such payee in form satisfactory to the Administrative Agent. Each Bank acknowledges that it has independently and without reliance on the Administrative Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of the Borrower and any other relevant Person, and the Administrative Agent shall have no liability to any Bank with respect thereto.

Section 10.6. Indemnity. The Banks shall ratably, in accordance with their respective Percentages, indemnify and hold the Administrative Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the

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party seeking to be indemnified. The obligations of the Banks under this Section 10.6 shall survive termination of this Agreement.

Section 10.7. Resignation of Administrative Agent and Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation of the Administrative Agent, the Required Banks shall have the right to appoint a successor Administrative Agent with the consent of the Borrower. If no successor Administrative Agent shall have been so appointed by the Required Banks with the consent of the Borrower, and shall have accepted such appointment, within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks with the consent of the Borrower, appoint a successor Administrative Agent, which shall be any Bank hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$200,000,000. Upon the acceptance of its appointment as the Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent under the Credit Documents, and the retiring Administrative Agent shall be discharged from its

duties and obligations thereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 10 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent. If the Co-Agent resigns, it shall not be replaced.

Section 11. Miscellaneous.

Section 11.1. Withholding Taxes. (a) Payments Free of Withholding. Subject to the obligation of each Bank that is not a United States Person to submit forms concerning its exemption from United States withholding taxes pursuant to Section 11.1(b) hereof, each payment by the Borrower under this Agreement or the other Credit Documents shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Administrative Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Bank or the Administrative Agent (as the case may be) would have received had such withholding not been made. If the Administrative Agent or any Bank pays any amount in respect of any such taxes, penalties or interest the Borrower shall reimburse the Administrative Agent or that Bank for that payment on demand in the currency in which such payment was made. If the Borrower pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Bank or Administrative Agent on whose account such withholding was made (with a copy to the Administrative Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Administrative Agent determines it has received or been granted a credit against or relief or remission for, or repayment of, any taxes paid or payable by it because of any taxes, penalties or interest paid by the Borrower

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and evidenced by such a tax receipt, such Bank or Administrative Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as such Bank or Administrative Agent reasonably determines is attributable to such deduction or withholding and which will leave such Bank or Administrative Agent (after such payment) in no better or worse position than it would have been in if the Borrower had not been required to make such deduction or withholding. Except as provided in Section 11.1(b), nothing in this Agreement shall interfere with the right of each Bank and the Administrative Agent to arrange its tax affairs in whatever manner it thinks fit nor oblige any Bank or the Administrative Agent to disclose any information relating to its tax affairs or any computations in connection with such taxes.

(b) U.S. Withholding Tax Exemptions. Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Administrative Agent on or before (i) in the case of Banks party to this Agreement as of the date hereof, the earlier of the date the initial Borrowing is made hereunder and thirty (30) days after the date hereof, and (ii) in the case of a Bank that subsequently becomes a party hereto, the effective date of the applicable assignment or amendment, two duly completed and signed copies of either Form 1001 (relating to such Bank and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) or Form 4224 (relating to all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) of the United States Internal Revenue Service. Thereafter and from time to time, each Bank shall submit to the Borrower and the Administrative Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (i) requested by the Borrower in a written notice, directly or through the Administrative Agent, to such Bank and (ii) required under then-current United States law or regulations to avoid or reduce United States withholding taxes on payments in respect of all amounts to be received by such Bank, including fees, pursuant to the Credit Documents or the Loans.

(c) Inability of Bank to Submit Forms. If any Bank determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that it is unable to submit to the

Borrower or Administrative Agent any form or certificate that such Bank is obligated to submit pursuant to subsection (b) of this Section 11.1. or that such Bank is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Bank shall promptly notify the Borrower and Administrative Agent of such fact and the Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 11.2. No Waiver of Rights. No delay or failure on the part of the Administrative Agent or any Bank or on the part of the holder or holders of any Note in the exercise of any power or right under any Credit Document shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power or right, and the rights and remedies hereunder of the Administrative Agent, the Banks and the holder or holders of any Notes are

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cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 11.3. Non-Business Day. Subject to the definition of Interest Period, if any payment of principal or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, such payment shall be due on the following Business Day and interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to and including the next succeeding Business Day.

