

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

(Mark one)  
 **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 25, 2004

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-31429

**Valmont Industries, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**47-0351813**  
(I.R.S. Employer  
Identification No.)

**One Valmont Plaza,  
Omaha, Nebraska**  
(Address of Principal Executive Offices)

**68154-5215**  
(Zip Code)

**(402) 963-1000**

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of exchange on which registered</u>
Common Stock \$1.00 par value	New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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

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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

At March 1, 2005 there were 24,210,957 of the Company's common shares outstanding. The aggregate market value of the voting stock held by non-affiliates of the Company based on the price the common shares were last sold on June 25, 2004 was \$327,829,000.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's proxy statement for its annual meeting of shareholders to be held on April 25, 2005 (the "Proxy Statement"), to be filed within 120 days of the fiscal year ended December 25, 2004, are incorporated by reference in Part III.

**Annual Report Pursuant to Section 13 or 15(d)  
of the Securities and Exchange Act of 1934  
For the Fiscal Year Ended December 25, 2004**

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**PART I**

*Available Information*

We make available, free of charge through our Internet web site at <http://www.valmont.com>, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. We submitted the annual Chief Executive Officer certification to the NYSE for 2004 as required by Section 303A.12(a) of the NYSE Corporate Governance rules.

We have also posted on our website our (1) Corporate Governance Principles, (2) charters for the Audit Committee, Compensation Committee, and Governance and Nominating Committee of the Board, (3) Code of Business Conduct, and (4) Code of Ethics for Senior Officers applicable to the Chief Executive Officer, Chief Financial Officer and Controller. Valmont shareholders may also obtain copies of these items at no charge by writing to: Investor Relations Department, Valmont Industries, Inc., One Valmont Plaza, Omaha, NE, 68154.

**ITEM 1. BUSINESS.**

**(a) General Description of Business**

***General***

We are a diversified global producer of fabricated metal products and are a leading producer of metal and concrete pole and tower structures in our Engineered Support Structures and Utilities Support Structures businesses, and mechanized irrigation systems in our Irrigation business. We also provide metal coating services, including galvanizing, painting and anodizing in our Coatings business and manufacture specialty pipe and tubing products in our Tubing business. Our pole and tower structures are used to support outdoor lighting and traffic control fixtures, electrical transmission lines and related power distribution equipment, wireless communications equipment and highway signs. Our mechanized irrigation equipment is used to water crops and deliver chemical fertilizers and pesticides. Our tubing is used in a wide range of specialized agricultural, automotive and industrial applications, including grain augers and chutes, engine exhausts and pneumatic tubing. Customers and end-users of our products include state and federal governments, utility and telecommunications companies, manufacturers of commercial lighting fixtures and large farms as well as the general manufacturing sector. We were founded in 1946, went public in 1968 and our shares have been traded on The New York Stock Exchange (ticker: VMI) since August 2002, having previously traded on the NASDAQ National Market.

***Business Strategy***

Our strategy is to pursue growth opportunities that leverage our existing product portfolio, knowledge of our principal end-markets and customers and engineering capability to increase our sales, earnings and cash flow, including:

*Increasing the Market Penetration of our Existing Products.* Our strategy is to increase our market penetration by differentiating our products from our competitors' products through superior customer service, technological innovation and consistently high quality. For example, we recently won a significant contract from a sports lighting company that was historically a customer of one of our competitors. We believe this customer chose to purchase

products from us, rather than our competitor, because we have infrastructure to support it on a worldwide basis and offer superior product quality, service and reliability.

*Bringing our Existing Products to New Markets.* Our strategy is to expand the sales of our existing products into geographic areas where we do not currently have a strong presence as well as into applications for which end-users do not currently purchase our products.

*Developing New Products for Markets that We Currently Serve.* Our strategy is to grow by developing new products for markets where we have a comprehensive understanding of end-user requirements and longstanding relationships with key distributors and end-users. For example, we recently introduced a line of support structures for highway signs and message boards. The customers for this product line include many of the state governments, construction contractors and independent distributors that currently purchase our lighting

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support structures. We believe we will be able to grow sales of our support structures for highway signs rapidly because we understand these customers' requirements well and benefit from existing relationships with them. In addition, our recent acquisition of Newmark enables us to offer concrete utility structures in addition to our current product offering to the utility industry.

*Developing New Products for New Markets to Further Diversify our Business.* Our strategy is to increase our sales and diversify our business by developing new products for new markets. For example, we are in the process of developing a structure for the wind energy industry that we believe will be more cost effective and easier to install than traditional structures. We believe this business venture leverages our engineering and manufacturing capabilities and will open new markets for our products.

### **Acquisitions**

We have grown internally and by acquisition and have also divested certain businesses. Our business expansions during the past five years include:

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|------|--|
| 2000 | <ul style="list-style-type: none"><li>• Acquisitions of four coatings facilities in Minneapolis, Minnesota; Chicago, Illinois; Los Angeles, California; and Sioux City, Iowa</li><li>• Acquisition of an aluminum pole manufacturing plant in Farmington, Minnesota</li><li>• Acquisition of a Tubing business in Waverly, Nebraska</li><li>• Formation of a 49% owned Engineered Support Structures manufacturing facility in Monterrey, Mexico</li><li>• Acquisitions of minority interests in irrigation dealers and distributors in Kansas and Argentina</li><li>• Investment in an Engineered Support Structures manufacturing facility in Jasper, Tennessee</li><li>• Investment in aluminum extrusion equipment for making aluminum poles in Elkhart, Indiana</li></ul> |
| 2001 | <ul style="list-style-type: none"><li>• Acquisition of PiRod Holdings, Inc. and subsidiary (PiRod), a manufacturer of towers, components and poles located in Plymouth, Indiana</li></ul>  |
| 2004 | <ul style="list-style-type: none"><li>• Acquisition of Newmark International, Inc., a manufacturer of concrete and steel pole structures, headquartered in Birmingham, Alabama</li><li>• Acquisition of a fiberglass pole manufacturer in Commerce City, Colorado</li><li>• Acquisition of an overhead sign structure manufacturer in Selbyville, Delaware</li><li>• Purchase of equipment for the manufacture of poles in El Dorado, Kansas</li></ul>   |

Divestitures during the past five years include the 2000 divestitures of a rolled cylinder business in Tulsa, Oklahoma and a composite pole plant in Gunnison, Utah.

### **(b) Operating Segments**

We report our businesses as five reportable segments as follows:

*Engineered Support Structures:* This segment consists of the manufacture of engineered metal structures and components for the lighting and traffic and wireless communication industries, certain international utility industries and for other specialty applications

*Utility Support Structures:* This segment consists of the manufacture of engineered metal and concrete structures for the North American utility industry

*Coatings:* This segment consists of galvanizing, anodizing and powder coating services

*Irrigation:* This segment consists of the manufacture of agricultural irrigation equipment and related parts and services

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*Tubing:* This segment consists of the manufacture of tubular products for industrial customers

In the fourth quarter of 2004, we reorganized our management reporting structure. Our North American Utility business, formerly included in the Utility product line within the Engineered Support Structures segment, is now combined with the Concrete Support Structures segment and is collectively referred to as the Utility Support Structures segment. In addition to these five reportable segments, we have other businesses that individually are not more than 10% of consolidated sales. Amounts of revenues, operating income and total assets attributable to each segment for each of the last three years is set forth in Note 19 of our consolidated financial statements on pages 58-63.

(c) **Narrative Description of Business**

Information concerning the principal products produced and services rendered, markets, competition and distribution methods for each of our five reporting segments is set forth below.

**Engineered Support Structures Segment:**

The Engineered Support Structures segment manufactures and markets engineered metal structures in two broad product lines:

(1) *Lighting and Traffic*

*Products Produced*—This product line includes steel and aluminum poles and structures to which lighting and traffic control fixtures are attached for a wide range of outdoor lighting applications, such as streets, highways, parking lots, sports stadiums and commercial and residential developments. The demand for these products is driven by commercial and residential construction and by consumers' desire for well-lit streets, highways, parking lots and common areas to help make these areas safer at night and to support trends toward more active lifestyles and 24-hour convenience. In addition to safety, customers want products that are visually appealing. In Europe, we believe we are a leader in decorative lighting poles, which are attractive as well as functional. We are leveraging this expertise to expand our decorative product sales in North America and China. Traffic poles are structures to which traffic signals are attached and aid the orderly flow of automobile traffic. While standard designs are available, poles are often engineered to customer specifications to ensure the proper function and safety of the structure. Product engineering takes into account factors such as weather (e.g. wind, ice) and the products loaded on the structure (e.g. lighting fixtures, traffic signals, signage) to determine the design of the pole.

*Markets*—The key markets for our lighting and traffic products are the transportation and commercial lighting markets. The transportation market includes street and highway lighting and traffic control, much of which is driven by government spending programs. For example, the U.S. government funds highway and road improvement through the Federal highway program. This program provides funding to improve the nation's roadway system, which includes roadway lighting and traffic control enhancements. Matching funding from the various states may be required as a condition of federal funding. The most recent federal highway program has been extended through May 2005. While legislation must be enacted to continue Federal funding, we believe that such government funding will continue in some form. In North America, governments desire to improve road and highway systems by reducing traffic congestion. In the United States, there are approximately 4 million miles of public roadways, with approximately 24% carrying over 80% of the traffic. Accordingly, the need to improve traffic flow through traffic controls and lighting is a priority for many communities. Transportation markets in other areas of the world are also heavily funded by local and national governments.

The commercial lighting market is mainly funded privately and includes lighting for applications such as parking lots, shopping centers, sports stadiums and business parks. The commercial lighting market is driven by macro economic factors such as general economic growth rates, interest rates and the commercial construction economy.

*Competition*—Our competitive strategy in the Lighting and Traffic product line is to provide high value to the customer at a reasonable price. We compete on the basis of product quality, high levels of customer service and reliable, timely delivery of the product. There are numerous competitors in the U.S., most of which are relatively small companies. Companies compete on the basis of price, product quality, reliable delivery and unique product features. Some competitors

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offer decorative products, which not all competitors are capable of manufacturing.

These competitive factors also apply to European markets. There are many competitors in the European market, as most countries have several manufacturers of lighting and traffic poles, many of which compete primarily on the basis of price. In the Chinese market, there are a large number of local competitors, many of which are small companies who use pricing as their main strategy, especially for standard lighting poles. In China, we are most competitive in markets where product and service quality are highly valued or in products that require more engineering content than what local competitors provide.

*Distribution Methods*—Transportation market sales are generally through independent, commissioned sales agents. These agents represent Valmont as well as lighting fixture companies and sell other related products. Sales are typically to electrical distributors, who provide the pole, fixtures and other equipment to the end user as a complete package. Commercial lighting sales are normally made through Valmont sales employees, who work on a salary plus incentive, although some sales are made through independent, commissioned sales agents. Sales to the commercial lighting market are primarily to lighting fixture manufacturers, who package the pole and fixture for customers.

(2) *Specialty*

*Products Produced*—In our Specialty product line, we manufacture and sell a broad range of structures (poles and towers) and components serving the wireless communication and highway sign markets. Specialty products also include special use structures for a variety of applications.

In the wireless communication market, a wireless communication cell site will mainly consist of:

- Pole or tower, which is a steel structure, usually 90-1,000 feet high
- Shelter, which is an enclosure where the radio equipment is located
- Antennas, which are devices that receive and transmit data and voice information to and from wireless communication devices
- Components, which are items that are used to mount antennas to the structure and connect cabling and other parts from the antennas to the shelter

For a given cell site, we provide poles, towers and components. We offer a wide range of structures to our customers, including:

- Solid rod and tubular freestanding towers
- Guyed towers
- Tapered and non-tapered poles
- Disguised products to minimize the visual impact on an area

Structures are engineered and designed to customer specifications, which include factors such as the number of antennas on the structure and wind and soil conditions. Due to the size of these structures, design is important to ensure each structure meets performance and safety specifications. We do not provide any significant installation services on structures we sell.

In the highway sign market, structures are either on the side of or span over a motorway and support items such as roadway directional signage and intelligent message systems. Structures sold may be either steel or aluminum and the product design may be in the form of a bent tube, tubular lattice or cantilevered. Like wireless communication structures,

sign structures are engineered, with the design taking into consideration factors such as the weight and size of the signage being supported and wind, soil and other weather-related conditions.

In the low-voltage substation market, structures are used in the conversion of high-voltage to low-voltage electricity. From the low-voltage substation, electricity is distributed to users. These structures tend to be lattice or wide flange beam in design and are engineered to customer specification to support expansion or replacement of electrical utility infrastructure.

*Markets*—The main market for our specialty products has been the wireless telephone industry, although we also sell products to state and federal governments for two-way radio communication, radar, broadcasting and security purposes. Over the past number of years, the main market driver has been the growth of subscribers to wireless telephone services. The number of wireless phone subscribers has increased substantially worldwide. According to the Cellular Telecommunications and Internet Association (CTIA), cell phone subscribers in the U.S grew from 6.4 million in 1991 to nearly 170 million in 2004, an annual compounded growth rate of nearly 30%. In the last five years, the annual compounded rate of subscriber growth was approximately 17%. In general, as the number of users and the usage of wireless devices by these users increase, more cell sites and, accordingly, more structures, antennas and components should be needed. While demand for structures and components in recent years was substantially lower than in the late 1990's and 2000, we believe long-term growth should be driven by:

- Subscriber growth (although at a lower rate of growth than the past)
- Increased usage (more cell calls, plus growth in data communications rather than just voice communications)
- New technologies, such as 3G (the third generation of wireless technology)
- Demand for improved emergency response systems, as part of the U.S. Homeland Security initiatives

There are two broad customer groups for our specialty products:

- Wireless carriers, which are companies that provide wireless services to subscribers. Carriers may work through project management groups to organize cell site development
- Build-to-suit (BTS) companies, which are organizations that own cell sites and attach antennas from multiple carriers to the pole or tower structure. BTS companies generate rental revenue from the wireless carriers who use those cell sites

Infrastructure costs can be substantial for these customers, so access to capital is important to their ability to fund future infrastructure needs. Many of these companies have experienced a reduced access to capital in recent years, due to the downturn in equity prices for telecommunication stocks. Accordingly, their infrastructure spending on network development has focused on upgrading technology rather than increasing the number of structures. We believe that infrastructure spending should eventually increase, in order to improve and maintain service levels demanded by users. We also believe that increased user demand will lead to an increase in the number of cell sites.

The market for sign structures generally is related to highway construction and the desire for improved roadway signage and intelligent messaging for motorists to improve traffic flow. Specifications vary by state and the individual state highway departments are key contacts for the sales of these structures.

*Competition*—There are a number of competitors in the wireless communication market in the U.S., although some have exited the business or sought protection under bankruptcy laws in recent years due to difficult market conditions. Since market conditions have been relatively weak and ample manufacturing capacity has been available, pricing has become extremely competitive in recent years and we believe it is the main strategy for most of our competitors. We compete on the basis of product quality, service quality and design capability, although we must also remain price competitive to gain orders. We also face a number of competitors when we compete for sign structure sales, most of which compete on a

regional basis. Since we are relatively new in these markets, some of our competitors are more experienced in these markets than us.

*Distribution Methods*—Sales and distribution activities are normally handled through a direct sales force. In the sale of sign structures, we work through the same commissioned sales agent organization as our Lighting and Traffic product line as well as our direct sales force. These agents sell to construction contractors.

In addition to these two main product lines, we also produce electrical transmission and substation structures for markets outside the U.S., mainly China.

### **Utility Support Structures Segment:**

*Products Produced*—The steel and concrete pole structures product lines are used for electrical transmission, substation and distribution applications. Our products help move electrical power from where it is produced to where it is used. We manufacture tapered steel and pre-stressed concrete poles for high-voltage transmission lines, substations (which transfer high-voltage electricity to low-voltage transmission) and electrical distribution (which carry electricity from the substation to the end-user). In addition, we produce hybrid structures, which are structures with a concrete base section and steel upper sections. Utility structures can be very large, so product design engineering is important to the function and safety of the structure. Our engineering process takes into account weather and loading conditions, such as wind speeds, ice loads and the power lines attached to the structure, in order to arrive at the final design.

*Markets*—Our sales in this segment are mostly in the United States, where the key drivers in the utility business are capacity in the electrical transmission grid, industrial growth and deregulation in the utility industry. According to the Edison Electric Institute, the electrical transmission grid in the U.S. operates near capacity in many areas, due to increasing electrical consumption and lack of investment over the past 25 years. The expected increase in electrical consumption also should require substantial investment in new electricity generation capacity in the U.S. and around the world. Furthermore, deregulation and privatization of electrical utilities should require grid systems to interconnect. All of these factors are expected to increase demand for electrical utility structures to transport electricity from source to user. Sales may take place on bid project basis or through strategic alliance relationships with certain customers.

*Competition*—Our competitive strategy in this segment is to provide high value solutions to the customer at a reasonable price. We compete on the basis of product quality, high levels of customer service and reliable, timely delivery of the product. There are many competitors. Companies compete on the basis of price, quality, service and engineering expertise. Utility sales are often made through a competitive bid process, whereby the lowest bidder is awarded the contract, provided the competitor meets all other qualifying criteria. In weak markets, price is a more important criterion in the bid process. When the wireless communication pole market is weak (as it was in 2002 and 2003), we may see these manufacturers also competing in this segment.

*Distribution Methods*—Products are normally sold through commissioned sales agents or sold directly to electrical utilities and independent power producers.

### **Coatings Segment:**

*Services Rendered*—We add finishes to metals that inhibit corrosion, extend service lives and enhance physical attractiveness of a wide range of materials and products. Among the services provided include:

- Hot-dipped Galvanizing
- Anodizing
- Powder Coating
- E-Coating

In our Coatings segment, we take unfinished products from our customers and return them with a galvanized, anodized or painted finish. Galvanizing is a process that protects steel with a zinc coating that is bonded to the product surface to inhibit rust and corrosion. Anodizing is a process applied to aluminum that oxidizes the surface of the aluminum in a controlled manner, which protects the aluminum from corrosion and allows the material to be dyed a variety of colors. We also paint products using powder coating and e-coating technology (where paint is applied through an electrical charge) for a number of industries and markets.

*Markets*—Markets for our products are varied and our profitability is not substantially dependent on any one industry or customer. Demand for coatings services generally follows the industrial U.S. economy, as all of our operations are in the U.S. Galvanizing is used in a wide variety of industrial applications where corrosion protection of steel is desired. While markets are varied, our markets for anodized or painted products are more directly dependent on consumer markets than industrial markets.

*Competition*—The Coatings industry is very fragmented, with a large number of competitors. Most of these competitors are relatively small, privately held companies who compete on the basis of price and personal relationships with their customers. Our strategy is to compete on the basis of quality of the coating finish, and timely delivery of the coated product to the customer. We also use the production capacity at our network of plants to assure that the customer receives quality service.

*Distribution Methods*—Due to freight costs, a galvanizing location has an effective service area of an approximate 500-mile radius. While we believe that we are the largest custom galvanizer in North America, our sales are a small percentage of the total market. Sales and customer service are provided directly to the user by a direct sales force, generally assigned to each specific location.

### **Irrigation Segment:**

*Products Produced*—In our Irrigation segment, we manufacture and distribute mechanical irrigation equipment and related service parts under the “Valley” brand name. A Valmont irrigation machine is electricity-powered and propels itself over a farm field and applies water and chemicals to crops. Water and, in some instances, chemicals are applied through sprinklers attached to a pipeline that is supported by a series of towers, each of which is propelled via a

drive train and tires. A standard mechanized irrigation machine (also known as a “center pivot”) rotates in a circle, although we also manufacture and distribute center pivot extensions that can irrigate corners of square and rectangular farm fields as well as conform to irregular field boundaries (referred to as a “corner” machine). Our irrigation machines can also irrigate fields by moving up and down the field as opposed to rotating in a circle (referred to as a “linear” machine). Irrigation machines can be configured to irrigate fields in size from 4 acres to over 500 acres, with a standard size in the U.S. configured for a 160-acre tract of ground. One of the key components of our irrigation machine is the control system. This is the part of the machine that allows the machine to be operated in the manner preferred by the grower, offering control of such factors as on/off timing, individual field sector control, rate and depth of water and chemical application. We also offer growers options to control multiple irrigation machines through centralized computer control or mobile remote control. The irrigation machine used in international markets is substantially the same as the one produced for the North American market.

There are other forms of irrigation available to farmers, two of the most prevalent being flood irrigation and drip irrigation. In flood irrigation, water is applied through a pipe or canal at the top of the field and allowed to run down the field by gravity. Drip irrigation involves plastic pipe or tape resting on the surface of the field or buried a few inches below ground level, with water being applied gradually. We estimate that center pivot and linear irrigation comprises one-third of the irrigated acreage in North America. International markets use predominantly flood irrigation, although all forms are used to some extent.

*Markets*—Market drivers in North American and international markets are essentially the same. Since the purchase of an irrigation machine is a capital expenditure, the decision is based on the expected return on investment. The benefits a grower may realize through investment in mechanical irrigation include improved yields through better irrigation, cost savings through reduced labor and lower water and energy usage. The purchase decision is also affected

by current and expected net farm income, commodity prices, interest rates and the status of government support programs. In many international markets, financing the purchase of mechanized irrigation machines can be more challenging than in the U.S. and affects market growth in those areas.

The demand for mechanized irrigation comes from the following sources:

- Conversion from flood irrigation
- Replacement of existing mechanized irrigation machines
- Conversion from dryland farming

One of the key drivers in our Irrigation segment worldwide is that the usable water supply is limited. We estimate that:

- Only 2.5% of total worldwide water supply is freshwater
- Of that 2.5%, only 30% of freshwater is available to humans
- The largest user of that freshwater is agriculture

We believe these factors, along with the trend of a growing worldwide population and improving diets, reflect the need to use water more efficiently while increasing food production to feed this growing population. We believe that mechanized irrigation can improve water application efficiency by 40-90% compared with traditional irrigation methods by applying water uniformly near the root zone and reducing water runoff. Furthermore, reduced water runoff improves water quality in nearby rivers, aquifers and streams, thereby providing environmental benefits in addition to conservation of water.

*Competition*—In North America, there are a number of entities that provide irrigation products and services to agricultural customers. We believe we are the leader of the four main participants in the mechanized irrigation business. Participants compete for sales on the basis of price, product innovation and features, product durability and reliability, quality and service capabilities of the local dealer. Pricing can become very competitive, especially in periods where market demand is low. In international markets, our competitors are mainly local companies, most of which are privately owned. Competitive factors are similar to those in North America, although pricing tends to be a more prevalent competitive strategy in international markets. Since competition in international markets is local, we believe local manufacturing capability is important to competing effectively in international markets and we have that capability in key regions.

*Distribution Methods*—We market our irrigation machines and service parts through independent dealers. There are approximately 200 dealers in North America, with another 130 dealers serving international markets. The dealer determines the grower’s requirements, designs the configuration of the machine, installs the machine (including providing ancillary products that deliver water and electrical power to the machine) and provides after-sales service. Our dealer network is supported and trained by our technical and sales teams. Our international dealers are supported through our regional headquarters in South America, South Africa, Western Europe, Australia, China and the Middle East as well as the home office in Valley, Nebraska.

### **Tubing Segment:**

*Products Produced*—Our Tubing segment produces light-wall welded steel tubing for various customers and industries. We produce tubing in diameters from  $\frac{3}{4}$  to 16 inches and in wall thicknesses from  $\frac{1}{32}$  to  $\frac{9}{32}$  of an inch. Our operations are located in Valley and Waverly, Nebraska and virtually all sales are in North America.

*Markets*—Our Tubing business specializes in products that require some additional engineering or fabrication to meet our customers’ needs. Our markets and customers are varied. In addition to supplying tubing to our Irrigation segment operations in Valley, Nebraska, our tubing is used in such products as grain handling systems, pneumatic tube delivery

systems used in the healthcare industry, fire protection systems for office buildings and warehouses, automotive products and exercise equipment.

*Competition*—The industrial tubing business is large and with many competitors, some of which have a much larger share of the total market than us. Many tubing companies compete on the basis of price and specialize in standard products and long production runs. We compete in certain niches in the tubing market, on the basis of high quality and customer service. We specialize in products that require additional fabrication, shaping and cutting operations. Pricing can be very competitive and is impacted by fluctuations in hot rolled steel prices.

*Distribution Methods*—Our products are distributed through a combination of commissioned sales agents and a direct sales force.

## General

Certain information generally applicable to each of our five reportable segments is set forth below.

### *Suppliers and Availability of Raw Materials.*

Hot rolled steel coil and plate, zinc and other carbon steel products are the primary raw materials utilized in the manufacture of finished products for all segments. These essential items are purchased from steel mills, zinc producers and steel service centers and are usually readily available. While we may experience short-term disruptions and volatility, we do not believe that key raw materials would be unavailable for extended periods. In 2004, there were shortages in hot-rolled steel supplies, due primarily to shortages of steel-producing inputs, such as scrap steel, coke and iron ore. These shortages led to sharp price increases, extended lead times and availability issues for some manufacturers. We did not experience extended or wide-spread shortages of steel during this time, due to what we believe are strong relationships with some of the major steel producers.

### *Patents, Licenses, Franchises and Concessions.*

We have a number of patents for our manufacturing machinery, poles and irrigation designs. We also have a number of registered trademarks. We do not believe the loss of any individual patent would have a material adverse effect on our financial condition, results of operations or liquidity.

### *Seasonal Factors in Business.*

Sales can be somewhat seasonal based upon the agricultural growing season and the infrastructure construction season. Sales of mechanized irrigation equipment and tubing to farmers are traditionally higher during the spring and fall and lower in the summer. Sales of infrastructure products are traditionally higher during prime construction seasons and lower in the winter.

### *Customers.*

We are not dependent for a material part of any segment's business upon a single customer or upon very few customers. The loss of any one customer would not have a material adverse effect on our financial condition, results of operations or liquidity.

### *Backlog.*

The backlog of orders for the principal products manufactured and marketed was approximately \$223.0 million at the end of the 2004 fiscal year and \$161.8 million at the end of the 2003 fiscal year. We anticipate that most of the backlog of orders will be filled during fiscal year 2005. At year-end, the segments with backlog were as follows (dollar amounts in millions):

	Dec. 25, 2004	Dec. 27, 2003
Engineered Support Structures	\$ 129.1	\$ 89.7
Utility Support Structures	60.2	23.6
Irrigation	23.5	39.4
Tubing	7.8	7.0
Other	2.4	2.1
	<u>\$ 223.0</u>	<u>\$ 161.8</u>

### *Research Activities.*

The information called for by this item is included in Note 14 of our consolidated financial statements on page 56 of this report.

### *Environmental Disclosure.*

We are subject to various federal, state and local laws and regulations pertaining to environmental protection and the discharge of materials into the environment. Although we continually incur expenses and make capital expenditures related to environmental protection, we do not anticipate that future expenditures should materially impact our financial condition, results of operations, or liquidity.

### *Number of Employees.*

At December 25, 2004, we had 5,542 employees.

## (d) Financial Information About Geographic Areas

Our international sales activities encompass over 100 foreign countries. The information called for by this item is included in Note 19 of our consolidated financial statements on page 62 of this report. While France accounted for 6.5% of our net sales, no other foreign country accounted for more than 5% of our net sales.

## Risk Factors

The following risk factors describe various risks that may affect our business, financial condition and operations.

*Increases in steel prices and reduced availability of steel will increase our operating costs and likely reduce our profitability.*

Hot rolled steel coil and other carbon steel products have historically constituted approximately one-third of the cost of manufacturing our products. The market for steel that we use in our manufacturing processes is volatile. The following factors increase the cost and reduce the availability of steel for us:

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- increased demand for steel which occurs when other industries purchase greater quantities of steel at times when we require more steel for manufacturing, which can result in higher prices and lengthen the time it takes to receive material from suppliers;
- increased freight costs, because our manufacturing sites are usually not located near the major steel manufacturers;
- lower steel production levels due to reduced production capacity for steel or shortages of materials needed to produce steel (such as coke and scrap steel) which could result in reduced supplies of steel, resulting in higher costs for us and increased lead times to acquire material;
- lower inventory levels at steel mills and steel service centers when major steel users, such as the automobile manufacturers, increase their steel orders, which can reduce available inventory for us to meet our requirements;
- fluctuations in foreign exchange rates can impact the relative cost of steel, which may affect the cost effectiveness of imported steel and limit our options in acquiring steel; and
- international trade disputes, import duties and quotas, since we import some steel for our domestic and foreign manufacturing facilities.

Increases in the selling prices of our products may not fully recover additional steel costs and generally lag increases in steel prices. Consequently, an increase in steel prices will increase our operating costs and likely reduce our profitability. For example, rising steel prices in 2002 and late 2003 put pressure on gross profit margins, especially in our Engineered Support Structures segment. U.S. government trade and tariff actions reduced the availability and increased the cost of steel imported from outside the United States in 2002 and 2003. While these tariffs were repealed in late 2003, the weakness of the U.S. dollar made procurement of steel from outside the United States less attractive.

The 2004 fiscal year was characterized by an unprecedented and rapid increase in steel prices, which resulted from the imposition of surcharges by steel suppliers and, in some cases (in a departure from normal industry practices), modification of their contracts and commitments. We believe this situation was caused by significant increases in steel production and consumption in China, leading to shortages in key steel-making materials (such as coke, iron ore and scrap steel), which impacted the production capability of other steel producers. Under such circumstances, steel supplies may become tighter and impact our ability to acquire steel and meet customer requirements on a timely basis. The speed with which steel suppliers imposed surcharges and increased prices in 2004 prevented us from fully recovering these price increases and reduced our operating margins, particularly in our lighting and traffic and utility businesses. In addition, our Coatings segment was negatively impacted, as some of our galvanizing customers had difficulty procuring steel.

*Increases in energy prices will increase our operating costs and likely reduce our profitability.*

We use energy to manufacture our products. Our operating costs increase if energy costs rise, which occurred in 2001 and 2003 due to additional energy usage caused by severe winter weather conditions and higher oil and natural gas prices. During periods of higher energy costs, we may not be able to recover our operating cost increases through price increases without reducing demand for our products. While we may hedge our exposure to higher prices via energy futures contracts, increases in energy prices will increase our operating costs and likely reduce our profitability.

*The ultimate consumers of our products operate in cyclical industries that have been subject to significant downturns which have adversely impacted our sales in the past and may again in the future.*

Our sales are sensitive to the market conditions present in the industries in which the ultimate consumers of our products operate, which in some cases have been highly cyclical and subject to substantial downturns. For example, a significant portion of our sales of support structures is to the electric utility industry. Our sales to the U.S. electric utility industry were approximately \$176.4 million in 2004. Purchases of our products are, to a significant extent, deferrable to the extent that utilities reduce capital expenditures as a result of unfavorable regulatory environments, a slow U.S. economy or financing constraints. As a result of weakness in the industry that occurred in 2003, utility companies and independent power producers reduced or delayed spending for electrical generation and transmission projects, which resulted in decreased demand for our products and severe pricing pressure in the market.

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The end users of our mechanized irrigation equipment and a substantial portion of our tubing are farmers and, as a result, sales of those products are affected by economic changes within the agriculture industry, particularly the level of farm income. Lower levels of farm income generally result in reduced demand for our mechanized irrigation and tubing products. Farm income decreases when commodity prices, acreage planted, crop yields, government subsidies and export levels decrease. In addition, weather conditions, such as extreme drought may result in reduced availability of water for irrigation, and can affect farmers' buying decisions. Farm income can also decrease as farmers' operating costs increase. In 2001, rapid increases in natural gas prices resulted in higher costs of energy and nitrogen-based fertilizer (which uses natural gas as a major ingredient). Furthermore, uncertainty as to future government agricultural policies causes indecision on the part of farmers. These factors may cause farmers to delay capital expenditures for farm equipment. Consequently, downturns in the agricultural industry, such as occurred in 2001 and during the last quarter of 2004, result in a slower, and possibly a negative, rate of growth in irrigation equipment and tubing sales.

We have also experienced cyclical demand for those of our products that are targeted to the wireless communications industry, which has deteriorated since 2000. Our sales to the wireless communications industry were approximately \$82 million in 2004. While sales in 2004 improved 17% over 2003, wireless carriers and build-to-suit companies that serve the wireless communications industry may elect to curtail spending on new structures to focus on cash

flow and capital management. In 2003, our sales of products for the wireless communications industry in North America were 25% lower than in 2002, and the weak market conditions led to extremely competitive pricing in recent years, putting pressure on our profit margins on sales to this industry.

As a result of this underlying cyclical, we have experienced, and in the future we may experience, significant fluctuations in our sales and operating income with respect to a substantial portion of our total product offering, and such fluctuations could be material and adverse to our overall financial condition, results of operations and liquidity.

*Demand for our engineered support structures, tubing products and coating services is highly dependent upon the overall level of infrastructure spending.*

We manufacture and distribute engineered support structures for lighting and traffic, utility and other specialty applications. Our Tubing and Coatings segments serve many construction-related industries. Because these products are used primarily in infrastructure construction, sales in these businesses are highly correlated with the level of construction activity, which historically has been cyclical. Construction activity by our private and government customers is impacted by and can decline because of, among other things:

- weakness in the general economy, which reduces funds available for construction;
- $\square$  0; interest rate increases, which increase the cost of construction financing; and
- adverse weather conditions which slow construction activity.

In addition, sales in our Engineered Support Structures segment, particularly our lighting and traffic products, are highly dependent upon federal, state, local and foreign government spending on infrastructure development projects, such as the federal highway program. The level of spending on such projects may decline for a number of reasons beyond our control, including, among other things, budgetary constraints affecting government spending generally or transportation agencies in particular, decreases in tax revenues and changes in the political climate, including legislative delays, with respect to infrastructure appropriations. A substantial reduction in the level of government appropriations for infrastructure projects could have a material adverse effect on our results of operations or liquidity.

*We may lose some of our foreign investment or our foreign sales and profits may be reduced because of risks of doing business in foreign markets.*

We are an international manufacturing company with operations around the world. At December 25, 2004, we operated 43 manufacturing plants, located on five continents, and sold our products in more than 100 countries. In 2004, international sales accounted for approximately 23% of our total sales, and we have operations in geographic markets that have recently experienced political instability, such as the Middle East, and economic uncertainty, such as Argentina.

We expect that international sales will continue to account for a significant percentage of our net sales into the foreseeable future. Accordingly, our foreign business operations and our foreign sales and profits are subject to the following potential risks:

- political and economic instability where we have foreign business operations, resulting in the reduction of the value of, or the loss of, our investment;
- recessions in economies of countries in which we have business operations, decreasing our international sales;
- difficulties and costs of staffing and managing our foreign operations, increasing our foreign operating costs and decreasing profits;
- $\square$  60; difficulties in enforcing our rights outside the United States for patents on our manufacturing machinery, poles and irrigation designs;
- increases in tariffs, export controls, taxes and other trade barriers reducing our international sales and our profit on these sales; and
- acts of war or terrorism.

As a result, we may lose some of our foreign investment or our foreign sales and profits may be materially reduced because of risks of doing business in foreign markets.

*We are subject to currency fluctuations from our international sales, which can negatively impact our reported earnings.*

Our products are sold in many countries around the world. Approximately 23% of our sales are generated by export or foreign subsidiaries and are often made in foreign currencies, mainly the Brazilian real, Canadian dollar, euro and South African rand. Because our financial statements are denominated in U.S. dollars, fluctuations in currency exchange rates between the U.S. dollar and other currencies have had and will continue to have an impact on our reported earnings. If the U.S. dollar weakens or strengthens versus the foreign currencies mentioned above, the result will be an increase or decrease in our reported sales and earnings, respectively. We do not have exchange rate hedges in place to reduce this currency translation risk. Currency fluctuations have affected our financial performance in the past and may affect our financial performance in any given period.

We also face risks arising from the imposition of foreign exchange controls and currency devaluations. Exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation. Actions of this nature, if they occur or continue for significant periods of time, could have a material adverse effect on our results of operations and financial condition in any given period.

*We face strong competition in our markets.*

We face competitive pressures from a variety of companies in each of the markets we serve. Our competitors include companies who provide the technologies that we provide as well as companies who provide competing technologies, such as drip irrigation. Our competitors include international, national, and local manufacturers, some of whom may have greater financial, manufacturing, marketing and technical resources than we do, or greater penetration in or familiarity with a particular geographic market than we have. In addition, certain of our competitors, particularly with respect to our utility and wireless communication product lines, have sought bankruptcy protection in recent years, and may emerge with reduced debt service obligations, which could allow them to operate at pricing levels that put pressures on our margins. To remain competitive, we will need to invest continuously in manufacturing, product development and customer service, and we may need to reduce our prices, particularly with respect to customers in industries that are experiencing downturns. We cannot provide assurance that we will be able to maintain our competitive position in each of the markets that we serve.

*We could incur substantial costs as the result of violations of, or liabilities under, environmental laws.*

Our facilities and operations are subject to U.S. and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contamination. Failure to comply with these laws and regulations, or with the permits required for our operations, could result in fines or civil or criminal sanctions, third party claims for property damage or personal injury, and investigation and cleanup costs. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future.

Certain of our facilities have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Contaminants have been detected at some of our present and former sites, principally in connection with historical operations. In addition, from time to time we have been named as a potentially responsible party under Superfund or similar state laws. While we are not aware of any contaminated sites, including third-party sites, at which we may have material obligations, the discovery of additional contaminants or the imposition of additional cleanup obligations at these sites could result in significant liability.

*We may not realize the improved operating results that we anticipate from the Newmark acquisition or other acquisitions we may make in the future, and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses.*

We explore opportunities to acquire businesses that we believe are related to our core competencies from time to time, some of which may be material to us. In evaluating the terms of our acquisition of Newmark, we analyzed the respective businesses of Valmont and Newmark and made certain assumptions concerning their respective future operations. A principal assumption was that the acquisition will produce operating results better than those historically experienced or presently expected to be experienced in the future by us in the absence of the acquisition. We cannot provide assurance that this assumption will prove correct with respect to any acquisition.

The Newmark acquisition and any future acquisitions may present significant challenges for our management due to the increased time and resources required to properly integrate management, employees, information systems, accounting controls, personnel and administrative functions of the acquired business with those of Valmont and to manage the combined company on a going forward basis. We may not be able to successfully integrate and streamline overlapping functions or, if such activities are successfully accomplished, such integration may be more costly to accomplish than presently contemplated. We may also have difficulty in successfully integrating the product offerings of Valmont and acquired businesses to improve our collective product offering. Our efforts to integrate acquired businesses could be affected by a number of factors beyond our control, including general economic conditions. In addition, the process of integrating acquired businesses could cause the interruption of, or loss of momentum in, the activities of our existing business. The diversion of management's attention and any delays or difficulties encountered in connection with the integration of these businesses could adversely impact our business, results of operations and liquidity, and the benefits we anticipate may never materialize.

In addition, although we conduct reviews of businesses we acquire, we may be subject to unexpected claims or liabilities, including environmental cleanup costs, as a result of these acquisitions. Such claims or liabilities could be costly to defend or resolve and be material in amount, and thus could materially and adversely affect our business and results of operations and liquidity.

*We have a substantial amount of outstanding indebtedness, which could impair our ability to operate our business and react to changes in our business, remain in compliance with debt covenants and make payments on our debt.*

We have a significant amount of indebtedness. As of December 25, 2004, we had approximately \$327.5 million of total indebtedness outstanding and our ratio of total debt to shareholders' equity was 1.11. In addition, we had up to \$73.3 million of additional borrowing capacity under our new revolving credit facility. Our level of indebtedness could have important consequences, including:

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- our ability to satisfy our obligations under our debt agreements could be affected and any failure to comply with the requirements, including significant financial and other restrictive covenants, of any of our debt agreements could result in an event of default under the agreements governing our indebtedness;
- a substantial portion of our cash flow from operations will be required to make interest and principal payments and will not be available for operations, working capital, capital expenditures, expansion, or general corporate and other purposes, including possible future acquisitions that we believe would be beneficial to our business;
- our ability to obtain additional financing in the future may be impaired;
- we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited; and
- our degree of leverage may make us more vulnerable in the event of a downturn in our business, our industry or the economy in general.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows and business prospects.

The restrictions and covenants in our debt agreements could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business, or the economy in general, or otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants under our new senior credit agreement and the indenture governing our senior subordinated notes impose on us.

A breach of any of these covenants would result in a default under the applicable debt agreement. A default, if not waived, could result in acceleration of the debt outstanding under the agreement and in a default with respect to, and acceleration of, the debt outstanding under our other debt agreements. The accelerated debt would become immediately due and payable. If that should occur, we may not be able to pay all such debt or to borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are acceptable to us.

## ITEM 2. PROPERTIES.

The Company's corporate headquarters are located in a leased facility in Omaha, Nebraska, under a lease expiring in September, 2008. The headquarters of the Company's reporting segments are located in Valley, Nebraska except for the headquarters of the Company's Utility Support Structures segment, which are located in Birmingham, Alabama. The principal operating locations of the Company are listed below.