Section 11.4. Documentary Taxes. The Borrower agrees that it will pay any documentary, stamp or similar taxes payable in respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 11.5. Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 11.6. Survival of Indemnities. All indemnities and all other provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Loans, including, but not limited to, Section 2.17, Section 9.3 and Section 11.15 hereof, shall survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations.

Section 11.7. Set-Off. (a) In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank and each subsequent holder of any Note is, upon the acceleration of the Obligations pursuant to Section 8.2 or 8.3 hereof, hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or to any other Person in the case of an Event of Default described in subsection (f) or (g) of Section 8.1 hereof with respect to the Borrower, any such notice being hereby expressly waived, and with notice to the Borrower in the case of any other Event of Default, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, and in whatever currency denominated) and any other Indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the obligations and liabilities of the Borrower to that Bank or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (a) that Bank or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

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(b) Each Bank agrees with each other Bank a party hereto that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans or Reimbursement Obligations in excess of its ratable share of payments on all such obligations then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Loans or Reimbursement Obligations, or participations therein, held by each such other Banks (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest. For purposes of this Section 11.7(b), amounts owed to or recovered by, the Administrative Agent in connection with Reimbursement Obligations in which Banks have been required to fund their participation shall be treated as amounts owed to or recovered by the Administrative Agent as a Bank hereunder.

Section 11.8. Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including telecopy or other electronic communication) and shall be given to a party hereunder at its address or telecopier number set forth below or such other address or telecopier number as such party may hereafter specify by notice to the Administrative Agent and the Borrower, given by courier, by United States certified or registered mail, or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Banks shall be addressed to their respective addresses, telecopier or telephone numbers set forth on the signature pages hereof or in the assignment agreement which any assignee bank executes pursuant to Section 11.12 hereof, and to the Borrower and to the Administrative Agent to:

If to the Borrower:

Apogee Enterprises, Inc.
7900 Xerxes Avenue South
Suite 1800
Minneapolis, Minnesota 55431-1159
Attention: Mr. Terry L. Hall, Vice President-Finance
Telecopy:
Telephone:

If to the Administrative Agent:

Agency Services
335 Madison Avenue
New York, New York 10017
Attention: Linda Boardman
Telecopy: (212) 682-0364
Telephone: (212) 370-8509

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Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 11.8 or on the signature pages hereof and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by courier, when delivered, (iii) if given by mail, three business days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (iv) if given by any other means, when delivered at the addresses specified in this Section 11.8; provided that any notice given pursuant to Section 2 hereof shall be effective only upon receipt.

Section 11.9. Counterparts. This Agreement may be executed in any number of counterpart signature pages, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument.

Section 11.10. Successors and Assigns. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit

of each of the Banks and the benefit of their respective successors and assigns, including any subsequent holder of any Note. The Borrower may not assign any of its rights or obligations under any Credit Document without the written consent of all of the Banks.

Section 11.11. Participants and Note Assignees. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Loans made, Revolving Credit Commitments held and/or participations in Letters of Credit, by such Bank at any time and from time to time, and to assign its rights under such Loans or the Note evidencing such Loans to a federal reserve bank; provided that (i) no such participation or assignment shall relieve any Bank of any of its obligations under this Agreement, (ii) no such assignee or participant shall have any rights under this Agreement except as provided in this Section 11.11, and (iii) the Administrative Agent shall have no obligation or responsibility to such participant or assignee, except that nothing herein is intended to affect the rights of a Federal Reserve Bank to enforce the Note assigned. Any party to which such a participation or assignment has been granted shall have the benefits of Section 2.17 and Section 9.3, but shall not be entitled to receive any greater payment under either such Section than the Bank granting such participation would have been entitled to receive in connection with the rights transferred. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement that would (A) increase any Revolving Credit Commitment of such Bank if such increase would also increase the participant's obligations, (B) forgive any amount of or postpone the date for payment of any principal of or interest on any Loan or of any fee payable hereunder in which such participant has an interest or (C) reduce the stated rate at which interest or fees in which such participant has an interest accrue hereunder.