	Owned, Leased	Principal Activities
<b>Engineered Support Structures Segment</b>		
Berrechid, Morocco	Owned	Manufacture of steel poles for lighting and traffic
Brenham, Texas	Owned	Manufacture of steel poles for lighting and traffic, utility and wireless communication
Charmeil, France	Owned	Manufacture of steel poles for lighting and traffic, utility and wireless communication
Elkhart, Indiana	Owned	Manufacture of steel and aluminum poles for lighting and traffic
Farmington, Minnesota	Owned	Manufacture of aluminum poles for lighting and traffic
Gelsenkirchen, Germany	Leased	Manufacture of steel poles for lighting and traffic
Commerce City, Colorado	Owned	Manufacture of fiberglass poles for lighting and traffic
Maarheeze, The Netherlands	Owned	Manufacture of steel poles for lighting and traffic

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	Owned, Leased	Principal Activities
Rive-de-Gier, France	Owned	Manufacture of aluminum poles for lighting and traffic
Shanghai, China	Leased	Manufacture of steel poles for lighting and traffic, utility and wireless communication
Siedlce, Poland	Leased	Manufacture of steel poles for lighting and traffic
St. Julie, Quebec, Canada	Leased	Manufacture of aluminum poles for lighting and traffic
Tulsa, Oklahoma	Owned	Manufacture of steel poles for lighting and traffic and utility
Valley, Nebraska	Owned	Segment management headquarters; manufacture of steel poles for lighting and traffic, utility and wireless communication
Plymouth, Indiana	Owned	Manufacture of wireless communication structures and components and specialty products
Salem, Oregon	Leased	Manufacture of wireless communication structures and components and specialty products
Selbyville, Delaware	Leased	Manufacture of steel overhead sign structures

### Utility Support Structures Segment

Birmingham, Alabama	Leased	Segment management headquarters
Tuscaloosa, Alabama	Owned	Manufacture of concrete poles for utility
Bay Minette, Alabama	Owned	Manufacture of concrete poles for utility
Claxton, Georgia	Owned	Manufacture of concrete poles for utility
Bartow, Florida	Owned	Manufacture of concrete poles for utility
Barstow, California	Owned	Manufacture of concrete poles for utility
Bellville, Texas	Owned	Manufacture of concrete poles for utility
Tulsa, Oklahoma	Owned	Manufacture of steel poles for utility
Jasper, Tennessee	Leased	Manufacture of steel poles for utility
Mansfield, Texas	Leased	Manufacture of steel poles for utility
El Dorado, Kansas	Leased	Manufacture of steel poles for utility

### Coatings Segment

Chicago, Illinois	Owned	Galvanizing services
Lindon, Utah	Leased	Galvanizing services
Long Beach, California	Leased	Galvanizing services
Los Angeles, California	Owned	Anodizing services
Minneapolis, Minnesota	Owned	Painting and anodizing services
Sioux City, Iowa	Owned	Galvanizing services
Tualatin, Oregon	Leased	Galvanizing services
Tulsa, Oklahoma	Owned	Galvanizing services
Valley, Nebraska	Owned	Segment management headquarters; galvanizing services
West Point, Nebraska	Owned	Galvanizing services

### Irrigation Segment

Albany, Oregon	Leased	Water and soil management services
Brisbane, Australia	Leased	Distribution of irrigation equipment
San Antonio, Texas	Leased	Distribution of irrigation equipment
Dubai, United Arab Emirates	Owned	Manufacture of irrigation equipment
Johannesburg, South Africa	Owned	Manufacture of irrigation equipment
Madrid, Spain	Owned	Manufacture of irrigation equipment

McCook, Nebraska	Owned	Manufacture of irrigation equipment
Uberaba, Brazil	Owned	Manufacture of irrigation equipment
Valley, Nebraska	Owned	Segment management headquarters; manufacture of irrigation equipment
<b>Tubing Segment</b>		
Valley, Nebraska	Owned	Segment management headquarters; manufacture of steel tubing
Waverly, Nebraska	Owned	Manufacture of steel tubing
<b>Other Locations</b>		
Creuzier-le-neuf, France	Owned	Manufacture of industrial covers and conveyors
Salem and Portland, Oregon	Leased	Distribution of industrial fasteners
Valley, Nebraska	Owned	Manufacture of wind energy equipment

**ITEM 3. LEGAL PROCEEDINGS.**

We are not a party to, nor are any of our properties subject to, any material legal proceedings. We are, from time to time, engaged in routine litigation incidental to the business.

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

No matters were submitted to a vote of stockholders during the fourth quarter of 2004.

**Executive Officers of the Company**

Our executive officers at December 25, 2004, their ages, positions held, and the business experience of each during the past five years are, as follows:

Mogens C. Bay, age 56, Chairman and Chief Executive Officer since January 1997.

Terry J. McClain, age 57, Senior Vice President and Chief Financial Officer since January 1997.

E. Robert Meaney, age 57, Senior Vice President since September 1998.

Ann F. Ashford, age 44, Vice President-Human Resources since December 1999.

Steven G. Branscombe, age 49, Vice President-Information Technology since October 2001. Senior Project Manager, IBM Corporation, from August 2000 to September 2001. Principal, American Management Systems, from June 1999 to July 2000.

Mark C. Jaksich, age 47, Vice President and Controller since February 2000. Director of Corporate Accounting of the Company from April 1998 to February 2000.

Walter P. Pasko, age 54, Vice President-Procurement since May 2002. Vice President-Purchasing and National Accounts, National Material Company, September 1997 to April 2002.

P. Thomas Pogge, age 56, Vice President, General Counsel and Secretary since May 2001. Attorney in private practice from January 2000 to April 2001.

Mark E. Treinen, age 49, Vice President-Business Development since January 1994.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.**

Our common stock, previously listed and trading on the NASDAQ National Market under the symbol "VALM", was approved for listing on the New York Stock Exchange and began trading under the symbol "VMI" on August 30, 2002. We had approximately 5,600 shareholders of common stock at December 25, 2004. Other stock information required by this item is included in "Quarterly Financial Data (unaudited)" on page 72 of this report.

**Issuer Purchases of Equity Securities**

Period	(a) Total Number of Shares Purchased	(b) Average Price paid per share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
September 26, 2004 to October 23, 2004	—	—	—	—
October 24, 2004 to November 27, 2004	74,392	23.80	—	—
November 28, 2004 to December 25, 2004	16,596	25.01	—	—

During the fourth quarter, the only shares reflected above were those delivered to the Company by employees as part of stock option exercises, either to cover the purchase price of the option or the related taxes payable by the employee as part of the option exercise. The price paid per share was the market price at the date of exercise.

**ITEM 6. SELECTED FINANCIAL DATA.**

**SELECTED FIVE-YEAR FINANCIAL DATA**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Operating Data</b>					
Net sales	\$ 1,031,475	\$ 837,625	\$ 854,898	\$ 872,380	\$ 846,129
Operating income	70,112	54,623	70,289	65,021	67,256
Cumulative effect of accounting change	—	(366)	(500)	—	—
Net earnings	26,881	25,487	33,629	26,693	30,400
Depreciation and amortization	38,644	34,597	33,942	36,324	30,270
Capital expenditures	17,182	17,679	13,942	25,652	46,456
<b>Per Share Data</b>					
Earnings:					
Basic	\$ 1.13	\$ 1.07	\$ 1.40	\$ 1.10	\$ 1.31
Diluted	1.10	1.05	1.37	1.09	1.28
Cash dividends	0.320	0.315	0.290	0.260	0.260
<b>Financial Position</b>					
Working capital	\$ 277,444	\$ 169,568	\$ 154,112	\$ 145,550	\$ 145,575
Property, plant and equipment, net	205,655	190,103	193,175	209,580	208,272
Total assets	836,108	604,797	578,571	588,897	600,135
Long-term debt, including current installments	322,775	149,662	166,391	198,008	205,472
Shareholders' equity	294,655	265,494	242,020	225,811	191,911
Invested capital(a)	697,691	483,764	451,753	472,230	479,609
<b>Key Financial Measures</b>					
Return on invested capital(a)	7.6%	7.4%	9.7%	8.6%	10.7%
Long-term debt as a percent of invested capital(b)	46.3%	30.9%	36.8%	41.9%	42.8%
<b>Year End Data</b>					
Shares outstanding (000)	24,162	23,825	23,883	24,477	23,320
Approximate number of shareholders	5,600	5,400	5,500	5,500	5,500
Number of employees	5,542	5,074	5,234	5,342	5,503

(a) Return on Invested Capital is calculated as Operating Income (after-tax) divided by the average of beginning and ending Invested Capital. Invested Capital represents Total Assets minus Accounts Payable, Accrued Expenses and Dividends Payable. Return on Invested Capital is one of our key operating ratios, as it allows investors to analyze our operating performance in light of the amount of investment required to generate our operating profit. Return on Invested Capital is also a measurement used to determine management incentives. Return on Invested Capital is not a measure of financial performance or liquidity under generally accepted accounting principles (GAAP). Accordingly, Return on Invested Capital should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The table below shows how Invested Capital and Return on Invested Capital are calculated from our income statement and balance sheet.

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating income	\$ 70,112	\$ 54,623	\$ 70,289	\$ 65,021	\$ 67,256
Effective tax rate	36.0%	36.3%	36.5%	36.9%	36.3%
Tax effect on Operating Income	(25,240)	(19,828)	(25,655)	(23,993)	(24,414)
After-tax Operating income	44,872	34,795	44,634	41,028	42,842
Average Invested Capital	590,728	467,759	461,992	475,920	400,353
Return on invested capital	7.6%	7.4%	9.7%	8.6%	10.7%
Total Assets	836,108	604,797	578,571	588,897	600,135
Less: Accounts Payable	(69,979)	(63,256)	(55,198)	(57,027)	(63,005)
Less: Accrued Expenses	(66,506)	(55,856)	(69,828)	(58,042)	(56,005)
Less: Dividends Payable	(1,932)	(1,921)	(1,792)	(1,598)	(1,516)
Total Invested Capital	697,691	483,764	451,753	472,230	479,609
Beginning of year Invested Capital	483,764	451,753	472,230	479,609	321,096
Average Invested Capital	\$ 590,728	\$ 467,759	\$ 461,992	\$ 475,920	\$ 400,353

(b) Long-term debt as a percent of invested capital is calculated as the sum of Current portion of long-term debt and Long-term debt divided by Total Invested Capital. This is one of our key financial ratios in that it measures the amount of financial leverage on our balance sheet at any point in time. We also have covenants under our major debt agreements that relate to the amount of debt we carry. If those covenants are violated, we may incur additional financing costs or be required to pay the debt before its maturity date. We have an internal target to maintain this ratio at or below 40%.

This ratio may exceed 40% from time to time for major strategic purposes, such as acquisitions. Long-term debt as a percent of capital is not a measure of financial performance or liquidity under GAAP. Accordingly, long-term debt as a percent of capital should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The calculation of this ratio is as follows:

	2004	2003	2002	2001	2000
Current portion of long-term debt	\$ 7,962	\$ 15,009	\$ 10,849	\$ 11,062	\$ 3,496
Long-term debt	314,813	134,653	155,542	186,946	201,976
Total Long-term debt	322,775	149,662	166,391	198,008	205,472
Total Invested Capital	\$ 697,691	\$ 483,764	\$ 451,753	\$ 472,230	\$ 479,609
Long-term debt as a percent of invested capital	46.3%	30.9%	36.8%	41.9%	42.8%

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Forward-Looking Statements

Management's discussion and analysis, and other sections of this annual report, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on assumptions that management has made in light of experience in the industries in which the Company operates, as well as management's perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances. These statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond the Company's control) and assumptions. Management believes that these forward-looking statements are based on reasonable assumptions. Many factors could affect the Company's actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. These factors include, among other things, risk factors described from time to time in the Company's reports to the Securities and Exchange Commission, as well as future economic and market circumstances, industry conditions, company performance and financial results, operating efficiencies, availability and price of raw materials, availability and market acceptance of new products, product pricing, domestic and international competitive environments, and actions and policy changes of domestic and foreign governments.

#### General

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial position. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes. As described in Item 1(b) above, we established the Utility Support Structures segment in 2004, which includes the operations relating to utility support structures sold in North America. All data for 2003 and 2002 have been reclassified to conform to the current segment structure.

	2004	2003	Change 2004-2003	2002	Change 2003-2002
Dollars in millions, except per share amounts					
<b>Consolidated</b>					
Net sales	\$ 1,031.5	\$ 837.6	23.1%	\$ 854.9	-2.0%
Gross profit	245.9	208.0	18.2%	231.5	-10.2%
as a percent of sales	23.8%	24.8%		27.1%	
SG&A expense	175.8	153.4	14.6%	161.2	-4.8%
as a percent of sales	17.0%	18.3%		18.9%	
Operating income	70.1	54.6	28.4%	70.3	-22.3%
as a percent of sales	6.8%	6.5%		8.2%	
Net interest expense	14.7	8.8	67.0%	10.7	-17.8%
Effective tax rate	36.0%	36.3%		36.5%	
Net earnings	26.9	25.5	5.5%	33.6	-24.1%
Earnings per share	1.10	1.05	4.8%	1.37	-23.4%
<b>Engineered Structures Segment</b>					
Net sales	400.9	330.0	21.5%	313.2	5.4%
Gross profit	103.5	94.6	9.4%	90.1	5.0%
SG&A expense	71.9	68.4	5.1%	63.2	8.2%
Operating income	31.6	26.2	20.6%	26.9	-2.6%
<b>Utility Support Structures Segment</b>					
Net sales	176.4	76.8	129.7%	123.5	-37.8%
Gross profit	31.3	8.8	255.7%	35.7	-75.3%
SG&A expense	24.2	14.3	69.2%	18.4	-22.3%
Operating income(loss)	7.1	(5.5)	NM	17.3	NM
<b>Coatings Segment</b>					
Net sales	73.5	91.1	-19.3%	96.0	-5.1%
Gross profit	14.0	16.7	-16.2%	23.2	-28.0%
SG&A expense	9.8	9.9	-1.0%	9.4	5.3%
Operating income	4.2	6.8	-38.2%	13.8	-50.7%
<b>Irrigation Segment</b>					
Net sales	297.8	279.9	6.4%	264.7	5.7%

Gross profit	73.8	71.8	2.8%	64.8	10.8%
SG&A expense	38.3	37.2	3.0%	34.0	9.4%
Operating income	35.5	34.6	2.6%	30.8	12.3%
<b>Tubing Segment</b>					
Net sales	68.7	44.8	53.3%	45.4	-1.3%
Gross profit	20.3	11.3	79.6%	12.9	-12.4%
SG&A expense	6.9	4.8	43.8%	4.8	0.0%
Operating income	13.4	6.5	106.2%	8.1	-19.8%
<b>Other</b>					
Net sales	14.2	14.9	-4.7%	12.1	23.1%
Gross profit	4.6	5.2	-11.5%	5.1	2.0%
SG&A expense	7.4	7.3	1.4%	6.7	9.0%
Operating loss	(2.8)	(2.1)	-33.3%	(1.6)	-31.2%
<b>Net corporate expense</b>					
Gross profit	(1.6)	(0.4)	-300.0%	(0.3)	-33.3%
SG&A expense	17.3	11.5	50.4%	24.7	-53.4%
Operating loss	(18.9)	(11.9)	-58.8%	(25.0)	52.4%

NM – not meaningful

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## RESULTS OF OPERATIONS

### FISCAL 2004 COMPARED WITH FISCAL 2003

#### Overview

In 2004, we completed three acquisitions. On April 16, 2004, we completed the purchase of Newmark International, Inc. (Newmark), a manufacturer of concrete and steel pole structures mainly for the electrical utility industry. The purchase price was approximately \$110.2 million in cash (including transaction costs), plus the assumption of approximately \$11.5 million of interest-bearing debt. On May 24, 2004, we completed the purchase of W.J. Whatley, Inc. (Whatley), a manufacturer of fiberglass poles principally for outdoor lighting applications. The purchase price for the Whatley shares was approximately \$9.3 million in cash (including transaction costs), plus the assumption of approximately \$0.7 million of interest-bearing debt. On August 2, 2004, we completed the purchase of the net assets of Sigma Industries, Inc. (Sigma), a manufacturer of overhead sign structures mainly serving the eastern United States. The purchase price for the net assets of this business was approximately \$6.3 million, plus the assumption of approximately \$0.4 million of interest-bearing debt. The results of Newmark are reported in the Utility Support Structures Segment and the results of Whatley and Sigma are reported in the Engineered Support Structures Segment. The results of these operations are included in our consolidated results starting on the closing dates of the acquisitions. The funds used for these acquisitions were borrowed through our existing credit facilities. See also “Liquidity and Capital Resources.”

Steel is a significant cost component of the products we manufacture. In 2004, we experienced substantial cost increases for rolled sheet, plate and other products made from steel. Significant increases of steel production in China drove up prices and created shortages of key steel-producing inputs (such as coke, iron ore and scrap steel), which led to restricted steel supplies. This situation in turn caused rapid, unprecedented increases in what we paid for steel and created availability

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issues. In some cases, suppliers broke pricing agreements on or added surcharges to existing contracts. Firm pricing and consignment programs from the steel mills were no longer available, which, along with uncertain availability and extended lead times, led us to increase our steel inventories above historical norms to ensure our ability to meet customer commitments. Where possible, we increased our sales prices to mitigate the impact of higher steel costs on operating income. The negative impact on 2004 operating income as a result of higher steel costs that could not be passed on in the marketplace was approximately \$7.0 million.

The increase in sales as compared with 2003 was due to the impact of acquisitions completed in 2004 (\$79.8 million), sales volume increases in the Engineered Support Structures (ESS) and Tubing segments and sales price increases resulting from steel cost increases. Gross profit as a percentage of sales was down as compared with 2003, due mainly to the impact of steel cost increases not covered by sales price increases. SG&A spending increased mainly due to the impact from acquisitions (\$10.4 million), increased employee incentives due to improved operating profit (\$6.2 million), currency translation effects (\$2.9 million) and increased commissions related to higher sales volumes (\$1.6 million).

The increase in interest expense in 2004 as compared with 2003 was due to higher average borrowing levels in 2004. These higher borrowing levels were due to acquisitions funded by borrowings (\$125.4 million) and higher working capital levels resulting from higher sales levels and increased inventories due to steel industry conditions mentioned above. The \$9.9 million in “Debt prepayment expenses” in 2004 relates to a charge we recorded in the second quarter of 2004 mainly related to the prepayment of our promissory notes as part of the refinancing of our long-term debt. The decrease in the effective tax rate relates primarily to a reduction of \$0.4 million in deferred tax asset valuation allowances associated with net operating loss carryforwards in a European subsidiary due to improved profitability in that entity.

In 2004, we recognized a profit in our share of the earnings of non-consolidated subsidiaries, as compared with a loss in 2003. This improvement was the result of improved business conditions and operating performance of our non-consolidated joint ventures in an irrigation distributor in Argentina and a steel pole manufacturing facility in Mexico. Minority interest in earnings of consolidated subsidiaries was comparable to 2003, as lower net earnings in our

Irrigation segment operations in Brazil and South Africa were offset by improved earnings in our irrigation segment retail store operation in California. Our ownership percentages in these locations are less than 100%.

Due to our 2004 acquisition activity and lower operating cash flows in 2004 as compared with 2003, we have higher interest-bearing debt than at the end of fiscal 2003. Accordingly, our long-term debt to invested capital ratio increased from 30.9% in 2003 to 46.3% in 2004. While this ratio is in excess of our internal goal of 40%, we believe that, with continued improvements in earnings and working capital management, we will be able to reduce this ratio to below our internal goal over the next 18 to 24 months.

### ***Engineered Support Structures (ESS) Segment***

#### ***General***

The sales increase in the ESS segment was related to the acquisition of Whatley and Sigma (\$12.6 million), currency translation effects (\$9.4 million), sales volume increases and sales price increases implemented to offset rising steel costs. Gross profit grew at a lower rate than sales, as sales price increases did not completely cover the increased cost of steel and the sales mix was unfavorable. These factors were offset to a degree by improved gross margins in Europe resulting from improved factory performance. SG&A spending was up mainly due to fiscal 2004 acquisitions (\$2.3 million) and currency translation effects (\$2.0 million). Operating income improved in all regions, mainly as a result of sales volume increases in all regions, the impact of 2004 acquisitions (\$1.1 million), and operational improvements in Europe, where operating income improved by \$2.6 million in 2004 as compared with 2003. During 2004, we reduced our cost structure in Europe to position ourselves for better profitability. While the impact of cost reductions was somewhat offset by severance costs, we believe that our current operating structure and management team are appropriate to allow us to build on 2004 for continued operating improvements. Operating profits in China grew by \$1.4 million in 2004 as compared with 2003, due to continued sales growth.

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#### ***Lighting and Traffic Products***

In North America, lighting and traffic structure sales increased in 2004 as compared with 2003 due to a combination of a sales volume increase of approximately 6% and sales price increases in response to higher steel prices. Market demand continues to be driven by government spending programs and the need for improved street and highway lighting and traffic control. The current U.S. federal highway program was extended throughout 2004 by a series of short-term extensions and is currently extended through May 2005. We believe that a new six-year spending program will be enacted in 2005, which, if enacted, should provide for stability in the funding of projects that include street and area lighting and traffic structures. Commercial lighting sales in North America were down slightly in 2004, as compared with 2003. Competitive pricing in this market resulted in slightly lower orders from lighting fixture manufacturers, as some competitors did not increase sales prices as much as we did when steel prices escalated. In Europe, sales volumes increased modestly in local currency terms, as demand for lighting and traffic structures reflected slightly better economic conditions in our major market areas. In China, sales were comparable to 2003.

#### ***Specialty Products***

In North America, sales of specialty products were up approximately 38% as compared with 2003. The most significant source of growth was from overhead sign structures. In 2003, we entered this market and 2004 was our first full year of operation. Sign structure sales of \$11 million in 2004 included those of Sigma Industries since its acquisition in August 2004. Sales of wireless communication structures and components were up from a weak 2003, as wireless carriers increased spending on new structures and antennas to improve coverage and service. Sales of wireless communication poles in China increased by approximately 15% in 2004 as compared with 2003, due to continued development of its wireless networks. Our sales of wireless structures in China have steadily grown over the years as we believe we have built a good reputation with the wireless carriers and benefited from the strong demand in wireless communication services in China. While we expect relatively strong demand to continue in the future, growth rates may moderate from past growth rates.

#### ***Utility Products***

This product line includes sales of utility structures for markets outside of North America. Sales improved over 2003, mainly due to sales growth in China of approximately \$5.2 million. We continue to believe that as China grows its electrical generation and distribution capacity, we should see good demand for steel poles for electrical transmission, substation and distribution applications.

### ***Utility Support Structures Segment***

The sharp increase in sales in 2004 as compared with 2003 was due to the acquisition of Newmark in April 2004 (\$67.2 million), improved sales volumes in our existing utility structures product line and increased sales prices. While sales volumes of steel utility structures increased approximately 15% in 2004 as compared with 2003, our sales were particularly low in the second and third quarters of 2003, when our order rates fell as we attempted to maintain pricing when market prices were falling. Newmark's sales volumes of concrete utility poles since its acquisition in April 2004 were approximately 10% higher than the same period in 2003. In 2004, demand for steel and concrete transmission, substation and distribution structures was stronger than in 2003, as electrical utility companies increased spending for structures to improve the electrical grid system, despite the lack of U.S. energy policy legislation. Gross profit improved at a higher rate than sales because the difficult pricing environment in 2003 improved somewhat in 2004. Approximately \$7.8 million of the operating income improvement from 2003 to 2004 was due to the acquisition of Newmark.

### ***Coatings Segment***

Coatings segment sales and profitability decreased in 2004 as compared with 2003 mainly due to lower anodizing service sales to a major customer. While we still expect future sales to this customer, we do not expect such sales to return to historical levels. In light of these lower sales volumes, we are making efforts to expand our anodizing customer base and strengthen our relationships with current customers. We have also reduced our cost structure to further position

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ourselves for improved profitability in the future. Aside from the lower volumes, gross profit in this segment was also negatively impacted by approximately \$0.7 million of increased workers compensation costs in California. We believe workers compensation reform legislation passed in California this year will help us better control workers compensation costs in the future. Galvanizing volumes were comparable to 2003, with a modest improvement in profitability. SG&A spending in 2004 was comparable to 2003.

### ***Irrigation Segment***

The increase in irrigation segment sales was due to price increases associated with increased steel costs. In North America, sales volumes of irrigation machines and related service parts were down approximately 4% in 2004, as compared with 2003. While the agricultural economy in general was favorable throughout most of 2004, weakness in commodity prices and higher energy and other farm input costs have contributed to weakness in demand in the latter part of 2004. Profitability in North America was up by \$1.6 million in 2004 as compared with 2003, due to improved retail operations, good expense control and disciplined product pricing in light of rising steel costs.

In markets outside of North America, sales were similar to 2003, after consideration of currency translation effects. Sales in Brazil and South Africa were slightly lower than strong 2003 sales levels, reflecting somewhat weaker farm commodity prices. The strong South African currency versus the U.S. dollar has negatively impacted the competitiveness of farm exports in that region. Sales decreases in these regions were offset by stronger sales in other regions. International profitability in 2004 was down by \$0.8 million from a strong 2003, mostly related to lower operating income in Brazil and South Africa.

### ***Tubing Segment***

Tubing segment sales increased mainly through sales price increases to pass along increased steel costs, although sales volume was up approximately 5% as well. We believe that sales demand was driven to some extent by rapidly rising steel prices and our availability of steel. The increase in gross profit was due to an improved pricing environment for our commodity-type products, our ability to pass along increased steel costs to the market and an unfavorable inventory adjustment that was recorded in 2003. SG&A expense was up in 2004 as compared to 2003 due to employee incentives (\$1.5 million) related to increased operating income and sales commissions (\$0.6 million) due to increased sales.

### ***Other***

Our "Other" businesses include our machine tool accessory business in France, our industrial fastener business in the U.S. and wind energy development. Sales and profitability were down in 2004, as compared with 2003, due to approximately 17% lower demand for machine tool accessories in Europe. Our spending to develop a structure for the wind energy industry was \$2.4 million in 2004 as compared with \$2.8 million in 2003. We continue to make progress on this new product development initiative and we remain optimistic as to our future in this business.

### ***Net corporate expense***

The increase in net corporate expenses in 2004 as compared with 2003 mainly related to increased employee incentives associated with improved operating income (approximately \$4.5 million), and approximately \$1.0 million in incremental costs related to compliance with the internal controls over financial reporting provisions of the Sarbanes-Oxley Act of 2002.

## **FISCAL 2003 COMPARED WITH FISCAL 2002**

### ***Overview***

The sales decrease in 2003 as compared with 2002 was the result of lower sales in the Utility Support Structures and Coatings segments, offset somewhat by increased sales in the Irrigation and ESS segments. Due to a weakening of the U.S. dollar in relation to the Euro and the South African Rand, sales in dollar terms were positively impacted by

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\$23.1 million. The sales decrease after taking into account the currency translation effect was 4.8%. Gross profit margins were lower in most segments, except that margins improved slightly in the Irrigation segment, mainly as a result of improved margins in the international markets. In particular, margins were significantly impacted by severe pricing pressure in the Utility Support Structures segment. Lower sales in the Utility Support Structures and Coatings segments also resulted in lower coverage of fixed manufacturing costs, which further contributed to lower profitability. The decrease in Selling, General and Administrative (SG&A) expense was mainly due to a reduction of approximately \$12.5 million in employee incentives and supplemental 401K matches. This decrease was directly related to the decrease in our profitability and return on invested capital. This decrease was offset to some extent by currency translation impacts related to a weaker U.S. dollar, which increased our expenses in dollar terms.

The decrease in interest expense was principally related to lower average borrowing levels in 2003. Our capital spending and acquisition activity in 2003 has continued to be lower than historical levels and our share repurchases that year were not significant. As a result, our free cash flows were used to reduce our interest-bearing debt.

Our effective tax rate was comparable to 2002, as there have been no major changes to tax rates or our general income tax position for 2003. Losses in nonconsolidated subsidiaries were lower in 2003 as compared with 2002, due to some improvement in our Irrigation segment joint ventures in Argentina and the U.S. In addition, in 2002 we recorded a \$1.1 million impairment charge in our investment in our U.S. nonconsolidated subsidiary. Minority interest in earnings of consolidated subsidiaries was higher in 2003, mainly related to strong profitability gains in our Irrigation segment operations in Brazil and South Africa. Our ownership percentages in these locations are less than 100%.

The Financial Accounting Standards Board (FAS) Interpretation No. 46R, "Consolidation of Variable Interest Entities" (FIN 46R), is applicable to public entities that have interests in variable interest entities for periods ending after December 15, 2003. Under FIN 46, the assets, liabilities and results of activities of variable interest entities are required to be reported in the consolidated financial statements of their primary beneficiaries. We assessed our relationships with variable interest entities and determined that we were the primary beneficiary in a variable interest entity related to our lease of transportation equipment. Accordingly, in the fourth quarter of 2003, we recorded a cumulative effect of a change in accounting of \$0.4 million (net of related

tax effects of \$0.2 million). In addition, we recorded a net increase to property, plant and equipment of \$9.3 million and an increase to interest-bearing debt of \$9.9 million.

We generated solid operating cash flow during 2003 and 2002 and we used those cash flows to reduce our interest-bearing debt. Our long-term debt to invested capital ratio was reduced from 36.8% to 30.9% in 2003.

### ***Engineered Support Structures (ESS) Segment***

#### ***General***

The sales increase in the ESS segment related to currency translation effects, as stronger sales in the Lighting and Traffic product line were essentially offset by lower sales in the Specialty product line. The decrease in operating income was the result of higher SG&A spending in Europe, where spending increased from 2002 due to our efforts to expand sales distribution and manufacturing in the region and expand our product offerings.

#### ***Lighting and Traffic Products***

In North America, lighting and traffic structure sales increased by 3.6% in 2003. Market demand continued to be driven by government spending programs and the need for improved street and highway lighting and traffic control. The commercial lighting sales in 2003 were essentially flat with 2002, as commercial construction and the related demand for area lighting for parking lots and common areas was somewhat weaker than in 2002. Building alliances with lighting fixture manufacturers helped us to maintain sales despite some softness in the overall market. Profitability in North America improved, principally due to increased sales. In Europe, sales increased 5.7% in local currency terms, as most of the sales increase related to efforts to expand our manufacturing presence and sales coverage in the region. In China, sales were down slightly, but we are continuing to make progress in finding local market segments that are attractive and capitalize on export opportunities to generate sales and profits.

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#### ***Specialty Products***

In North America, sales of specialty products were down as compared with 2002. Wireless carriers and build-to-suit companies continued to curtail spending on new structures for the wireless communication industry as they focused on cash flow and capital management. Structures and antennas being installed have generally been done so as to augment existing networks to improve coverage and service. While sales were lower and pricing remained very competitive, our factory and administrative costs were reduced by approximately \$4.0 million this year which helped to minimize the impact of these lower sales on the segment's operating income. In 2003, this product line also began to manufacture overhead sign and low-voltage substation structures; while 2003 sales in these products were not material, we were successful in achieving orders for future delivery. We continue to experience strong demand for wireless communication poles in China, as they continue to pursue buildout of their wireless networks.

#### ***Utility Products***

In China, our sales increased approximately \$5.0 million in 2003 as compared with 2002. We have been successful in penetrating the utility market with transmission and substation products.

### ***Utility Support Structures Segment***

The sales decrease in 2003 as compared with 2002 related to a combination of lower market demand and a very competitive pricing environment. Market demand for steel poles for transmission and substations was somewhat lower than in 2002. Utility companies and independent power producers have reduced spending for electrical generation and transmission projects due to factors such as a lack of U.S. energy legislation and some financing constraints. The key factor that affected profitability was the severe pricing pressure in the marketplace throughout 2003. The pricing pressure resulted from some weakness in the market, combined with new competitors in the form of manufacturers who also compete for sales of pole structures in the wireless communication market. In the first quarter, our backlogs and sales fell as we attempted to maintain pricing. Our pricing was more aggressive in the second quarter and we were successful in increasing our order rate, although sales prices were substantially less than what we experienced in the last few years. Sales in the fourth quarter were similar to 2002, although at lower margin levels than in the past. The impact of pricing and unfavorable product mix on operating income was approximately \$8.9 million in 2003.

### ***Coatings Segment***

The decrease in Coatings segment sales in 2003 as compared with 2002 was due to weakness in the industrial economy in the U.S. throughout 2003. In addition, the amount of business with our other locations was down in 2003, as lower sales in the Utility Support Structures segment and the Specialty product line in the ESS segment also led to lower production levels in our galvanizing locations that serve those businesses. As a result of these factors, sales in our galvanizing locations were 14.4% lower than in 2002. Operating income decreased due to lower sales and gross margins, offset by reduced SG&A expenses. Our galvanizing operations have relatively high fixed costs. When production fluctuates, it can have a significant impact on earnings. The estimated total impact of the volume decrease on gross margin was \$4.7 million. Gross margins were also impacted by approximately \$1.1 million in higher workers compensation costs in 2003. Most of this increase occurred in our California operations, where the legal environment in the workers compensation area is difficult for employers. SG&A spending was comparable to 2002 levels. Operating income in 2002 included a \$1.2 million gain on the sale of a facility in our Minnesota location.

### ***Irrigation Segment***

Irrigation segment sales in 2003 increased in both domestic and international markets. In North America, improved commodity prices, dry growing conditions in our main market areas, a generally favorable U.S. farm bill and low interest rates contributed to increased demand for mechanized irrigation machines and related service parts. The increase in sales and some improved pricing resulted in higher operating income in 2003.

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In the international marketplace (after considering currency translation impacts), sales were similar to 2002. Sales in the Middle East market were down substantially, as the war in Iraq impacted project sales in the region. In Brazil, we achieved record sales and profits, as market conditions were very strong. Good agricultural commodity prices and favorable government programs helped drive the strong sales demand and contributed to our excellent operating performance in 2003. In South Africa, sales in local currency terms were down slightly from our record sales in 2002, but profitability improved, due to improved operations management and pricing that led to improved gross margins. Good agricultural commodity prices and generally dry growing conditions helped maintain strong demand for mechanized irrigation machines in the region. Overall profitability in our international operations improved by 21%, about half of which was due to currency translation effects resulting from a weaker U.S. dollar, especially in relation to the South African Rand.

### **Tubing Segment**

In the Tubing segment, sales were slightly lower than last year, although sales were stronger in the fourth quarter as compared with 2002, reflecting some strengthening economic conditions in the U.S. This segment was impacted significantly by the steel market, as most of the cost of tubing is hot-rolled sheet steel. In the fourth quarter of 2003, steel prices started to rise and there was some concern about availability of steel in the near future. In these conditions, our sales tend to increase, as customers order more tubing to reduce the risk of future shortages and avoid future price increases. Operating income was down from 2002 due to some pricing pressures in commodity-type products and an unfavorable inventory adjustment.

### **Other**

Our "Other" businesses include our machine tool accessory business in France, our industrial fastener business in the U.S. and wind energy development. Sales were up mostly due to currency translation impacts and profitability was down mainly due to higher spending on developing a new structure for the wind energy industry. Our spending on development activity was \$2.8 million in 2003, as compared with \$2.4 million in 2002.

### **Net corporate expense**

The principal reasons for lower net corporate expenses in 2003 as compared with 2002 were reduced employee incentives associated with lower profitability and return on invested capital (approximately \$8.7 million) and approximately \$2.2 million associated with an increase in the amount of corporate computer expenses allocated to our operating units. In addition, rental costs on our corporate headquarters building decreased by \$1.6 million in 2003 as compared with 2002 due to lower interest rates, as our rental costs are based on the LIBOR plus a spread.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Flows**

**Working Capital and Operating Cash Flows** Net working capital was \$277.4 million at fiscal year-end 2004, as compared with \$169.6 million at year-end 2003. The ratio of current assets to current liabilities was 2.84:1 as of December 25, 2004, as compared with 2.12:1 at December 27, 2003. The increase in working capital included approximately \$25.1 million in net working capital acquired as part of the Newmark, Whatley and Sigma acquisitions. The increase in working capital was also due to higher sales in 2004 as compared with 2003, which resulted in higher accounts receivable and inventories. Availability issues, extended lead times and lack of firm pricing for steel in 2004 further contributed to the increase in inventory levels in 2004 over 2003 levels. While inventories are down from the end of the third quarter of 2004, they are not yet down to historical levels. Operating cash flow was \$6.1 million in 2004, as compared with \$59.8 million in 2003 and \$69.5 million in 2002. The decrease in operating cash flow in 2004 as compared with 2003 related mainly to higher working capital levels in 2004.

**Investing Cash Flows** The most significant investing cash flow item was the \$125.4 million expended (net of cash acquired) related to the Newmark, Whatley and Sigma acquisitions. Capital spending was \$17.2 million in 2004, as compared with

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\$17.7 million in 2003, and \$13.9 million in 2002. Our depreciation and amortization expenses for 2004, 2003 and 2002 were \$38.6 million, \$34.6 million and \$33.9 million, respectively. Throughout much of the 1990's our capital spending was relatively high as we added manufacturing capacity in a number of areas, most notably our Irrigation segment factory in McCook, Nebraska and our Utility Support Structures factory in Jasper, Tennessee. We have not made any substantial capacity additions in the past three years. In addition, we made a number of acquisitions from 1998 to 2004 that added capacity and allowed us to expand our market coverage. While we do not expect capital spending to remain at 2004 levels over the long term, we do not anticipate a substantial increase in capital spending in the near future. Fiscal 2005 capital expenditures are estimated to be between \$25 and \$30 million.

**Financing Cash Flows** Total interest-bearing debt increased from \$165.2 million in 2003 to \$327.5 million as of December 25, 2004, an increase of \$162.3 million. Most of the increase in borrowing occurred in our new major long-term credit facilities described below and was due to our 2004 acquisitions, which totaled \$138 million (including \$12.6 million in debt that was assumed as part of the acquisitions).

### **Sources of Financing and Capital**

We have historically funded our growth, capital spending and acquisitions through a combination of operating cash flows and debt financing. We have an internal long-term objective to maintain long-term debt as a percent of capital at or below 40%. At December 25, 2004, our long-term debt to invested capital ratio was 46.3%, as compared with 30.9% at the end of fiscal 2003. This internal objective is exceeded from time to time in order to take advantage of opportunities to grow and improve our businesses. We believe the acquisitions described above were appropriate opportunities to expand our market coverage and product offerings and generate earnings growth. While our long-term debt to capital ratio is in excess of our 40% objective after the effect of our refinancing, we believe our cash flows will enable us to reduce our debt levels to 40% over the next 18 to 24 months. This estimate is dependent on our level of acquisition activity and steel industry availability and pricing issues, which are causing us to carry more inventory than we customarily maintain.

Our priorities in use of future cash flows are as follows:

- Fund internal growth initiatives in core businesses

- Pay down interest-bearing debt
- Invest in acquisitions clearly connected to our core businesses or an existing competency
- Return money to our shareholders through increased dividends or common stock repurchases at appropriate share prices

Our debt financing at December 25, 2004 consisted mainly of long-term debt. We also maintain certain short-term bank lines of credit totaling \$26.3 million, \$22.7 million of which was unused at December 25, 2004. As a result of the Newmark acquisition and to take advantage of a favorable interest rate environment, we refinanced our major long-term credit facilities in May 2004. The refinancing included \$150 million in senior subordinated notes and a new \$225 million bank financing arrangement consisting of a \$150 million revolving credit agreement and a \$75.0 million term loan. The proceeds were used to repay the old revolving credit facility, the bridge loan obligation incurred to fund part of the Newmark acquisition and to prepay \$79.0 million of promissory notes. The prepaid promissory notes contained yield maintenance provisions that required us to pay as a prepayment premium of approximately \$9.6 million in addition to the \$79.0 million in debt, plus approximately \$0.7 million in accrued interest.

The \$150 million senior subordinated notes bear interest at 6.875% per annum and are due in May 2014. We may repurchase the notes after five years at specified prepayment premiums and these notes are guaranteed by certain of our U.S. subsidiaries. The \$150 million revolving credit agreement carries an interest rate spread over the LIBOR of 75 to 175 basis points, depending on our ratio of debt to earnings before taxes, interest, depreciation and amortization (EBITDA). At December 25, 2004, we had \$71.1 million outstanding under the revolving credit agreement at an interest rate of 3.7921% per annum. The revolving credit agreement contains certain financial covenants that limit our additional

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borrowing capability under the agreement. At December 25, 2004, we had the ability to borrow an additional \$73.3 million under this facility.

The \$75 million term loan accrues interest based on the LIBOR plus a spread of 75 to 175 basis points, depending on our debt to EBITDA ratio, and requires quarterly principal payments beginning in 2005 through 2009. The annualized principal payments beginning in 2005 in millions are: \$3.8, \$11.2, \$18.8, \$26.2, and \$15.0. The effective interest rate on this loan at December 25, 2004 was 4.125% per annum.

In the event of a sharp decrease in demand for our products, resulting profitability reductions would reduce our operating cash flows and may affect our ability to grow. Likewise, low profitability or operating losses could impact our compliance with key long-term debt covenants, which could ultimately result in default of these debt agreements and acceleration of payments due. These factors could come from a number of sources, such as a prolonged depression in the U.S. farm economy, a substantial reduction in government (including state and local) funding of the federal highway program and a prolonged U.S. economic recession.

## FINANCIAL OBLIGATIONS AND FINANCIAL COMMITMENTS

We have future financial obligations related to (1) payment of principal and interest on interest-bearing debt, including capital lease obligations, (2) various operating leases and (3) purchase obligations. These obligations as of December 25, 2004 are summarized as follows, in millions of dollars:

Contractual Obligations	Total	2005	2006-2007	2008-2009	After 2009
Long-term debt	\$ 311.3	\$ 7.2	\$ 25.2	\$ 118.9	\$ 160.0
Capital leases	11.5	0.8	1.7	1.5	7.5
Unconditional purchase obligations	24.9	24.9	—	—	—
Operating leases	28.4	8.2	12.7	4.7	2.8
Total contractual cash obligations	\$ 376.1	\$ 41.1	\$ 39.6	\$ 125.1	\$ 170.3

Long-term debt principally consists of the \$150 million of senior subordinated notes, the \$75 million term loan and the \$150 million revolving credit agreement (\$71.1 million was outstanding at December 25, 2004). Obligations under these agreements could be accelerated in event of non-compliance with covenants. At December 25, 2004, the Company was in compliance with all debt covenants.

Capital leases relate principally to a production facility in France and transportation and office equipment. Operating leases relate mainly to various production and office facilities and are in the normal course of business.

As of December 25, 2004, our interest obligations associated with our long-term debt and capital leases were as follows (in millions of dollars):

2005	\$ 17.1
2006-2007	33.0
2008-2009	28.2
After 2009	49.7

Unconditional purchase obligations relate to purchase orders for aluminum, zinc and steel for periods up to one year. We believe the quantities under contract are reasonable in light of normal fluctuations in business levels and we expect to use the commodities under contract during the contract period.

## OFF BALANCE SHEET ARRANGEMENTS

We have operating lease obligations to unaffiliated parties on leases of certain production and office facilities and equipment. These leases are in the normal course of business and generally contain no substantial obligations for us at the

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end of the lease contracts. The most significant operating lease is the lease of our corporate headquarters office building in Omaha, Nebraska. On this lease, we lease the entire office complex and sublease other office space in the complex to outside parties. The lease payments are based on the London Interbank

Offer Rate (LIBOR), plus a spread that varies depending on our financial leverage. The current lease obligation expires in 2008, at which time we may elect to 1) renew the lease at a negotiated rate and duration; 2) purchase the facility from the lessor for \$35 million; or 3) terminate the lease. In the event that we terminate the lease and the facility is sold for less than \$35 million, we are obligated to pay the difference between the sales price and \$35 million to the owner. This lease also contains certain covenants that are similar to those in our revolving credit agreement, including covenants related to financial leverage and coverage of certain fixed charges. The estimated fair value of the residual value guarantee is \$1.3 million, which we have classified on the balance sheet in "Other noncurrent liabilities". This lease was reviewed under the provisions of FAS Interpretation 46R ("Consolidation of Variable Interest Entities"), and we determined that we were not required to consolidate the lessor entity because we were not the primary beneficiary.