Section 11.12. Assignment of Commitments by Banks. Each Bank shall have the right at any time, with the written consent of the Borrower, Issuing Agent and Administrative Agent

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(which consent shall not be unreasonably withheld or delayed), to assign all or any part of its Revolving Credit Commitment (including the same percentage of its Note, outstanding Loans and participations in Letters of Credit) to one or more other Persons; provided that such assignment is in an amount of at least \$10,000,000 or the entire Revolving Credit Commitment of such Bank, and if such assignment is not for such Bank's entire Revolving Credit Commitment then such Bank's Revolving Credit Commitment after giving effect to such assignment shall not be less than \$10,000,000; and provided further that neither the consent of the Borrower, the Issuing Agent nor of the Administrative Agent shall be required for any Bank to assign all of its Revolving Credit Commitment to any Affiliate of the assigning Bank. Each such assignment shall set forth the assignee's address for notices to be given under Section 11.8 hereof hereunder and its designated Lending Office pursuant to Section 9.4 hereof. Upon any such assignment, delivery to the Administrative Agent and the Borrower of an executed copy of such assignment agreement and the forms referred to in Section 11.1 hereof, if applicable, and the payment of a \$3,000 recordation fee to the Administrative Agent, the assignee shall become a Bank hereunder, all Loans, participations in Letters of Credit and the Revolving Credit Commitment it thereby holds shall be governed by all the terms and conditions hereof and the Bank granting such assignment shall have its Revolving Credit Commitment, and its obligations and rights in connection therewith, reduced by the amount of such assignment.

Section 11.13. Amendments. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Banks, and (c) if the rights or duties of the Administrative Agent or the Issuing Agent are affected thereby, the Administrative Agent or the Issuing Agent, as appropriate; provided that:

(i) no amendment or waiver pursuant to this Section 11.13 shall (A) increase or extend the term of any Commitment of any Bank without the

consent of such Bank or (B) reduce the amount of or postpone any fixed date for payment of any principal of or interest on any Loan or Reimbursement Obligation or of any fee payable hereunder without the written consent of each Bank; and

(ii) no amendment or waiver pursuant to this Section 11.13 shall, unless signed by each Bank, change this Section 11.13, or the definition of Required Banks, or affect the number of Banks required to take any action under the Credit Documents.

Section 11.14. Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 11.15. Legal Fees, Other Costs and Indemnification. The Borrower agrees to pay all reasonable costs and expenses of the Administrative Agent in connection with the preparation and negotiation of the Credit Documents, including without limitation, the reasonable fees and disbursements of Chapman and Cutler, counsel to the Administrative Agent, in connection with the preparation and execution of the Credit Documents, and any amendment, waiver or consent related hereto, whether or not the transactions contemplated herein are consummated. The Borrower further agrees to indemnify each Bank, the Issuing Agent, the Agents, and their respective directors, agents, officers and employees, against all

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losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may incur or reasonably pay arising out of or relating to any Credit Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan or Letter of Credit (including, without limitation, the application of such proceeds to an acquisition), other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. The Borrower, upon demand by the Issuing Agent, the Administrative Agent or a Bank at any time, shall reimburse the Issuing Agent, the Administrative Agent or Bank for any reasonable legal or other expenses (including allocable fees and expenses of in-house counsel) incurred in connection with investigating or defending against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified.

Section 11.16. Currency. Each reference in this Agreement to U.S. Dollars or to an Alternative Currency (the "relevant currency") is of the essence. To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in the relevant currency under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the relevant currency that the Person entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which such Person receives such payment. If the amount of the relevant currency so purchased is less than the sum originally due to such Person in the relevant currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Person against such loss, and if the amount of the specified currency so purchased exceeds the sum of (a) the amount originally due to the relevant Person in the specified currency plus (b) any amounts shared with other Banks as a result of allocations of such excess as a disproportionate payment to such Person under Section 11.7(b) hereof, such Person agrees to remit such excess to the Borrower.

Section 11.17. Entire Agreement. The Credit Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or contemporaneous agreements, whether written or oral, with respect thereto are superseded thereby.

Section 11.18. Construction. The parties hereto acknowledge and agree that neither this Agreement nor the other Credit Documents shall be construed more favorably in favor of one than the other based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of this Agreement and the other Credit Documents.