We also have certain commercial commitments related to contingent events that could create a financial obligation for us. Except as noted below, these commitments at December 25, 2004 are as follows (in millions of dollars):

Other Commercial Commitments	Total Amounts Committed	Commitment Expiration Period			
		2005	2006-2007	2008-2009	Thereafter
Standby Letters of Credit	\$ 2.8	\$ 1.8	—	1.0	—
Guarantees	2.9	0.4	—	2.5	—
Total commercial commitments	\$ 5.7	\$ 2.2	\$ —	3.5	\$ —

The above commitments include \$5.6 million in loan guarantees of non-consolidated subsidiaries in Argentina and Mexico and are in proportion to our ownership percentage of these companies or are accompanied by a guarantee from the majority owner to us. As prescribed by the Financial Accounting Standards Board (FASB) Interpretation 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), the fair value of the guarantees was \$1.1 million and is recorded in Other noncurrent liabilities on our December 25, 2004 balance sheet. We also maintain standby letters of credit for contract performance on certain sales contracts.

## MARKET RISK

### Changes in Prices

Certain key materials we use are commodities traded in worldwide markets and are subject to fluctuations in price. The most significant materials are steel, aluminum, zinc and natural gas. Over the last three years, hot-rolled steel prices have been volatile. In 2002, prices rose sharply early in the year before falling later in the year. In 2004, prices rose dramatically throughout much of the year. The volatility in price over time was due to such factors as fluctuations in supply, government tariffs and the costs of steel-making inputs. We have also experienced volatility in natural gas prices in the past several years. Our main strategies in managing these risks are a combination of fixed price purchase contracts with our vendors to minimize the impact of volatility in prices and sales price increases where possible. With respect to natural gas, we hedge a percentage of forecasted usage through the use of natural gas swap contracts. In 2004, these strategies as they pertain to steel were not as effective as in the past, as suppliers discontinued fixed price contracts and consignment programs.

### Risk Management

**Market Risk**—The principal market risks affecting us are exposure to interest rates, foreign currency exchange rates and natural gas. We normally do not use derivative financial instruments to hedge these exposures (except as described below), nor do we use derivatives for trading purposes.

**Interest Rates**—Our interest-bearing debt is a mix of fixed and variable rate debt. Assuming average interest rates and borrowings on variable rate debt, a hypothetical 10% change in interest rates would have an impact on interest expense of approximately \$0.8 million in 2004 and \$0.2 million in 2003.

**Foreign Exchange**—Exposures to transactions denominated in a currency other than the entity's functional currency are not material, and therefore the potential exchange losses in future earnings, fair value and cash flows from these transactions are immaterial. Much of our cash in non-U.S. entities is denominated in foreign currencies, where fluctuations in exchange rates will impact cash balances in U.S. dollar terms. A hypothetical 10% change in the value of the U.S. dollar would impact our reported cash balance by approximately \$2.1 million in 2004 and \$2.4 million in 2003.

We manage our investment risk in foreign operations by borrowing in the functional currencies of the foreign entities where appropriate. The following table indicates the change in the recorded value of our investments at year-end assuming a hypothetical 10% change in the value of the U.S. Dollar.

	2004		2003	
	(in millions)			
Europe	\$	5.0	\$	4.0
South America		0.7		0.7
Asia		2.2		1.6
South Africa		0.5		0.5

**Commodity risk - Natural gas** is a significant commodity used in our factories, especially in our Coatings segment galvanizing operations, where natural gas is used to heat tanks that enable the hot-dipped galvanizing process. Natural gas prices are volatile and we mitigate some of this volatility through the use of derivative commodity instruments. Our current policy is to hedge 25-50% of our U.S. natural gas requirements for the upcoming 6-12 months through purchase of natural gas swaps based on NYMEX futures prices for delivery in the month being hedged. The objective of this policy is to mitigate the impact on our earnings of sudden, significant increases in the price of natural gas. Annual U.S. gas requirements are approximately 700,000 MMBtu. We have hedged approximately 50% of our expected 2005 U.S. requirements through April 2005 and approximately 25% of our expected requirements for June 2005. The fair value of these instruments is based on quoted market prices from the NYMEX. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in price. As of December 25, 2004 our market risk exposure related to future natural gas requirements being hedged was approximately \$1.0 million based on a sensitivity analysis. Changes in the market value of these derivative instruments have a high correlation to changes in the spot price of natural gas. Since we forward price only a portion of our natural gas requirements, this hypothetical adverse impact on natural gas derivative instruments would be more than offset by lower costs for all natural gas we purchase.

## CRITICAL ACCOUNTING POLICIES

The following accounting policies involve judgments and estimates used in preparation of the consolidated financial statements. There is a substantial amount of management judgment used in preparing financial statements. We must make estimates on a number of items, such as provisions for bad debts, warranties, contingencies, impairments of long-lived assets, and inventory obsolescence. We base our estimates on our experience and on other assumptions that we believe are reasonable under the circumstances. Further, we re-evaluate our estimates from time to time and as circumstances change. Actual results may differ under different assumptions or conditions. The selection and application of our critical accounting policies are discussed periodically with our audit committee.

#### *Allowance for Doubtful Accounts*

In determining an allowance for accounts receivable that will not ultimately be collected in full, we consider:

- age of the accounts receivable
- customer credit history
- customer financial information
- reasons for non-payment (product, service or billing issues).

If our customer's financial condition were to deteriorate, resulting in an impairment in their ability to make payment, additional allowances may be required.

#### *Warranties*

All of our businesses must meet certain product quality and performance criteria. We rely on historical product claims data to estimate the cost of product warranties at the time revenue is recognized. In determining the accrual for the estimated cost of warranty claims, we consider our experience with:

- costs to correct the product problem in the field, including labor costs
- costs for replacement parts
- other direct costs associated with warranty claims
- the number of product units subject to warranty claims

In addition to known claims or warranty issues, we estimate future claims on recent sales. The key assumption in our estimate is the rate we apply to those recent sales, which is based on historical claims experience. If this estimated rate changed by 50%, the impact on operating income would be approximately \$1.7 million. If our cost to repair a product or the number of products subject to warranty claims is greater than we estimated, then we would have to increase our accrued cost for warranty claims.

#### *Inventories*

We use the last-in first-out (LIFO) method to determine the value of the majority of our inventory. The remainder of our inventory is valued on a first-in first-out (FIFO) basis. In periods of rising costs to produce inventory, the LIFO method will result in lower profits than FIFO, because higher more recent costs are recorded to cost of goods sold than under the FIFO method. Conversely, in periods of falling costs to produce inventory, the LIFO method will result in higher profits than the FIFO method.

In 2004, we experienced substantially higher costs to produce inventory than in 2003, due mainly to higher costs for steel and steel-related products. This resulted in higher cost of goods sold (and lower operating income) of approximately \$20.9 million than had all our inventory been valued on the FIFO method.

We write down slow-moving and obsolete inventory by the difference between the value of the inventory and our estimate of the reduced value based on potential future uses, the likelihood that overstocked inventory will be sold and the expected selling prices of the inventory. If our ability to realize value on slow-moving or obsolete inventory is less favorable than assumed, additional write-downs of the inventory may be required.

#### *Depreciation, Amortization and Impairment of Long-Lived Assets*

Our long-lived assets consist primarily of property, plant and equipment and intangible assets that were acquired in business acquisitions. We have assigned useful lives to our property, plant and equipment and certain intangible assets ranging from 3 to 40 years.

We annually evaluate our reporting units for goodwill impairment during the third fiscal quarter, which coincides with our strategic planning process. We value our reporting units using after-tax cash flows from operations (less capital expenditures) discounted to present value. The key assumptions are the discount rate and the annual free cash flow. We also use sensitivity analysis to determine the impact of changes in discount rates and cash flow forecasts on the valuation of the reporting units. As allowed for under SFAS 142, we rely on our previous valuations for the annual impairment testing provided that the following criteria for each reporting unit are met: (1) the assets and liabilities that make up the reporting unit have not changed significantly since the most recent fair value determination and (2) the most recent fair value determination resulted in an amount that exceeded the carrying amount of the reporting unit by a substantial margin.

In the case of most of our reporting units, the above criteria have been met and no further evaluation was required. If our assumptions about intangible assets change as a result of events or circumstances, and we believe the assets may have declined in value, then we may record impairment charges, resulting in lower profits. For example, in 2002, we determined that our investment in an irrigation dealer in North America was impaired, which resulted in a writedown of \$1.1 million.

Our indefinite-lived intangible assets consist of trade names and their values are separately assessed from goodwill as part of the annual impairment testing. This assessment is made using the relief-from-royalty method, under which the value of a trade name is determined based on a royalty that could be charged to a third party for using the trade name in question. The royalty, which is based on a reasonable rate applied against forecasted sales, is tax-effected and discounted to present value. The most significant assumptions in this evaluation include estimated future sales, the royalty rate and the after-tax discount rate. For our evaluation purposes, the royalty rates used vary between 1% and 2% of sales and the after-tax discount rate of 8.5%, which we estimate to be our after-tax cost of capital.

#### *Stock Options*

Our employees are periodically granted stock options by the Compensation Committee of the Board of Directors. As allowed under generally accepted accounting principles (GAAP), we do not record any compensation expense on the income statement with respect to options granted to employees and directors. Alternatively, under GAAP, we could have recorded a compensation expense based on the fair value of employee stock options. As described in Note 1 in the Consolidated Financial Statements, had we recorded a fair value-based compensation expense for stock options, earnings per share would have been \$0.07 to \$0.12 less than what was reported for each of the 2002, 2003 and 2004 fiscal years. On December 16, 2004, the FASB issued Statement No. 123 (revised 2004) (“SFAS No. 123R”), *Share-Based Payment*. SFAS No. 123R will require us to measure the cost of all employee stock-based compensation awards based on the grant date fair value of those awards and to record that cost as compensation expense over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). SFAS No. 123R is effective beginning in the company’s third quarter of fiscal 2005. We are currently evaluating how we will implement this new standard and the expected impact that the adoption of SFAS No. 123R will have on our results of operations and cash flows.

#### *Income Taxes*

We record a valuation allowance to reduce our deferred tax assets to an amount that is more likely than not to be realized. While future taxable income and tax-planning strategies are considered in assessing the need for the valuation allowance, if a deferred tax asset is estimated to be not fully realizable in the future, a valuation allowance to decrease the amount of the deferred tax asset would decrease net income in the period the determination was made. Likewise, should we subsequently determine that we would be able to realize all or part of a net deferred tax asset in the future, an adjustment reducing the valuation allowance would increase net earnings in the period such determination was made. At December 25, 2004, we had approximately \$2.8 million in deferred tax assets related mainly to tax credit carryforwards, with a valuation

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allowance of \$0.3 million. In 2004, we removed \$0.4 million of prior valuation allowances (and, accordingly, reduced our income tax expense), because we determined that, based on facts and circumstances, the realization of these deferred tax assets was more likely than not. If these circumstances change in the future, we may be required to increase or decrease the valuation allowance on these assets, resulting in an increase or decrease in income tax expense and a reduction or increase in net income. At December 25, 2004, we had deferred tax assets of \$2.1 million related to nonconsolidated subsidiaries which have been fully offset by a valuation adjustment.

#### *Recently Issued Accounting Pronouncements*

On December 16, 2004, the FASB issued Statement No. 123 (revised 2004) (“SFAS No. 123R”), *Share-Based Payment*. SFAS No. 123R will require the company to measure the cost of all employee stock-based compensation awards based on the grant date fair value of those awards and to record that cost as compensation expense over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). Excess tax benefits, as defined by this Statement, will be recognized as an addition to paid-in capital. SFAS No. 123R is effective beginning in the company’s third quarter of fiscal 2005. We are currently evaluating the expected impact that the adoption of SFAS No. 123R will have on our results of operations and cash flows.

In November 2004, the FASB issued Statement No. 151, *Inventory Costs*. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. Under this pronouncement, abnormal amounts of these costs are required to be charged against earnings rather than included in the cost of inventory on the balance sheet. SFAS No. 151 will be effective at the beginning of the company’s 2006 fiscal year. We do not believe this pronouncement will have a significant effect on our financial statements.

In December 2004, the FASB issued Statement No. 153, *Exchanges of Nonmonetary Assets*. SFAS No. 153 amends existing guidance regarding the accounting for nonmonetary exchanges of similar productive assets. Under this pronouncement, the accounting for exchanges of similar productive assets that are not expected to significantly change the future cash flows of an entity will be an exception to the general rule that exchanges are accounted for based on the relative fair values of the exchanged assets. This pronouncement is effective at the beginning of our third quarter of fiscal 2005. We do not believe this pronouncement will have a significant effect on our financial statements.

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

The information required is included under the captioned paragraph, “Risk Management” on page 32-33 of this report.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The following consolidated financial statements of the Company and its subsidiaries are included herein as listed below:

Consolidated Financial Statements

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated Statements of Operations—Three-Year Period Ended December 25, 2004](#)

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
Valmont Industries, Inc.  
Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of Valmont Industries, Inc. and subsidiaries (the "Company") as of December 25, 2004 and December 27, 2003, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 25, 2004. Our audits also included the financial statement schedule listed in Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Valmont Industries, Inc. and subsidiaries as of December 25, 2004 and December 27, 2003, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 25, 2004 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such 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 1, in 2003 the Company changed its method of accounting for variable interest entities and in 2002 the Company changed its method of accounting for goodwill and other intangible assets.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 25, 2004, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Omaha, Nebraska  
March 8, 2005

**Valmont Industries, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Three-year period ended December 25, 2004**  
**(Dollars in thousands, except per share amounts)**

	2004	2003	2002
Product sales	\$ 946,912	\$ 741,229	\$ 760,593
Services sales	84,563	96,396	94,305
Net sales	1,031,475	837,625	854,898
Product cost of sales	720,251	554,564	554,779
Services cost of sales	65,302	75,071	68,643
Total cost of sales	785,553	629,635	623,422
Gross profit	245,922	207,990	231,476
Selling, general and administrative expenses	175,810	153,367	161,187
Operating income	70,112	54,623	70,289
Other income (deductions):			
Interest expense	(16,073)	(9,897)	(11,722)
Interest income	1,333	1,095	1,048
Debt prepayment expenses	(9,860)	—	—
Miscellaneous	(679)	(276)	(337)
	(25,279)	(9,078)	(11,011)
Earnings before income taxes, minority interest, equity in earnings/(losses) of nonconsolidated subsidiaries and cumulative effect of change in accounting principle	44,833	45,545	59,278
Income tax expense (benefit):			

Current	20,828	11,684	17,777
Deferred	(4,701)	4,850	3,860
	<u>16,127</u>	<u>16,534</u>	<u>21,637</u>
Earnings before minority interest, equity in earnings/(losses) of nonconsolidated subsidiaries and cumulative effect of change in accounting principle	28,706	29,011	37,641
Minority interest	(2,397)	(2,222)	(1,170)
Equity in earnings/(losses) of nonconsolidated subsidiaries	572	(936)	(2,342)
Cumulative effect of change in accounting principle	—	(366)	(500)
Net earnings	<u>\$ 26,881</u>	<u>\$ 25,487</u>	<u>\$ 33,629</u>
Earning per share:			
Basic:			
Income from continuing operations before cumulative effect of change in accounting principle	\$ 1.13	\$ 1.09	\$ 1.42
Cumulative effect of change in accounting principle	—	(0.02)	(0.02)
Net earnings	<u>\$ 1.13</u>	<u>\$ 1.07</u>	<u>\$ 1.40</u>
Diluted:			
Income from continuing operations before cumulative effect of change in accounting principle	\$ 1.10	\$ 1.06	\$ 1.39
Cumulative effect of change in accounting principle	—	(0.01)	(0.02)
Net earnings	<u>\$ 1.10</u>	<u>\$ 1.05</u>	<u>\$ 1.37</u>
Cash dividends per share	<u>\$ 0.320</u>	<u>\$ 0.315</u>	<u>\$ 0.290</u>

See accompanying notes to consolidated financial statements.

**Valmont Industries, Inc. and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**December 25, 2004 and December 27, 2003**  
(Dollars in thousands, except per share amounts)

	2004	2003
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 30,210	\$ 33,345
Receivables, less allowance for doubtful receivables of \$5,372 in 2004 and \$4,363 in 2003	188,512	151,765
Inventories	186,988	116,475
Prepaid expenses	8,408	8,622
Refundable and deferred income taxes	14,387	10,903
Total current assets	<u>428,505</u>	<u>321,110</u>
Property, plant and equipment, at cost	493,997	448,678
Less accumulated depreciation and amortization	288,342	258,575
Net property, plant and equipment	<u>205,655</u>	<u>190,103</u>
Goodwill	106,022	56,022
Other intangible assets	63,337	14,358
Other assets	32,589	23,204
Total assets	<u>\$ 836,108</u>	<u>\$ 604,797</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current installments of long-term debt	\$ 7,962	\$ 15,009
Notes payable to banks	4,682	15,500
Accounts payable	69,979	63,256
Accrued expenses	66,506	55,856
Dividends payable	1,932	1,921
Total current liabilities	<u>151,061</u>	<u>151,542</u>
Deferred income taxes	42,639	22,748
Long-term debt, excluding current installments	314,813	134,653
Other noncurrent liabilities	22,833	22,116
Minority interest in consolidated subsidiaries	10,107	8,244
Commitments and contingencies		
Shareholders' equity:		
Preferred stock of \$1 par value		
Authorized 500,000 shares; none issued	—	—
Common stock of \$1 par value.		
Authorized 75,000,000 shares; issued 27,900,000 shares	27,900	27,900
Additional paid-in capital	—	—
Retained earnings	324,748	306,920
Accumulated other comprehensive income (loss)	3,499	(2,147)
	<u>356,147</u>	<u>332,673</u>
Less:		
Cost of common shares in treasury—3,737,773 shares in 2004 (4,074,847 shares in 2003)	59,200	65,975
Unearned restricted stock-102,666 shares in 2004 (51,333 shares in 2003)	2,292	1,204

Total shareholders' equity	294,655	265,494
Total liabilities and shareholders' equity	<u>\$ 836,108</u>	<u>\$ 604,797</u>

See accompanying notes to consolidated financial statements.

**Valmont Industries, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Three-year period ended December 25, 2004**  
**(Dollars in thousands)**

	2004	2003	2002
<b>Cash flows from operations:</b>			
Net earnings	\$ 26,881	\$ 25,487	\$ 33,629
Adjustments to reconcile net earnings to net cash flows from operations:			
Depreciation and amortization	38,644	34,597	33,942
Loss on sale of property, plant and equipment	1,127	802	1,083
Cumulative effect of change in accounting principle	—	366	500
Equity in (earnings)/losses in nonconsolidated subsidiaries	(572)	936	2,342
Minority interest in net losses of consolidated subsidiaries	2,397	2,222	1,170
Deferred income taxes	(4,701)	4,850	3,860
Other adjustments	2,131	881	(332)
Changes in assets and liabilities:			
Receivables	(13,253)	(10,515)	3,774
Inventories	(48,889)	8,999	(10,172)
Prepaid expenses	1,758	(3,249)	(235)
Accounts payable	(3,488)	2,203	284
Accrued expenses	5,987	(16,026)	10,625
Other noncurrent liabilities	718	1,170	(809)
Income taxes payable	(2,593)	7,058	(10,208)
Net cash flows from operations	<u>6,147</u>	<u>59,781</u>	<u>69,453</u>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(17,182)	(17,679)	(13,942)
Purchase of minority interest	—	(200)	(855)
Investment in nonconsolidated subsidiary	(2,450)	(1,715)	—
Acquisitions, net of cash acquired	(125,446)	—	—
Dividends to minority interests	(1,796)	(1,220)	(537)
Proceeds from sale of property, plant and equipment	2,333	645	2,961
Proceeds from sale to minority shareholder	—	76	1,253
Other, net	(6,132)	(1,023)	(2,606)
Net cash flows from investing activities	<u>(150,673)</u>	<u>(21,116)</u>	<u>(13,726)</u>
<b>Cash flows from financing activities:</b>			
Net borrowings (repayments) under short-term agreements	(22,495)	10,367	(8,171)
Proceeds from long-term borrowings	263,171	767	1,249
Principal payments on long-term obligations	(91,365)	(27,388)	(33,070)
Dividends paid	(7,654)	(7,414)	(6,758)
Proceeds from exercises under stock plans	6,305	1,192	8,591
Fees paid to issue debt	(5,520)	—	—
Purchase of common treasury shares:			
Stock repurchases	—	(3,351)	(14,250)
Stock plan exercises	(2,701)	(615)	(6,898)
Net cash flows from financing activities	<u>139,741</u>	<u>(26,442)</u>	<u>(59,307)</u>
Effect of exchange rate changes on cash and cash equivalents	1,650	1,608	(1,428)
Net change in cash and cash equivalents	(3,135)	13,831	(5,008)
Cash and cash equivalents—beginning of year	33,345	19,514	24,522
Cash and cash equivalents—end of year	<u>\$ 30,210</u>	<u>\$ 33,345</u>	<u>\$ 19,514</u>

See accompanying notes to consolidated financial statements.

**Valmont Industries, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**Three-year period ended December 25, 2004**  
**(Dollars in thousands, except per share amounts)**

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Unearned restricted stock	Total shareholders' equity
<b>Balance at December 29, 2001</b>	\$ 27,900	\$ —	\$ 264,854	\$ (11,957)	\$ (54,986)	\$ —	\$ 225,811
Comprehensive income:							
Net earnings	—	—	33,629	—	—	—	33,629
Currency translation adjustment	—	—	—	1,908	—	—	1,908

Total comprehensive income	—	—	—	—	—	—	35,537
Cash dividends (\$0.29 per share)	—	—	(6,952)	—	—	—	(6,952)
Purchase of treasury shares:							
Stock repurchases, 820,932 shares	—	—	—	—	(14,250)	—	(14,250)
Stock plan exercises, 291,935 shares	—	—	—	—	(6,898)	—	(6,898)
Stock options exercised;							
507,723 shares issued	—	(1,975)	(2,426)	—	10,916	—	6,515
Tax benefit from exercise of stock options	—	1,882	—	—	—	—	1,882
Stock awards; 18,795 shares issued	—	93	—	—	282	—	375
<b>Balance at December 28, 2002</b>	<b>27,900</b>	<b>—</b>	<b>289,105</b>	<b>(10,049)</b>	<b>(64,936)</b>	<b>—</b>	<b>242,020</b>
Comprehensive income:							
Net earnings	—	—	25,487	—	—	—	25,487
Currency translation adjustment	—	—	—	7,902	—	—	7,902
Total comprehensive income	—	—	—	—	—	—	33,389
Cash dividends (\$0.315 per share)	—	—	(7,543)	—	—	—	(7,543)
Purchase of treasury shares:							
Stock repurchases, 175,959 shares	—	—	—	—	(3,351)	—	(3,351)
Stock plan exercises, 29,224 shares	—	—	—	—	(615)	—	(615)
Stock options exercised; 75,876 shares issued	—	(141)	(129)	—	1,462	—	1,192
Tax benefit from exercise of stock options	—	146	—	—	—	—	146
Stock awards; 70,975 shares issued	—	(5)	—	—	1,465	(1,204)	256
<b>Balance at December 27, 2003</b>	<b>27,900</b>	<b>—</b>	<b>306,920</b>	<b>(2,147)</b>	<b>(65,975)</b>	<b>(1,204)</b>	<b>265,494</b>
Comprehensive income:							
Net earnings	—	—	26,881	—	—	—	26,881
Net derivative adjustment	—	—	—	(112)	—	—	(112)
Currency translation adjustment	—	—	—	5,758	—	—	5,758
Total comprehensive income	—	—	—	—	—	—	32,527
Cash dividends (\$0.32 per share)	—	—	(7,665)	—	—	—	(7,665)
Purchase of treasury shares:							
Stock plan exercises, 123,497 shares	—	—	—	—	(2,701)	—	(2,701)
Stock options exercised;							
397,238 shares issued	—	(1,344)	(1,388)	—	9,037	—	6,305
Tax benefit from exercise of stock options	—	1,091	—	—	—	—	1,091
Stock awards; 63,333 shares issued	—	253	—	—	439	(1,088)	(396)
<b>Balance at December 25, 2004</b>	<b>\$ 27,900</b>	<b>\$ —</b>	<b>\$ 324,748</b>	<b>\$ 3,499</b>	<b>\$ (59,200)</b>	<b>\$ (2,292)</b>	<b>\$ 294,655</b>

See accompanying notes to consolidated financial statements.

**Valmont Industries, Inc. and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Three-year period ended December 25, 2004**  
**(Dollars in thousands, except per share amounts)**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Consolidation*

The consolidated financial statements include the accounts of Valmont Industries, Inc. and its wholly and majority-owned subsidiaries (the Company). Investments in 20% to 50% owned affiliates are accounted for by the equity method and investments in less than 20% owned affiliates are accounted for by the cost method. All significant intercompany items have been eliminated. Certain 2003 items have been reclassified to conform with 2004 presentation.

*Operating Segments*

**ENGINEERED SUPPORT STRUCTURES:** This segment consists of the manufacture of engineered metal structures and components for the lighting and traffic and wireless communication industries, certain international utility industries and for other specialty applications;

**UTILITY SUPPORT STRUCTURES:** This segment consists of the manufacture of engineered steel and concrete structures primarily for the North American utility industry;

**COATINGS:** This segment consists of galvanizing, anodizing and powder coating services;

**IRRIGATION:** This segment consists of the manufacture of agricultural irrigation equipment and related parts and services; and

**TUBING:** This segment consists of the manufacture of tubular products for industrial customers.

*Fiscal Year*

The Company operates on a 52 or 53 week fiscal year with each year ending on the last Saturday in December. Accordingly, the Company's fiscal years ended December 25, 2004, December 27, 2003, and December 28, 2002, consisted of 52 weeks.

*Long-Lived Assets*

Property, plant and equipment are recorded at historical cost. The Company uses the straight-line method in computing depreciation and amortization for financial reporting purposes and generally uses accelerated methods for income tax purposes. The annual provisions for depreciation and amortization have been computed principally in accordance with the following ranges of asset lives: buildings 15 to 40 years, machinery and equipment 3 to 12 years, transportation equipment 3 to 24 years, office furniture and equipment 3 to 7 years and intangible assets 5 to 20 years.

An impairment loss is recognized if the carrying amount of an asset may not be recoverable and exceeds estimated future undiscounted cash flows of the asset. A recognized impairment loss reduces the carrying amount of the asset to its fair value. In 2002, the Company recognized an impairment loss of

\$1.1 million related to its nonconsolidated investment of an irrigation dealership in North America.

#### Change in Accounting

The Financial Accounting Standards Board (FAS) Interpretation No. 46R, "Consolidation of Variable Interest Entities" (FIN 46R), was revised in December 2003 and is applicable to public entities that have interests in variable interest

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entities for periods ending after December 15, 2003. Under FIN 46R, the assets, liabilities and results of operations of variable interest entities are required to be reported in the consolidated financial statements of their primary beneficiaries. The Company assessed its relationships with variable interest entities and determined that it is the primary beneficiary in a variable interest entity related to the Company's lease of transportation equipment. In the fourth quarter of 2003, the Company recorded a cumulative effect of a change in accounting of \$366 (net of related tax effects of \$210). In addition, the Company recorded a net increase to property, plant and equipment of \$9,305 and an increase to interest-bearing debt of \$9,881.

Effective December 30, 2001, the Company adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets." This standard established new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS 142, all amortization of goodwill and intangible assets with indefinite lives ceased effective December 30, 2001. Also, recorded goodwill was tested for impairment by comparing the fair value to its carrying value. Based on the initial impairment test, the Company recorded a cumulative effect of change in accounting principle of \$0.5 million in 2002 related to its investment in a consulting business in the Irrigation segment that provides environmental and wastewater management consulting services.

#### Income Taxes

The Company uses the asset and liability method to calculate deferred income taxes. Deferred tax assets and liabilities are recognized on temporary differences between financial statement and tax bases of assets and liabilities using enacted tax rates. The effect of tax rate changes on deferred tax assets and liabilities is recognized in income during the period that includes the enactment date.

#### Accumulated Other Comprehensive Income (Loss)

Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. Cumulative translation adjustments are included as a separate component of "Accumulated other comprehensive income (loss)". Accumulated other comprehensive income (loss) consisted of the following as of December 25, 2004, December 27, 2003 and December 28, 2002:

<u>(in thousands)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Foreign currency translation adjustment	\$ 3,611	\$ (2,147)	\$ (10,049)
Net derivative adjustment	(112)	—	—
Balance, end of period	<u>\$ 3,499</u>	<u>\$ (2,147)</u>	<u>\$ (10,049)</u>

#### Revenue Recognition

Revenue is recognized upon shipment of the product or delivery of the service to the customer, which coincides with passage of title and risk of loss to the customer. Customer acceptance provisions exist only in the design stage of our products. No general rights of return exist for customers once the product has been delivered.

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#### Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

#### Stock Options

The Company accounts for its stock plans under the recognition and measurement principles of APB Opinion 25, "Accounting for Stock Issued to Employees", and related Interpretations. No stock-based compensation cost is reflected in net income, as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Note 10 to the Consolidated Financial Statements provides a detailed discussion of the Company's stock option plans.

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provision of FASB Statement No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net earnings as reported	\$ 26,881	\$ 25,487	\$ 33,629
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	330	181	236
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	1,969	2,475	3,059
Pro forma	<u>\$ 25,242</u>	<u>\$ 23,193</u>	<u>\$ 30,806</u>

Earnings per share as reported:			
Basic	\$	1.13	\$ 1.07 \$ 1.40
Diluted	\$	1.10	\$ 1.05 \$ 1.37
Pro forma:			
Basic	\$	1.06	\$ 0.97 \$ 1.29
Diluted	\$	1.03	\$ 0.95 \$ 1.25

The fair value of each option grant commencing with grants made in 1996 was estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2004, 2003 and 2002:

	2004	2003	2002
Expected volatility	29%	35%	46%
Risk-free interest rate	3.01%	1.97%	1.95%
Expected life from vesting date	2.3 yrs.	2.3 yrs.	2.9 yrs.
Dividend yield	1.51%	1.53%	1.48%

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### Derivatives and financial instruments

The Company accounts for derivatives in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. SFAS No. 133 requires the recognition of derivatives in the balance sheet and the measurement of these instruments at fair value. Changes in the fair value of derivatives are recorded in earnings unless the normal purchase or sale exception applies or hedge accounting is elected.

The Company enters into derivative instruments consisting of swap agreements to fix prices for a portion of future natural gas usage requirements. These instruments have been designated, documented and assessed for hedge relationships, which resulted in cash flow hedges that require the Company to record these derivatives at their fair value as assets or liabilities on the balance sheet with an offset in "Accumulated other comprehensive income (loss)". Amounts are removed from "Accumulated other comprehensive income (loss)" as the underlying transactions occur and realized gains or losses are recorded.

### Recently Issued Accounting Pronouncements

On December 16, 2004, the FASB issued Statement No. 123 (revised 2004) ("SFAS No. 123R"), *Share-Based Payment*. SFAS No. 123R will require the company to measure the cost of all employee stock-based compensation awards based on the grant date fair value of those awards and to record that cost as compensation expense over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). Excess tax benefits, as defined by this Statement, will be recognized as an addition to paid-in capital. SFAS No. 123R is effective beginning in the company's third quarter of fiscal 2005. The Company is currently evaluating the expected impact that the adoption of SFAS No. 123R will have on its results of operations and cash flows.

In November 2004, the FASB issued Statement No. 151, *Inventory Costs*. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. Under this pronouncement, abnormal amounts of these costs are required to be charged against earnings rather than included in the cost of inventory on the balance sheet. SFAS No. 151 will be effective at the beginning of the company's 2006 fiscal year. The Company does not believe this pronouncement will have a significant effect on its financial statements.

In December 2004, the FASB issued Statement No. 153, *Exchanges of Nonmonetary Assets*. SFAS No. 153 amends existing guidance regarding the accounting for nonmonetary exchanges of similar productive assets. Under this pronouncement, the accounting for exchanges of similar productive assets that are not expected to significantly change the future cash flows of an entity will be an exception to the general rule that exchanges are accounted for based on the relative fair values of the exchanged assets. This pronouncement is effective at the beginning of the company's third quarter of fiscal 2005. The Company does not believe this pronouncement will have a significant effect on its financial statements.

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## (2) ACQUISITIONS

On April 16, 2004, the Company acquired all the outstanding shares of Newmark International, Inc. (Newmark), a manufacturer of concrete and steel pole structures serving primarily the electrical utility industry. The results of Newmark are included in the consolidated financial statements of the Company since that date. The Company finalized the purchase price allocation of this acquisition in 2004. The total cost of the acquisition (including transaction costs) was \$110,147 in cash, plus the assumption of \$11,506 of interest-bearing debt, which was repaid after the acquisition. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the acquisition.

	At April 16, 2004
Current assets	\$ 31,011
Property, plant and equipment	32,356
Intangible assets	48,107
Goodwill	42,628
Total assets acquired	154,102

Current liabilities	(17,614)
Deferred income taxes	(23,629)
Long-term debt	(2,712)
<b>Total liabilities assumed</b>	<b>(43,955)</b>
<b>Net assets acquired</b>	<b>\$ 110,147</b>

Of the \$48,107 of intangible assets, \$11,111 was assigned to trademarks and trade names that are not subject to amortization. The assets that make up the remainder of the acquired intangible assets are customer relationships of \$34,068 (20-year useful life), patents and proprietary technology of \$1,969 (weighted average useful life of 14.7 years), and computer software of \$959 (7-year useful life). The goodwill related to the acquisition was \$42,628 and was assigned to the Utility Support Structures segment. The reasons for the acquisition included broadening the Company's product line to include concrete support structures and combinations of steel and concrete structures to better meet customer needs, acquiring a trained workforce and experienced management team, and providing certain synergies to help the Company compete more effectively in the utility transmission and distribution structures industry.

On May 24, 2004, the Company acquired all the outstanding shares of W.J. Whatley, Inc. (Whatley), a manufacturer of fiberglass poles primarily serving street and area lighting customers. Whatley's operations are included in the Company's consolidated financial statements since the acquisition date. The total purchase price amounted to \$9,327 in cash (including transaction costs). Goodwill of \$6,831 was recognized as part of the purchase price allocation and was assigned to the Engineered Support Structures segment. The Company acquired Whatley to broaden its product line in lighting structures to include fiberglass poles, to acquire a trained workforce, and to gain leverage from combining the respective sales distribution groups.

On August 2, 2004, the Company acquired substantially all the net assets of Sigma Industries, Inc. (Sigma), a manufacturer of overhead sign structures mainly serving the eastern United States. Sigma's operations are included in the

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Company's consolidated financial statements since the acquisition date. The purchase price for the net assets of this business was \$6,285 in cash. Goodwill of \$395 was recognized as part of the purchase price allocation and was assigned to the Engineered Support Structures segment. The Company acquired Sigma to broaden its expertise in and coverage of the sign structures industry.

The Company's summary proforma results of operations for the fiscal years ended December 25, 2004 and December 27, 2003, assuming that the transactions occurred at the beginning of the periods presented are as follows:

	Fiscal Years Ended	
	December 25, 2004	December 27, 2003
Net sales	\$ 1,065,398	\$ 938,740
Net earnings	28,304	25,772
Proforma earnings per share — diluted	\$ 1.15	\$ 1.06

### (3) CASH FLOW SUPPLEMENTARY INFORMATION

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

	2004	2003	2002
Interest	\$ 14,995	\$ 9,947	\$ 11,701
Income taxes	21,533	4,294	26,233

### (4) INVENTORIES

At December 25, 2004, approximately 56% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured and finished goods. The excess of replacement cost of inventories over the LIFO value is approximately \$30,700 and \$9,800 at December 25, 2004 and December 27, 2003, respectively.

Inventories consisted of the following:

	2004	2003
Raw materials and purchased parts	\$ 121,484	\$ 63,121
Work-in-process	20,696	9,038
Finished goods and manufactured goods	75,526	54,087
Subtotal	217,706	126,246
LIFO reserve	30,718	9,771
Net inventory	\$ 186,988	\$ 116,475

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### (5) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consists of the following:

	2004	2003
Land and improvements	\$ 22,448	\$ 21,905
Buildings and improvements	133,311	115,914
Machinery and equipment	259,861	236,286
Transportation equipment	18,470	18,279
Office furniture and equipment	55,371	51,660
Construction in progress	4,536	4,634
	<u>\$ 493,997</u>	<u>\$ 448,678</u>

The Company leases certain facilities, machinery, computer equipment and transportation equipment under operating leases with unexpired terms ranging from one to fifteen years. Rental expense for operating leases amounted to \$10,208, \$9,202 and \$10,262 for fiscal 2004, 2003 and 2002, respectively.

Minimum lease payments under operating leases expiring subsequent to December 25, 2004 are:

Fiscal year ending	
2005	\$ 8,217
2006	6,964
2007	5,708
2008	3,445
2009	1,300
Subsequent	2,830
Total minimum lease payments	<u>\$ 28,464</u>

## (6) GOODWILL AND INTANGIBLE ASSETS

The Company's annual impairment testing of goodwill and other intangible assets was performed during the third quarter of 2004. As a result of that testing, it was determined the goodwill and other intangible assets on the Company's Consolidated Balance Sheet were not impaired.

### *Amortized Intangible Assets*

The components of amortized intangible assets at December 25, 2004 and December 27, 2003 are as follows:

	As of December 25, 2004		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	\$ 47,691	\$ 4,911	18 years
Proprietary Software & Database	2,609	1,335	6 years
Patents & Proprietary Technology	2,839	120	14 years
Non-compete Agreements	331	33	5 years
	<u>\$ 53,470</u>	<u>\$ 6,399</u>	

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	As of December 27, 2003		
	Gross Carrying Amount	Accumulated Amortization	Life
Customer Relationships	\$ 11,500	\$ 2,634	12 years
Proprietary Software & Database	1,650	908	5 years
	<u>\$ 13,150</u>	<u>\$ 3,542</u>	

Amortization expense for intangible assets was \$2,856, \$1,288 and \$1,288 for the fifty-two week periods ended December 25, 2004, December 27, 2003, and December 28, 2002, respectively. Estimated annual amortization expense related to amortized intangible assets is as follows:

	Estimated Amortization Expense
2005	\$ 3,606
2006	3,359
2007	3,276
2008	3,276
2009	3,244

### *Non-amortized intangible assets*

Under the provisions of SFAS 142, intangible assets with indefinite lives are not amortized. The carrying value of the PiRod, Newmark and Sigma trade names are \$4,750, \$11,111 and \$405, respectively. The Newmark and Sigma trade names arose from 2004 acquisitions, and the PiRod trade name (which arose from a 2001 acquisition) has not changed in the fifty-two weeks ended December 25, 2004.

The indefinite lived intangible assets were tested for impairment separately from goodwill in the third quarter of 2004. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names as reported on its Consolidated Balance Sheet were not impaired.

### *Goodwill*

The carrying amount of goodwill by segment as of December 25, 2004 was as follows:

	Engineered Support Structures Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Tubing Segment	Total
Balance December 27, 2003	\$ 12,587	\$ —	\$ 42,192	\$ 981	\$ 262	\$ 56,022
Acquisitions	7,226	42,628	—	—	—	49,854
Foreign Currency Translation	146	—	—	—	—	146
Balance December 25, 2004	<u>\$ 19,959</u>	<u>\$ 42,628</u>	<u>\$ 42,192</u>	<u>\$ 981</u>	<u>\$ 262</u>	<u>\$ 106,022</u>

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The carrying amount of goodwill by segment as of December 27, 2003 was as follows:

	Engineered Support Structures Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Tubing Segment	Total
Balance December 28, 2002	\$ 12,236	\$ —	\$ 42,192	\$ 981	\$ 262	\$ 55,671
Foreign Currency Translation	351	—	—	—	—	351
Balance December 27, 2003	<u>\$ 12,587</u>	<u>\$ —</u>	<u>\$ 42,192</u>	<u>\$ 981</u>	<u>\$ 262</u>	<u>\$ 56,022</u>

#### (7) BANK CREDIT ARRANGEMENTS

The Company maintains various lines of credit for short-term borrowings totaling \$26,322. The interest rates charged on these lines of credit vary in relation to the banks' costs of funds. The unused borrowings under the lines of credit were \$22,744 at December 25, 2004. The lines of credit can be modified at any time at the option of the banks. The Company pays no fees in connection with these lines of credit. In addition to the lines of credit, the Company also maintains other short-term bank loans. The weighted average interest rate on short-term borrowings was 2.64% at December 25, 2004 and 3.16% at December 27, 2003.

#### (8) INCOME TAXES

Income tax expense (benefit) consists of:

	2004	2003	2002
<b>Current:</b>			
Federal	\$ 12,725	\$ 5,299	\$ 12,874
State	1,206	738	1,192
Foreign	6,897	5,647	3,711
	<u>\$ 20,828</u>	<u>\$ 11,684</u>	<u>\$ 17,777</u>
<b>Deferred:</b>			
Federal	\$ (3,994)	\$ 4,402	\$ 3,351
State	(199)	170	348
Foreign	(508)	278	161
	<u>(4,701)</u>	<u>4,850</u>	<u>3,860</u>
	<u>\$ 16,127</u>	<u>\$ 16,534</u>	<u>\$ 21,637</u>

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The reconciliations of the statutory Federal income tax rate and the effective tax rate follows:

	2004	2003	2002
Statutory Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of Federal benefit	2.7%	1.6%	2.0%
Carryforwards, credits and changes in valuation allowances	(2.0)%	(1.0)%	(1.7)%
Other	0.3%	0.7%	1.2%
	<u>36.0%</u>	<u>36.3%</u>	<u>36.5%</u>

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and tax credit carryforwards. The tax effects of significant items comprising the Company's net deferred income tax liabilities are as follows:

	2004	2003
<b>Deferred income tax assets:</b>		
Accrued expenses and allowances	\$ 1,025	\$ 4,497
Accrued insurance	2,413	846
Tax credit and net operating loss carryforwards	2,686	1,690
Inventory allowances	7,501	2,449
Accrued warranty	1,533	1,682
Deferred compensation	9,101	9,387
Nonconsolidated subsidiaries	2,115	2,213
Gross deferred income tax assets		

Valuation allowance	26,374	22,764
Net deferred income tax assets	<u>(2,377)</u>	<u>(2,838)</u>
Deferred income tax liabilities:		
Property, plant and equipment	\$ 23,445	\$ 17,253
Intangible assets	22,164	1,119
Lease transactions	2,622	5,695
Other liabilities	6,447	7,704
Total deferred income tax liabilities	<u>54,678</u>	<u>31,771</u>
Net deferred income tax liabilities	<u>\$ 30,681</u>	<u>\$ 11,845</u>

At December 25, 2004 and at December 27, 2003, management of the Company reviewed recent operating results and projected future operating results. The Company's belief that realization of its net deferred tax assets is more likely than not is based on, among other factors, changes in operations that have occurred in recent years, as well as available tax planning strategies. Valuation allowances have been established for certain operating losses that reduce deferred tax assets to an amount that will, more likely than not, be realized. The currency translation adjustments in "Accumulated other comprehensive income (loss)" are not adjusted for income taxes as they relate to indefinite investments in non-US subsidiaries.