Section 11.19. Governing Law. This Agreement and the other Credit Documents, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of New York.

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Section 11.20. Submission to Jurisdiction; Waiver of Jury Trial. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in the County of New York for purposes of all legal proceedings arising out of or relating to this Agreement, the other Credit Documents or the transactions contemplated hereby or thereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. The Borrower hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to any Credit Document or the transactions contemplated thereby.

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In Witness Whereof, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

Apogee Enterprises, Inc.

By: /s/ Terry L. Hall

Name: Terry L. Hall

Its: Vice President & Chief Financial Officer

ABN AMRO Bank N.V., as Administrative
Agent and as Issuing Agent

By: ABN AMRO North America, Inc.
its agent

By: /s/ Ricardo Larrabure

Name: Ricardo Larrabure
Title: Senior Vice President and
Managing Director

By: /s/ Jozef A.C. Henriquez

Name: Jozef A.C. Henriquez
Title: Assistant Vice President

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Address and Amount of
Commitments:

Address:

135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: Jozef A.C. Henriquez
Telephone: (312) 904-2611
Telecopy: (312) 606-8425

ABN AMRO Bank N.V., Chicago Branch, in
its individual capacity as a Bank

By: ABN AMRO North America, Inc.
its agent

Commitment: \$30,000,000

By: /s/ Ricardo Larrabure

Name: Ricardo Larrabure

Title: Senior Vice President and
Managing Director

By: /s/ Jozef A.C. Henriquez

Name: Jozef A.C. Henriquez
Title: Assistant Vice President

Lending Offices:

Base Rate Loans:

135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: Loan Administration
Telephone: (312) 904-2961
Telecopy: (312) 606-8435

Eurocurrency Loans:

135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: Loan Administration
Telephone: (312) 904-2961
Telecopy: (312) 606-8435

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Address and Amount of
Commitments:

Address:

First Bank Place
601 Second Avenue South
Minneapolis, Minnesota 55402-4302

First Bank National Association

Attention: Kurt D. Egertson, MPFP 0907 By: /s/ Kurt D. Egertson
Telephone: (612) 973-0514
Telecopy: (612) 973-0822

Name: Kurt D. Egertson
Title: Vice President

Commitment: \$25,000,000

Lending Offices:

Base Rate Loans:

First Bank Place
601 Second Avenue South
Minneapolis, Minnesota 55402-4302
Attention: Patricia A. Eells, MPFP 0907
Telephone: (612) 973-0505
Telecopy: (612) 973-0822

Eurocurrency Loans:

First Bank Place
601 Second Avenue South
Minneapolis, Minnesota 55402-4302
Attention: Patricia A. Eells, MPFP 0907
Telephone: (612) 973-0505
Telecopy: (612) 973-0822

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Address and Amount of
Commitments:

Address:

611 Woodward Avenue
Detroit, Michigan 48226
Attention: M. Mullins

NBD Bank

Telephone: (313) 225-2873
Telecopy: (313) 225-1212

By: /s/ Marguerite C. Mullins

Name: Marguerite C. Mullins
Title: Second Vice President

Commitment: \$22,000,000

Lending Offices:

Base Rate Loans:

611 Woodward Avenue
Detroit, Michigan 48226
Attention: Amal Berry
Telephone: (313) 225-4080
Telecopy: (313) 225-1212

Eurocurrency Loans:

611 Woodward Avenue
Detroit, Michigan 48226
Attention: Amal Berry
Telephone: (313) 225-4080
Telecopy: (313) 225-1212

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Address and Amount of
Commitments:

Address:

227 West Monroe Street
Suite 3800
Chicago, Illinois 60606
Attention: Matthew Kirst
Telephone: (312) 220-7307
Telecopy: (312) 641-0527

Credit Lyonnais Chicago Branch

By: /s/ Mary Ann Alemm

Name: Mary Ann Alemm
Title: Vice President and Group Head

Commitment: \$15,000,000

Lending Offices:

Base Rate Loans:

227 West Monroe Street
Suite 3800
Chicago, Illinois 60606
Attention: Matthew Kirst
Telephone: (312) 220-7307
Telecopy: (312) 641-0527

Eurocurrency Loans:

227 West Monroe Street
Suite 3800
Chicago, Illinois 60606
Attention: Matthew Kirst
Telephone: (312) 220-7307
Telecopy: (312) 641-0527

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Address and Amount of
Commitments:

Address:

111 West Monroe Street
Chicago, Illinois 60603
Attention: Catherine Ciolek
Telephone: (312) 461-7009
Telecopy: (312) 461-2591

Harris Trust and Savings Bank

By: /s/ Catherine C. Ciolek

Name: Catherine C. Ciolek
Title: Vice President

Commitment: \$12,500,000

Lending Offices:

Base Rate Loans:

111 West Monroe Street
Chicago, Illinois 60603
Attention: Carrie Reyno
Telephone: (312) 461-3321
Telecopy: (312) 461-2591

Eurocurrency Loans:

111 West Monroe Street
Chicago, Illinois 60603
Attention: Carrie Reyno
Telephone: (312) 461-3321
Telecopy: (312) 461-2591

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Address and Amount of
Commitments:

Address:

One Wall Street, 19th Floor
New York, New York 10286
Attention: Richard A. Raffetto
Telephone: (212) 635-8044
Telecopy: (212) 635-1208

The Bank of New York

By: /s/ Richard A. Raffetto

Name: Richard A. Raffetto
Title: Assistant Vice President

Commitment: \$12,500,000

Lending Offices:

Base Rate Loans:

One Wall Street, 19th Floor
New York, New York 10286
Attention: Yvonne Forbes
Telephone: (212) 635-6691
Telecopy: (212) 635-7923

Eurocurrency Loans:

One Wall Street, 19th Floor
New York, New York 10286
Attention: Yvonne Forbes
Telephone: (212) 635-6691
Telecopy: (212) 635-7923

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Address and Amount of
Commitments:

Address:

Sixth and Marquette
Minneapolis, Minnesota 55479-0085
Attention: Alan Thometz
Telephone: (612) 667-6911
Telecopy: (612) 667-4145

Norwest Bank Minnesota, National
Association

By: /s/ Alan Thometz

Name: Alan Thometz
Title: Vice President

Commitment: \$12,500,000

Lending Offices:

Base Rate Loans:

Sixth and Marquette
Minneapolis, Minnesota 55479-0085
Attention: Edna Harder
Telephone: (612) 667-4747
Telecopy: (612) 667-4145

Eurocurrency Loans:

Sixth and Marquette
Minneapolis, Minnesota 55479-0085
Attention: Edna Harder
Telephone: (612) 667-4747
Telecopy: (612) 667-4145

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Address and Amount of
Commitments:

Address:

311 S. Wacker Dr., Suite 5800
Chicago, Illinois 60606
Attention: Mr. William Brent Peterson
Telephone: (312) 408-6913
Telecopy: (312) 435-1486

Commerzbank AG, Chicago Branch

By: /s/ Mark Monson

Name: Mark Monson
Title: Vice President

Commitment: \$12,500,000

By: /s/ Roger Todebush

Lending Offices:

Name: Roger Todebush
Title: Assistant Cashier

Base Rate Loans:

311 S. Wacker Dr., Suite 5800
Chicago, Illinois 60606
Attention: Ms. Gabriela Schmidtchen
Telephone: (212) 266-7345
Telecopy: (212) 266-7593

Eurocurrency Loans:

Commerzbank AG, Grand Cayman Branch
c/o Chicago Branch
311 S. Wacker Dr., Suite 5800
Chicago, Illinois 60606
Attention: Ms. Gabriela Schmidtchen
Telephone: (212) 266-7345
Telecopy: (212) 266-7593

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Address and Amount of
Commitments:

Address:

115 S. LaSalle Street, Suite 2100
Chicago, Illinois 60603
Attention: Loan Administration
Telephone: (312) 269-0747
Telecopy: (312) 263-2555

The Bank of Tokyo-Mitsubishi, Limited,
Chicago Branch

By: /s/ Jeffrey R. Arnold

Name: Jeffrey R. Arnold
Title: Vice President

With regard to all correspondence regarding
non-operational matters:

The Bank of Tokyo-Mitsubishi, Limited
90 South Seventh Street
Suite 5100
Minneapolis, Minnesota 55402
Attention: Peter Kline
Telephone: (612) 333-0505
Telecopy: (612) 333-3735