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Provision has not been made for United States income taxes on a portion of the undistributed earnings of the Company's foreign subsidiaries (approximately \$53,853 and \$42,583 at December 25, 2004 and December 27, 2003, respectively) because the Company intends to reinvest those earnings. Such earnings would become taxable upon the sale or liquidation of these foreign subsidiaries or upon remittance of dividends.

On October 22, 2004, the American Jobs Creation Act (AJCA) was signed into law. The AJCA includes a deduction of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. The Company may elect to apply this provision to qualifying earnings repatriations in fiscal 2005. The Company has started an evaluation of the effects of the repatriation provision; however, the Company does not expect to be able to complete this evaluation until after the Treasury Department provides additional clarification on key elements of the provision. The Company expects to complete its evaluation of the effects of the repatriation provision within a reasonable period of time following the publication of the additional clarifying language. The range of possible amounts that the Company is considering for repatriation under this provision is between zero and \$57,501. The related potential range of income tax is between zero and \$20,126.

## (9) LONG-TERM DEBT

	2004	2003
6.875% Senior Subordinated Notes(a)	\$ 150,000	\$ —
Term Loan(b)	75,000	—
6.80% to 8.08% promissory notes, unsecured	—	80,000
Revolving credit agreement(c)	71,100	40,000
6.91% secured loan(d)	9,496	9,881
IDR Bonds(e)	8,500	8,500
2.18% to 6.70% notes	8,679	11,281
Total long-term debt	<u>322,775</u>	<u>149,662</u>
Less current installments of long-term debt	<u>7,962</u>	<u>15,009</u>
Long-term debt, excluding current installments	<u>\$ 314,813</u>	<u>\$ 134,653</u>

- (a) The \$150 million of senior subordinated notes bear interest at 6.875% per annum and are due May 2014. The notes may be repurchased after five years at specified prepayment premiums and are guaranteed by certain U.S. subsidiaries of the Company.
- (b) The \$75 million term loan is with a group of banks and is unsecured. Principal payments are due beginning in 2005 through 2009. The term loan interest accrues at the Company's option at (i) the higher of the prime lending rate and the Federal Funds rate plus 50 basis points or (ii) LIBOR plus a spread of 75-175 basis points (inclusive of facility fees), depending on the Company's ratio of total debt to earnings before taxes, interest, depreciation and amortization (EBITDA). This loan may be prepaid at any time without penalty. The effective interest rate at December 25, 2004 was 4.125%.
- (c) The revolving credit agreement is an unsecured facility with a group of banks for a maximum of \$150,000. The facility has a termination date of May 4, 2009. The funds borrowed may be repaid at any time without penalty, or additional funds may be borrowed up to the facility limit. The revolving credit agreement interest accrues at the Company's option at (i) the higher of the prime lending rate and the Federal Funds rate plus 50 basis points or (ii) LIBOR plus a spread of 75-175 basis points (inclusive of facility fees), depending on

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the Company's ratio of total debt to EBITDA. The effective interest rate at December 25, 2004 was 3.7921%.

- (d) The secured loan is through a finance company and is related to transportation equipment. The loan payments are required until November 2010, with a payment of \$5.9 million due at the end of the loan. The loan may be prepaid at any time without penalty.
- (e) The Industrial Development Revenue Bonds were issued to finance the construction of a manufacturing facility in Jasper, Tennessee. Variable interest is payable until final maturity June 1, 2025. The effective interest rate at December 25, 2004 was 1.97%.

The lending agreements place certain restrictions on working capital, capital expenditures, payment of dividends, purchase of Company stock and additional borrowings. The Company is in compliance with all debt covenants at December 25, 2004.

The minimum aggregate maturities of long-term debt for each of the four years following 2005 are: \$8,797, \$18,119, \$25,538, and \$94,851.

**(10) STOCK PLANS**

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Compensation Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards and bonuses of common stock. At December 25, 2004, 1,108,631 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the market price at the time of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant. Expiration of grants is from six to ten years from the date of grant.

Following is a summary of the activity of the stock plans during 2002, 2003 and 2004:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 29, 2001	3,464,844	\$ 16.37
Granted	597,101	20.96
Exercised	(507,723)	(12.63)
Forfeited	(85,434)	(17.93)
Outstanding at December 28, 2002	3,468,788	\$ 17.67
Options exercisable at December 28, 2002	2,074,549	\$ 17.34
Weighted average fair value of options granted during 2002		\$ 8.88

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	Number of Shares	Weighted Average Exercise Price
Outstanding at December 28, 2002	3,468,788	\$ 17.67
Granted	326,300	22.81
Exercised	(75,876)	(15.81)
Forfeited	(15,032)	(18.44)
Outstanding at December 27, 2003	3,704,180	\$ 18.16
Options exercisable at December 27, 2003	2,651,056	\$ 17.75
Weighted average fair value of options granted during 2003		\$ 6.62
	Number of Shares	Weighted Average Exercise Price
Outstanding at December 27, 2003	3,704,180	\$ 18.16
Granted	399,337	24.09
Exercised	(411,238)	(16.13)
Forfeited	(65,863)	(24.49)
Outstanding at December 25, 2004	3,626,416	\$ 18.93
Options exercisable at December 25, 2004	2,737,698	\$ 17.86
Weighted average fair value of options granted during 2004		\$ 5.98

Following is a summary of the status of stock options outstanding at December 25, 2004:

Outstanding and Exercisable By Price Range					
Options Outstanding			Options Exercisable		
Exercise Price Range	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$ 6.00-16.69	1,360,913	4.68 years	\$ 14.84	1,271,580	\$14.97
17.28-21.78	1,231,424	4.53 years	19.69	1,148,557	19.66
21.80-25.23	1,034,079	8.00 years	23.40	317,561	22.90
	<u>3,626,416</u>			<u>2,737,698</u>	

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In accordance with shareholder-approved plans, the Company grants stock under various stock-based compensation arrangements, including restricted stock and stock issued in lieu of cash bonuses. Under each arrangement, stock is issued without direct cost to the employee. In addition, the

Company grants restricted stock units. The restricted stock units will be settled in Company stock when the restriction period ends. During fiscal 2004, 2003 and 2002, the Company granted restricted stock and restricted stock units to directors and certain management employees as follows (which are included in the above stock plan activity tables):

	2004	2003	2002
Shares issued	66,883	68,913	17,680
Weighted-average per share price on grant date	\$ 24.02	\$ 22.71	\$ 20.18
Compensation expense	\$ 532	\$ 286	\$ 372

At December 25, 2004, the amount of deferred stock-based compensation granted, but to be recognized over future periods, was approximately \$2,980.

#### (11) EARNINGS PER SHARE

The following table provides a reconciliation between Basic and Diluted earnings per share (EPS).

	Basic EPS	Dilutive Effect of Stock Options	Diluted EPS
<b>2004:</b>			
Net earnings	\$ 26,881	\$ —	\$ 26,881
Shares outstanding (000's)	23,889	631	24,520
Per share amount	\$ 1.13	\$ .03	\$ 1.10
<b>2003:</b>			
Net earnings	\$ 25,487	\$ —	\$ 25,487
Shares outstanding (000's)	23,805	553	24,358
Per share amount	\$ 1.07	\$ .02	\$ 1.05
<b>2002:</b>			
Net earnings	\$ 33,629	\$ —	\$ 33,629
Shares outstanding (000's)	23,947	609	24,556
Per share amount	\$ 1.40	\$ .03	\$ 1.37

At the end of fiscal years 2004, 2003, and 2002, there were 0.1 million, 0.1 million, and 0.4 million options outstanding, respectively, with exercise prices exceeding the market value of common stock that were therefore excluded from the computation of shares contingently issuable upon exercise of the options.

#### (12) TREASURY STOCK

Repurchased shares are recorded as "Treasury Stock" and result in a reduction of "Shareholders' Equity." When treasury shares are reissued, the Company uses the last-in, first-out method, and the difference between the repurchase cost and reissuance price is charged or credited to "Additional Paid-In Capital."

#### (13) EMPLOYEE RETIREMENT SAVINGS PLAN

Established under Internal Revenue Code Section 401(k), the Valmont Employee Retirement Savings Plan ("VERSP") is a defined contribution plan available to all eligible employees. Participants can elect to contribute up to 15% of annual pay, on a pretax and/or after-tax basis. The Company may also make basic, matching and/or supplemental contributions to the Plan. In addition, the Company has a money purchase pension plan and a profit sharing plan covering the employees of PiRod, Inc., which were merged into the VERSP plan in 2002. The 2004, 2003 and 2002 Company contributions to these plans amounted to approximately \$4,700, \$5,200 and \$5,700, respectively.

The Company also offers a fully-funded, non-qualified deferred contribution plan for certain Company executives who otherwise would be limited in making pretax contributions into VERSP under Internal Revenue Service regulations. The invested assets and related liabilities to these participants were approximately \$14.5 million and \$13.1 million at December 25, 2004 and December 27, 2003, respectively. Such amounts are included in "Other assets" and "Other noncurrent liabilities" on the Consolidated Balance Sheets.

#### (14) RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations in the year incurred. These costs are a component of "Selling, general & administrative expenses" on the Consolidated Statements of Operations. Research and development expenses were approximately \$5,500 in 2004, \$6,000 in 2003, and \$5,400 in 2002.

#### (15) DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, receivables, accounts payable, notes payable to banks and accrued expenses approximate fair value because of the short maturity of these instruments. The fair values of each of the Company's long-term debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's current borrowing rate for similar debt instruments of comparable maturity. The fair value estimates are made at a specific point in time and the underlying assumptions are subject to change based on market conditions. At December 25, 2004, the carrying amount of the Company's long-term debt was \$322,775 with an estimated fair value of approximately \$329,538. At December 27, 2003, the carrying amount of the Company's long-term debt was \$149,662 with an estimated fair value of approximately \$159,264.

#### (16) DERIVATIVE FINANCIAL INSTRUMENTS

The Company manages risk using derivative financial instruments to partially hedge the risk of increased natural gas supply prices on the Company's earnings. Derivative financial instruments have credit risk and market risk. To manage credit risk, the Company only enters into derivative transactions with counter-parties who are recognized, stable multinational banks.

The Company classifies a derivative financial instrument as a hedge if all of the following conditions are met:

1. The item to be hedged must expose the Company to currency, interest or price risk.
2. It must be probable that the results of the hedge position substantially offset the effects of currency, interest or price changes on the hedged item (e.g., there is a high correlation between the hedge position and changes in market value of the hedged item).
3. The derivative financial instrument must be designated as a hedge of the item at the inception of the hedge.

**Natural Gas Prices:** Natural gas supplies to meet production requirements of production facilities are purchased at market prices. Natural gas market prices are volatile and the Company effectively fixes prices for a portion of its natural gas usage requirements of certain of its U.S. facilities through the use of swaps. These contracts reference physical natural gas prices or appropriate NYMEX futures contract prices. While there is a strong correlation between the NYMEX futures contract prices and the Company's delivered cost of natural gas, the use of financial derivatives may not exactly offset the change in the price of physical gas. The contracts are traded in months forward and settlement dates are scheduled to coincide with gas purchases during that future period.

Annual consolidated purchase requirements are approximately 700,000 MMBtu. Derivative contracts and firm purchase commitments were in place at December 25, 2004 to cover approximately 50% of estimated natural gas requirements through April 2005 and approximately 25% of estimated requirements for June 2005.

A swap is a contract between the Company and a third party to exchange cash based on a designated price. Basis swap contracts require payments to or from the Company for the amount that monthly published gas prices from the source specified in the contract differ from prices of NYMEX natural gas futures during a specified period. There are no initial cash requirements related to swap and basis swap agreements. At December 25, 2004, the Company had open swaps totaling 160,000 MMBtu with a total unrealized loss of \$114. These swaps were accounted for as a cash flow hedge. The effective portion of the hedge was \$112 and is classified as "Accumulated other comprehensive income (loss)" in the Company's Consolidated Balance Sheet at December 25, 2004.

Gains and losses on settlement of these contracts and premium payments on option contracts are credited or charged to cost of sales in the month in which the hedged transaction closes. The risk and reward of outstanding natural gas positions are directly related to increases or decreases in natural gas prices in relation to the underlying NYMEX natural gas contract prices. Cash flows related to natural gas hedging are reported as cash flows from operating activities.

## (17) GUARANTEES

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). This Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees and standby letters of credit. It also requires, at the time a company issues a guarantee, the recognition of an initial liability for the fair value, or market value, of the obligations it assumes under the guarantee, and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations do not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002.

The Company has guaranteed the repayment of two bank loans of certain nonconsolidated equity investees. The guarantees continue until the loans, including accrued interest and fees, have been paid in full. The maximum amount of the guarantees may vary, but are limited to the sum of the total due and unpaid principal amounts, accrued and unpaid interest and any other related expenses. As of December 25, 2004, the maximum amount of the guarantees was approximately \$5.6 million. These loan guarantees are in proportion to our ownership percentage of these companies or are accompanied by a guarantee from the majority owner to the Company. In accordance with FIN 45, the Company recorded the fair value of

these guarantees of \$1.1 million in "Other noncurrent liabilities" at December 27, 2003 and is unchanged at December 25, 2004. In September 2003, the Company refinanced the synthetic lease on its corporate headquarters building. The lease has an initial term of 5 years and the Company may, at any time, elect to exercise a purchase option. If the Company elects not to purchase the building or renew the lease, the building is returned to the lessor for remarketing. As part of the new lease, the Company issued a residual value guarantee of \$30.1 million. In accordance with FIN 45, the Company recorded the fair value of that guarantee of \$1.7 million in "Other noncurrent liabilities" at December 27, 2003. The value of that guarantee is \$1.3 million at December 25, 2004.

The Company's product warranty accrual reflects management's best estimate of probable liability under its product warranties. Historical product claims data is used to estimate the cost of product warranties at the time revenue is recognized.

Changes in the product warranty accrual for the years ended December 25, 2004 and December 27, 2003 were as follows:

	2004	2003
Balance, beginning of period	\$ 6,961	\$ 5,571
Payments made	(7,971)	(6,330)
Change in liability for warranties issued during the period	7,278	6,310
Change in liability for pre-existing warranties	17	1,410
Balance, end of period		

**(18) STOCKHOLDERS' RIGHT PLAN**

Each share of common stock carries with it one half preferred stock purchase right ("Right"). The Right becomes exercisable ten days after a person (other than Robert B. Daugherty, the founder of the Company, and his related persons and entities) acquires or commences a tender offer for 15% or more of the Company's common stock. Each Right entitles the holder to purchase one one-thousandth of a share of a new series of preferred stock at an exercise price of \$100, subject to adjustment. The Right expires on December 19, 2005 and may be redeemed at the option of the Company at \$.01 per Right, subject to adjustment. Under certain circumstances, if (i) any person becomes an Acquiring Person or (ii) the Company is acquired in a merger or other business combination, each holder of a Right (other than the Acquiring Person) will have the right to receive, upon exercise of the Right, shares of common stock (of the Company under (i) and of the acquiring company under (ii)) having a value of twice the exercise price of the Right.

**(19) BUSINESS SEGMENTS**

In the fourth quarter of 2004, the Company reorganized its management structure to better serve the electrical utility industry by its North American steel and concrete utility businesses. The results of these operations were previously reported in the Engineered Support Structures Segment and the former Concrete Support Structures Segment, respectively. Net corporate expense is net of certain service-related expenses that are allocated to business units generally on the basis of employee headcounts and sales dollars. Figures for 2003 and 2002 have been reclassified to conform to the 2004 presentation.

Therefore, the Company reports its businesses as five reportable segments:

*ENGINEERED SUPPORT STRUCTURES:* This segment consists of the manufacture of engineered metal structures and components for the lighting and traffic and wireless communication industries, certain international utility industries and for other specialty applications;

*UTILITY SUPPORT STRUCTURES:* This segment consists of the manufacture of engineered steel and concrete structures primarily for the North American utility industry;

*COATINGS:* This segment consists of galvanizing, anodizing and powder coating services;

*IRRIGATION:* This segment consists of the manufacture of agricultural irrigation equipment and related parts and services; and

*TUBING:* This segment consists of the manufacture of tubular products for industrial customers.

In addition to these five reportable segments, the Company has other businesses that individually are not more than 10% of consolidated sales. These businesses, which include wind energy development, machine tool accessories and industrial fasteners, are reported in the "Other" category. Prior period information is presented in accordance with the current reportable segment structure.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its business segments based upon operating income and invested capital. The Company does not allocate interest expense, non-operating income and deductions, or income taxes to its business segments.

**Summary by Business Segments**

	2004	2003	2002
<b>SALES:</b>			
Engineered Support Structures segment:			
Lighting & Traffic	\$ 293,761	\$ 249,438	\$ 228,605
Specialty	92,281	69,926	77,490
Utility	14,891	10,634	7,106
Engineered Support Structures segment	400,933	329,998	313,201
Utility Support Structures segment:			
Steel	127,330	76,842	123,495
Concrete	49,042	—	—
Utility Support Structures segment	176,372	76,842	123,495
Coatings segment	88,080	103,692	111,704
Irrigation segment	297,985	280,780	264,844
Tubing segment	83,398	57,783	57,716
Other	17,976	17,676	16,974
Total	1,064,744	866,771	887,934
<b>INTERSEGMENT SALES:</b>			
Coatings	14,569	12,553	15,669
Irrigation	175	872	162
Tubing	14,765	12,950	12,326
Other	3,760	2,771	4,879
Total	33,269	29,146	33,036
<b>NET SALES:</b>			
Engineered Support Structures segment:			
Lighting & Traffic	293,761	249,438	228,605

Specialty	92,281	69,926	77,490
Utility	14,891	10,634	7,106
Engineered Support Structures segment	400,933	329,998	313,201
Utility Support Structures segment:			
Steel	127,330	76,842	123,495
Concrete	49,042	—	—
Utility Support Structures segment	176,372	76,842	123,495
Coatings segment	73,511	91,139	96,035
Irrigation segment	297,810	279,908	264,682
Tubing segment	68,633	44,833	45,390
Other	14,216	14,905	12,095
Total	\$ 1,031,475	\$ 837,625	\$ 854,898

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	2004	2003	2002
<b>OPERATING INCOME (LOSS):</b>			
Engineered Support Structures segment	\$ 31,607	\$ 26,258	\$ 26,890
Utility Support Structures segment	7,145	(5,557)	17,348
Coatings segment	4,231	6,798	13,832
Irrigation segment	35,442	34,574	30,827
Tubing segment	13,408	6,506	8,050
Other	(2,837)	(2,133)	(1,664)
Corporate	(18,884)	(11,823)	(24,994)
Total	70,112	54,623	70,289
Interest expense, net	(14,740)	(8,802)	(10,674)
Debt prepayment expense	(9,860)	—	—
Miscellaneous	(679)	(276)	(337)
Earnings before income taxes, minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries and cumulative effect of change in accounting principle	\$ 44,833	\$ 45,545	\$ 59,278

	2004	2003	2002
<b>TOTAL ASSETS:</b>			
Engineered Support Structures	\$ 296,729	\$ 256,785	\$ 226,431
Utility Support Structures	225,314	39,436	41,678
Coatings	83,195	93,140	97,537
Irrigation	143,927	140,833	136,800
Tubing	31,606	24,060	29,447
Other	9,023	5,633	4,328
Corporate	46,314	44,910	42,350
Total	\$ 836,108	\$ 604,797	\$ 578,571

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	2004	2003	2002
<b>CAPITAL EXPENDITURES:</b>			
Engineered Support Structures	\$ 6,288	\$ 9,317	\$ 4,979
Utility Support Structures	4,061	860	212
Coatings	1,484	1,919	5,414
Irrigation	2,922	4,072	1,993
Tubing	1,211	593	1,055
Other	415	298	163
Corporate	801	620	126
Total	\$ 17,182	\$ 17,679	\$ 13,942

	2004	2003	2002
<b>DEPRECIATION AND AMORTIZATION:</b>			
Engineered Support Structures	\$ 13,445	\$ 15,800	\$ 16,148
Utility Support Structures	6,733	697	780
Coatings	4,690	5,168	4,943
Irrigation	7,729	8,235	8,163
Tubing	1,968	2,076	1,973
Other	670	479	71
Corporate	3,409	2,142	1,864
Total	\$ 38,644	\$ 34,597	\$ 33,942

**Summary by Geographical Area by Location of Valmont Facilities:**

	2004	2003	2002
<b>NET SALES:</b>			
United States	\$ 800,015	\$ 630,479	\$ 687,802
France	67,323	61,663	50,826
Other	164,137	145,483	116,270

Total	\$	1,031,475	\$	837,625	\$	854,898
<b>OPERATING INCOME:</b>						
United States	\$	49,222	\$	35,795	\$	55,605
France		1,338		888		2,537
Other		19,552		17,940		12,147
Total	\$	70,112	\$	54,623	\$	70,289
<b>LONG-LIVED ASSETS:</b>						
United States	\$	372,246	\$	248,746	\$	250,870
France		12,451		13,417		12,807
Other		22,906		21,524		19,966
Total	\$	407,603	\$	283,687	\$	283,643

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No single customer accounted for more than 10% of net sales in 2004, 2003, or 2002. Net sales by geographical area are based on the location of the facility producing the sales. No foreign country other than that disclosed herein accounted for more than 5% of our net sales.