Commitment: \$8,000,000

Lending Offices:

Base Rate Loans:

115 S. LaSalle Street, Suite 2100
Chicago, Illinois 60603
Attention: Loan Administration
Telephone: (312) 269-0747
Telecopy: (312) 263-2555

Eurocurrency Loans:

115 S. LaSalle Street, Suite 2100
Chicago, Illinois 60603
Attention: Loan Administration
Telephone: (312) 269-0747
Telecopy: (312) 263-2555

Statement of Determination of Common Shares and Common Share Equivalents

Average number of common shares and common share equivalents assumed outstanding during the three fiscal years ended:

	March 2, 1996 -----	February 25, 1995 -----	February 26, 1994 -----
PRIMARY:			
Weighted average of common shares outstanding (a)	13,487,916	13,385,803	13,232,504
Common share equivalents resulting from the assumed exercise of stock options (b)	140,934	114,771	56,275
	-----	-----	-----
Total primary common shares and common share equivalents	13,628,850	13,500,574	13,288,779
	=====	=====	=====
Net earnings before cumulative effect of change in accounting for income taxes	\$17,835,000	\$13,050,000	\$ 3,308,000
Cumulative effect of change in accounting for income taxes	--	--	525,000
	-----	-----	-----
Net earnings	\$17,835,000	\$13,050,000	\$ 3,833,000
	=====	=====	=====
Earnings per share before cumulative effect of change in accounting for income taxes	\$ 1.31	\$.97	\$.25
Cumulative effect of change in accounting for income taxes	--	--	.04
	-----	-----	-----
Per share amount	\$ 1.31	\$.97	\$.29
	=====	=====	=====
ASSUMING FULL DILUTION:			
Total common shares and common share equivalents as determined for primary computation	13,628,850	13,500,574	13,288,779
Additional dilutive effect resulting from the assumed exercise of stock options (c)	5,294	16,007	61,633
	-----	-----	-----
Total			
fully diluted common shares and common share equivalents	13,634,144	13,516,581	13,350,412
	=====	=====	=====
Earnings per share before cumulative effect of change in accounting for income taxes	\$ 1.31	\$.97	\$.25
Cumulative effect of change in accounting for income taxes	--	--	.04
	-----	-----	-----
Per share amount	\$ 1.31	\$.97	\$.29
	=====	=====	=====

Notes:

- (a) Beginning balance of common stock adjusted for changes in amount outstanding, weighted by the elapsed portion of the period during which the shares were outstanding.
- (b) Common share equivalents computed by the "treasury" method. Share amounts represent the dilutive effect of outstanding stock options which have an option value below the average market value for the current period.
- (c) Share amounts represent the additional dilutive effect of outstanding stock options where the underlying market value of the stock at the end of the period is in excess of the average market value for the period.

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
W.S.A., Inc.	Minnesota
Full Service, Inc.	Minnesota
Norment Industries, Inc.	Delaware
Harmon Contract, Inc. (1)	Minnesota
Norshield Corporation (1)	Alabama
Harmon Contract Asia, Ltd. (2)	Minnesota
Harmon Contract Asia Sdn Bhd (3)	Malaysia
Harmon Contract U.K., Limited (4)	United Kingdom
Harmon Europe S.A. (5)	France
Harmon CFEM Facades (UK) Ltd. (6)	United Kingdom
Harmon LTS (7)	France
Harmon/CFEM Facades S.A. (8)	France
Harmon Facalu S.A. (8)	France
Harmon Sitraco S.A. (8)	France
Viracon, Inc.	Minnesota
Marcon Coatings, Inc. (9)	Minnesota
Viratec Thin Films, Inc. (10)	Minnesota
Viratec International, Inc. (11)	Barbados
Viracon/Curvlite, Inc.	Minnesota
Tru Vue, Inc.	Illinois
Harmon Glass Company	Minnesota
First Call, Inc.	Florida
Apogee Sales Corporation (12)	South Dakota
Harmon Glass of Canada Ltd. (12) (13)	Canada
The Glass Depot, Inc.	Minnesota
The Glass Depot of New York, Inc. (14)	Minnesota
Apogee Wausau Group, Inc.	Wisconsin
(1) Owned by W.S.A., Inc.	
(2) Owned by Harmon Contract, Inc.	
(3) Owned by Harmon Contract Asia, Ltd.	
(4) 99.99% owned by Harmon Contract, Inc. and .01% by Apogee Enterprises, Inc.	
(5) 70% owned by various Apogee entities	
(6) 99.99% owned by Harmon Europe S.A. and .01% by Apogee Enterprises, Inc.	
(7) 99.5% owned by Harmon Europe S.A.	
(8) Owned by Harmon Europe S.A.	
(9) 50% owned by Viracon, Inc.	
(10) Owned by Marcon Coatings, Inc.	
(11) Owned by Viratec Thin Films, Inc.	
(12) Owned by Harmon Glass Company	
(13) Inactive	
(14) Owned by The Glass Depot, Inc.	

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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 first quarter fiscal 1997 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 Building Products and Services segment (BPS) serves the United States and international nonresidential construction markets, which tend to be cyclical in nature and sensitive to changes in general economic conditions. Nonresidential construction, particularly the domestic office building segment, has declined significantly in recent years both in terms of dollars and square feet of new contract awards. As a result of this declining market, the Company has experienced reduced margins and operating losses for the segment. While industry conditions for the domestic nonresidential construction market have slowly improved, there can be no assurance regarding future market conditions. BPS is subject to normal subcontractor's risks, including material and wage increases, construction and

transportation work stoppages and contractor credit worthiness, in addition, office vacancy rates, tax laws concerning real estate and interest rates are important factors which affect nonresidential construction markets. The Auto Glass segment serves the repair and replacement automotive glass market which tends to be cyclical in nature and is influenced by a variety of factors, including new car sales, gasoline prices, speed limits, road conditions, the economy, weather 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 significant discounts from historical levels and attempt to enter into preferred or exclusive provider arrangements with a limited number of providers. As a result, margins have narrowed at the retail level and, to a lesser extent, at wholesale and manufacturing levels. There can be no assurance that the Company will be able to improve or maintain its margins or that it will be selected by insurance companies as a provider of replacement automotive glass on a regional or national basis. The Glass Technologies segment serves the high-performance architectural glass, computer, optical imaging and picture framing glass industries, which are very competitive, highly responsive to new products and price sensitive. The companies of this segment have been highly profitable with rapidly growing revenues, especially in the international markets. There can be no assurance the current growth experience by the segment will continue or that the introduction of new products or competitors will not significantly change market conditions.

COMPETITIVE ENVIRONMENT

The Company's business segments operate in industries that are highly competitive and that, other than the industry in which the Company's Viratec Thin Films, part of the Glass Technologies segment, competes, are fairly mature. These competitive factors, as well as difficult or changing industry conditions in recent years, have caused declines in sales volumes in the Building Products and Services segment and pricing pressures in the Company's markets, resulting in over-capacity and consolidation in these markets. The Company expects its markets to remain highly competitive. The Company faces competition from other major contractors, subcontractors, manufacturers, fabricators and installers in each of its markets, certain of which may have greater financial or other resources than the Company.

The curtainwall subcontractor business is primarily price competitive. The Wausau Architectural Products group competes against several major aluminum window manufacturers. Wausau Metals primarily services 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 Glass Technologies segment competes with several large integrated glass manufacturers and numerous smaller specialty fabricators. Product pricing and service are the primary competitive factors in this market. The Auto Glass units compete with other auto glass shops, glass distributors 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.

INTERNATIONAL OPERATIONS

The Company has made significant efforts to develop business in international markets, including Asia and Europe. In order to enter international markets effectively, the Company faces certain challenges, including establishing the acceptance of the Company in the local market, adapting its business practices to local patterns and developing commercial relationships with local market participants. In addition, the Company's international businesses are subject to the general risks of doing business abroad, including that it has less experience in international sales and markets than in its domestic markets and it is subject to the risk of adverse fluctuations in currency exchange rates. These factors have contributed to operating losses by the Building Products and Services segment for its international operations. The Company's international operations may be adversely affected by governmental, political, economic and competitive conditions in other countries in which it does business.