Operating income by business segment and geographical areas are based on net sales less identifiable operating expenses and allocations.

Long-lived assets consist of property, plant and equipment, net of depreciation, goodwill, other intangible assets and other assets. Long-lived assets by geographical area are based on location of facilities.

## (20) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION

On May 4, 2004, the Company completed a \$150,000 offering of 6 7/8% Senior Subordinated Notes. The Notes are guaranteed, jointly, severally, fully and unconditionally, on a senior subordinated basis by certain of the Company's current and future direct and indirect domestic subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

Condensed consolidated financial information for the Parent Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries is as follows:

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### Consolidated Statements of Operations For the Year ended December 25, 2004

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Product sales	\$ 588,679	\$ 133,731	\$ 282,338	\$ (57,836)	\$ 946,912
Services sales	50,123	34,288	14,721	(14,569)	84,563
Net sales	638,802	168,019	297,059	(72,405)	1,031,475
Product cost of sales	458,024	106,905	212,501	(57,179)	720,251
Services cost of sales	39,295	30,122	10,454	(14,569)	65,302
Total cost of sales	497,319	137,027	222,955	(71,748)	785,553
Gross profit	141,483	30,992	74,104	(657)	245,922
Selling, general and administrative expenses	100,374	25,003	50,433	—	175,810
Operating income	41,109	5,989	23,671	(657)	70,112
Other income (deductions):					
Interest expense	(15,048)	(19)	(1,132)	126	(16,073)
Interest income	159	4	1,296	(126)	1,333
Debt prepayment expenses	(9,860)	—	—	—	(9,860)
Miscellaneous	7	(1,919)	1,233	—	(679)
	(24,742)	(1,934)	1,397	—	(25,279)
Earnings before income taxes, minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries	16,367	4,055	25,068	(657)	44,833
Income tax expense:					
Current	9,345	2,188	9,295	—	20,828
Deferred	(3,036)	(544)	(1,121)	—	(4,701)
	6,309	1,644	8,174	—	16,127
Earnings before minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	10,058	2,411	16,894	(657)	28,706
Minority interest	—	—	(2,397)	—	(2,397)
Equity in earnings/(losses) of nonconsolidated subsidiaries	17,480	—	30	(16,938)	572
Net earnings	\$ 27,538	\$ 2,411	\$ 14,527	\$ (17,595)	\$ 26,881

Consolidated Statements of Operations  
For the Year Ended December 27, 2003

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Product sales	\$ 483,725	\$ 58,503	\$ 239,988	\$ (40,987)	\$ 741,229
Services sales	47,909	46,271	14,769	(12,553)	96,396
Net sales	531,634	104,774	254,757	(53,540)	837,625
Product cost of sales	366,883	48,722	180,450	(41,491)	554,564
Services cost of sales	37,910	39,036	10,678	(12,553)	75,071
Total cost of sales	404,793	87,758	191,128	(54,044)	629,635
Gross profit	126,841	17,016	63,629	504	207,990
Selling, general and administrative expenses	90,064	18,554	44,749	—	153,367
Operating income	36,777	(1,538)	18,880	504	54,623
Other income (deductions):					
Interest expense	(9,010)	(26)	(1,129)	268	(9,897)
Interest income	289	—	1,074	(268)	1,095
Miscellaneous	(410)	14	120	—	(276)
	(9,131)	(12)	65	—	(9,078)
Earnings before income taxes, minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries	27,646	(1,550)	18,945	504	45,545
Income tax expense:					
Current	8,328	(2,422)	5,778	—	11,684
Deferred	2,807	1,637	406	—	4,850
	11,135	(785)	6,184	—	16,534
Earnings before minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	16,511	(765)	12,761	504	29,011
Minority interest	—	—	(2,222)	—	(2,222)
Equity in earnings/(losses) of nonconsolidated subsidiaries	8,838	—	—	(9,774)	(936)
Cumulative effect of change in accounting principle	(366)	—	—	—	(366)
Net earnings	\$ 24,983	\$ (765)	\$ 10,539	\$ (9,270)	\$ 25,487

Consolidated Statements of Operations  
For the Year Ended December 28, 2002

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Product sales	\$ 525,566	\$ 77,684	\$ 205,696	\$ (48,353)	\$ 760,593
Services sales	55,461	44,027	10,486	(15,669)	94,305
Net sales	581,027	121,711	216,182	(64,022)	854,898
Product cost of sales	384,552	63,315	154,959	(48,047)	554,779
Services cost of sales	40,851	35,301	8,160	(15,669)	68,643
Total cost of sales	425,403	98,616	163,119	(63,716)	623,422
Gross profit	155,624	23,095	53,063	(306)	231,476
Selling, general and administrative expenses	104,685	19,617	36,885	—	161,187
Operating income	50,939	3,478	16,178	(306)	70,289
Other income (deductions):					
Interest expense	(10,532)	(58)	(1,537)	405	(11,722)
Interest income	562	7	884	(405)	1,048
Miscellaneous	35	21	(393)	—	(337)
	(9,935)	(30)	(1,046)	—	(11,011)
Earnings before income taxes, minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries	41,004	3,448	15,132	(306)	59,278
Income tax expense:					
Current	12,213	944	4,620	—	17,777
Deferred	3,340	478	42	—	3,860
	15,553	1,422	4,662	—	21,637
Earnings before minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	25,451	2,026	10,470	(306)	37,641
Minority interest	—	—	(1,170)	—	(1,170)

Equity in earnings/(losses) of nonconsolidated subsidiaries	8,484	—	—	(10,826)	(2,342)
Cumulative effect of change in accounting principle	—	—	(500)	—	(500)
Net earnings	\$ 33,935	\$ 2,026	\$ 8,800	\$ (11,132)	\$ 33,629

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CONSOLIDATED BALANCE SHEETS  
December 25, 2004

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 966	\$ 3,694	\$ 25,550	\$ —	\$ 30,210
Receivables, net	79,280	28,310	80,975	(53)	188,512
Inventories	95,922	38,488	53,802	(1,224)	186,988
Prepaid expenses	2,382	915	5,111	—	8,408
Refundable and deferred income taxes	9,389	3,042	1,956	—	14,387
Total current assets	187,939	74,449	167,394	(1,277)	428,505
Property, plant and equipment, at cost	321,074	72,727	100,196	—	493,997
Less accumulated depreciation and amortization	201,559	24,403	62,380	—	288,342
Net property, plant and equipment	119,515	48,324	37,816	—	205,655
Goodwill	20,370	73,375	12,277	—	106,022
Other intangible assets	832	59,771	2,734	—	63,337
Investment in subsidiaries and intercompany accounts	352,291	35,367	(8,566)	(379,092)	—
Other assets	32,554	41	1,894	(1,900)	32,589
Total assets	\$ 713,501	\$ 291,327	\$ 213,549	\$ (382,269)	\$ 836,108

**LIABILITIES AND SHAREHOLDERS'**

<b>EQUITY</b>					
Current liabilities:					
Current installments of long-term debt	\$ 4,860	\$ 26	\$ 3,076	\$ —	\$ 7,962
Notes payable to banks	—	—	4,682	—	4,682
Accounts payable	21,382	10,312	38,285	—	69,979
Accrued expenses	41,692	5,771	19,096	(53)	66,506
Dividends payable	1,932	—	—	—	1,932
Total current liabilities	69,866	16,109	65,139	(53)	151,061
Deferred income taxes	16,854	21,610	4,175	—	42,639
Long-term debt, excluding current installments	313,368	94	3,251	(1,900)	314,813
Other noncurrent liabilities	21,600	—	1,233	—	22,833
Minority interest in consolidated subsidiaries	—	—	10,107	—	10,107
Commitments and contingencies					
Shareholders' equity:					
Common stock of \$1 par value	27,900	14,249	14,448	(28,697)	27,900
Additional paid-in capital	—	159,081	67,721	(226,802)	—
Retained earnings	325,405	80,184	43,976	(124,817)	324,748
Accumulated other comprehensive loss	—	—	3,499	—	3,499
Treasury stock	(59,200)	—	—	—	(59,200)
Unearned restricted stock	(2,292)	—	—	—	(2,292)
Total shareholders' equity	291,813	253,514	129,644	(380,316)	294,655
Total liabilities and shareholders' equity	\$ 713,501	\$ 291,327	\$ 213,549	\$ (382,269)	\$ 836,108

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CONSOLIDATED BALANCE SHEETS  
December 27, 2003

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,982	\$ 612	\$ 30,751	\$ —	\$ 33,345
Receivables, net	60,935	17,660	73,269	(99)	151,765
Inventories	62,290	15,659	39,100	(574)	116,475
Prepaid expenses	2,978	451	5,193	—	8,622
Refundable and deferred income taxes	9,784	933	186	—	10,903
Total current assets	137,969	35,315	148,499	(673)	321,110
Property, plant and equipment, at cost	313,542	38,926	96,210	—	448,678
Less accumulated depreciation and amortization	183,524	18,748	56,303	—	258,575
Net property, plant and equipment	130,018	20,178	39,907	—	190,103
Goodwill	20,370	30,747	4,905	—	56,022

Other intangible assets	—	14,358	—	—	14,358
Investment in subsidiaries and intercompany accounts	190,685	50,271	4,073	(245,029)	—
Other assets	26,430	—	174	(3,400)	23,204
Deferred income taxes	—	2,757	—	(2,757)	—
<b>Total assets</b>	<b>\$ 505,472</b>	<b>\$ 153,626</b>	<b>\$ 197,558</b>	<b>\$ (251,859)</b>	<b>\$ 604,797</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>EQUITY</b>					
<b>Current liabilities:</b>					
Current installments of long-term debt	\$ 14,843	\$ 61	\$ 105	\$ —	\$ 15,009
Notes payable to banks	—	—	15,500	—	15,500
Accounts payable	15,340	7,893	40,023	—	63,256
Accrued expenses	34,240	4,587	17,128	(99)	55,856
Dividends payable	1,921	—	—	—	1,921
<b>Total current liabilities</b>	<b>66,344</b>	<b>12,541</b>	<b>72,756</b>	<b>(99)</b>	<b>151,542</b>
Deferred income taxes	22,641	—	2,864	(2,757)	22,748
Long-term debt, excluding current installments	128,191	120	9,742	(3,400)	134,653
Other noncurrent liabilities	20,081	—	2,035	—	22,116
Minority interest in consolidated subsidiaries	—	—	8,244	—	8,244
<b>Commitments and contingencies</b>					
<b>Shareholders' equity:</b>					
Common stock of \$1 par value	27,900	14,248	21,429	(35,677)	27,900
Additional paid-in capital	—	68,978	46,340	(115,318)	—
Retained earnings	307,494	57,739	36,295	(94,608)	306,920
Accumulated other comprehensive loss	—	—	(2,147)	—	(2,147)
Treasury stock	(65,975)	—	—	—	(65,975)
Unearned restricted stock	(1,204)	—	—	—	(1,204)
<b>Total shareholders' equity</b>	<b>268,215</b>	<b>140,965</b>	<b>101,917</b>	<b>(245,603)</b>	<b>265,494</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 505,472</b>	<b>\$ 153,626</b>	<b>\$ 197,558</b>	<b>\$ (251,859)</b>	<b>\$ 604,797</b>

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Year Ended December 25, 2004

	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total</u>
<b>Cash flows from operations:</b>					
Net earnings	\$ 27,538	\$ 2,411	\$ 14,527	\$ (17,595)	\$ 26,881
<b>Adjustments to reconcile net earnings to net cash flows from operations:</b>					
Depreciation and amortization	22,484	8,803	7,357	—	38,644
(Gain)/loss on sale of property, plant and equipment	517	9	601	—	1,127
Equity in (earnings)/losses of nonconsolidated subsidiaries	(542)	—	(30)	—	(572)
Minority interest	—	—	2,397	—	2,397
Deferred income taxes	(3,036)	(544)	(1,121)	—	(4,701)
Other adjustments	869	—	1,262	—	2,131
<b>Changes in assets and liabilities:</b>					
Receivables	(17,684)	2,444	1,941	46	(13,253)
Inventories	(33,665)	(8,043)	(6,531)	(650)	(48,889)
Prepaid expenses	1,033	259	466	—	1,758
Accounts payable	1,501	(278)	(4,711)	—	(3,488)
Accrued expenses	7,442	(1,591)	182	(46)	5,987
Other noncurrent liabilities	2,076	—	(1,358)	—	718
Income taxes payable	(2,442)	1,240	(1,391)	—	(2,593)
<b>Net cash flows from operations</b>	<b>6,091</b>	<b>4,710</b>	<b>13,591</b>	<b>(18,245)</b>	<b>6,147</b>
<b>Cash flows from investing activities:</b>					
Purchase of property, plant and equipment	(11,249)	(1,921)	(4,012)	—	(17,182)
Investment in nonconsolidated subsidiary	(2,450)	—	—	—	(2,450)
Acquisitions, net of cash acquired	(125,446)	—	—	—	(125,446)
Proceeds from minority interests	—	—	(1,796)	—	(1,796)
Proceeds from sale of property, plant and equipment	65	12	2,256	—	2,333
Other, net	(33,652)	11,849	(1,074)	16,745	(6,132)
<b>Net cash flows from investing activities</b>	<b>(172,732)</b>	<b>9,940</b>	<b>(4,626)</b>	<b>16,745</b>	<b>(150,673)</b>
<b>Cash flows from financing activities:</b>					
Net repayments under short-term agreements	—	(11,388)	(11,107)	—	(22,495)
Proceeds from long-term borrowings	263,100	—	71	—	263,171
Principal payments on long-term obligations	(87,905)	(180)	(4,780)	1,500	(91,365)
Dividends paid	(7,654)	—	—	—	(7,654)
Proceeds from exercises under stock plans	6,305	—	—	—	6,305
Debt issuance costs	(5,520)	—	—	—	(5,520)
<b>Purchase of common treasury shares:</b>					

Stock plan exercises	(2,701)	—	—	—	(2,701)
Net cash flows from financing activities	165,625	(11,568)	(15,816)	1,500	139,741
Effect of exchange rate changes on cash and cash equivalents	—	—	1,650	—	1,650
Net change in cash and cash equivalents	(1,016)	3,082	(5,201)	—	(3,135)
Cash and cash equivalents—beginning of year	1,982	612	30,751	—	33,345
Cash and cash equivalents—end of year	\$ 966	\$ 3,694	\$ 25,550	\$ —	\$ 30,210

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CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Year Ended December 27, 2003

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>Cash flows from operations:</b>					
Net earnings	\$ 24,983	\$ (765)	\$ 10,539	\$ (9,270)	\$ 25,487
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	22,656	4,945	6,996	—	34,597
(Gain)/loss on sale of property, plant and equipment	151	102	549	—	802
Cumulative effect of change in accounting Principle	366	—	—	—	366
Equity in (earnings)/losses of nonconsolidated subsidiaries	936	—	—	—	936
Minority interest	—	—	2,222	—	2,222
Deferred income taxes	2,807	1,637	406	—	4,850
Other adjustments	384	—	497	—	881
Changes in assets and liabilities:					
Receivables	(7,543)	(1,599)	(1,140)	(233)	(10,515)
Inventories	6,957	1,383	811	(152)	8,999
Prepaid expenses	(714)	(14)	(2,521)	—	(3,249)
Accounts payable	4,106	(3,962)	2,059	—	2,203
Accrued expenses	(14,678)	(3,200)	1,619	233	(16,026)
Other noncurrent liabilities	703	—	467	—	1,170
Income taxes payable	6,368	(685)	1,375	—	7,058
Net cash flows from operations	47,482	(2,158)	23,879	(9,422)	59,781
<b>Cash flows from investing activities:</b>					
Purchase of property, plant and equipment	(10,874)	(983)	(5,822)	—	(17,679)
Purchase of minority interest	—	—	(200)	—	(200)
Investment in nonconsolidated subsidiary	(2,001)	—	286	—	(1,715)
Proceeds from minority interests	—	—	(1,220)	—	(1,220)
Proceeds from sale of property, plant and equipment	190	26	429	—	645
Proceeds from sale to minority shareholder	—	—	76	—	76
Other, net	(4,127)	3,170	(8,388)	8,322	(1,023)
Net cash flows from investing activities	(16,812)	2,213	(14,839)	8,322	(21,116)
<b>Cash flows from financing activities:</b>					
Net borrowings under short-term agreements	—	—	10,367	—	10,367
Proceeds from long-term borrowings	101	—	666	—	767
Principal payments on long-term obligations	(26,767)	(134)	(1,587)	1,100	(27,388)
Dividends paid	(7,414)	—	—	—	(7,414)
Proceeds from exercises under stock plans	1,192	—	—	—	1,192
Purchase of common treasury shares:					
Stock repurchase program	(3,351)	—	—	—	(3,351)
Stock plan exercises	(615)	—	—	—	(615)
Net cash flows from financing activities	(36,854)	(134)	9,446	1,100	(26,442)
Effect of exchange rate changes on cash and cash equivalents	—	—	1,608	—	1,608
Net change in cash and cash equivalents	(6,184)	(79)	20,094	—	13,831
Cash and cash equivalents—beginning of year	8,166	691	10,657	—	19,514
Cash and cash equivalents—end of year	\$ 1,982	\$ 612	\$ 30,751	\$ —	\$ 33,345

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CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Year Ended December 28, 2002

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>Cash flows from operations:</b>					
Net earnings	\$ 33,935	\$ 2,026	\$ 8,800	\$ (11,132)	\$ 33,629

Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	22,906	5,177	5,859	—	33,942
(Gain)/loss on sale of property, plant and equipment	2,086	(1,138)	135	—	1,083
Cumulative effect of change in accounting Principle	—	—	500	—	500
Equity in (earnings)/losses of nonconsolidated subsidiaries	2,342	—	—	—	2,342
Minority interest	—	—	1,170	—	1,170
Deferred income taxes	3,340	478	42	—	3,860
Other adjustments	357	—	(689)	—	(332)
Changes in assets and liabilities:					
Receivables	9,864	7,657	(13,502)	(245)	3,774
Inventories	(5,268)	2,852	(7,955)	199	(10,172)
Prepaid expenses	(394)	(326)	485	—	(235)
Accounts payable	(4,274)	(539)	5,609	(512)	284
Accrued expenses	11,442	(2,791)	1,730	244	10,625
Other noncurrent liabilities	(849)	—	40	—	(809)
Income taxes payable	(10,453)	3,443	245	(3,443)	(10,208)
Net cash flows from operations	<u>65,034</u>	<u>16,839</u>	<u>2,469</u>	<u>(14,889)</u>	<u>69,453</u>
Cash flows from investing activities:					
Purchase of property, plant and equipment	(8,128)	(3,311)	(2,503)	—	(13,942)
Purchase of minority interest	—	—	(855)	—	(855)
Proceeds from minority interests	—	—	(537)	—	(537)
Proceeds from sale of property, plant and equipment	409	2,552	—	—	2,961
Proceeds from sale to minority shareholder	—	—	1,253	—	1,253
Other, net	(4,226)	(16,264)	5,495	12,389	(2,606)
Net cash flows from investing activities	<u>(11,945)</u>	<u>(17,023)</u>	<u>2,853</u>	<u>12,389</u>	<u>(13,726)</u>
Cash flows from financing activities:					
Net borrowings under short-term agreements	—	—	(8,171)	—	(8,171)
Proceeds from long-term borrowings	627	234	388	—	1,249
Principal payments on long-term obligations	(31,913)	(164)	(3,493)	2,500	(33,070)
Dividends paid	(6,758)	—	—	—	(6,758)
Proceeds from exercises under stock plans	8,591	—	—	—	8,591
Purchase of common treasury shares:					
Stock repurchase program	(14,250)	—	—	—	(14,250)
Stock plan exercises	(6,898)	—	—	—	(6,898)
Net cash flows from financing activities	<u>(50,601)</u>	<u>70</u>	<u>(11,276)</u>	<u>2,500</u>	<u>(59,307)</u>
Effect of exchange rate changes on cash and cash equivalents					
	—	—	(1,428)	—	(1,428)
Net change in cash and cash equivalents	2,488	(114)	(7,382)	—	(5,008)
Cash and cash equivalents—beginning of year	5,678	805	18,039	—	24,522
Cash and cash equivalents—end of year	<u>\$ 8,166</u>	<u>\$ 691</u>	<u>\$ 10,657</u>	<u>\$ ---</u>	<u>\$ 19,514</u>

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**QUARTERLY FINANCIAL DATA (Unaudited)**  
**(Dollars in thousands, except per share amounts)**

	Net Sales	Gross Profit	Net Earnings			Stock Price		Dividends Declared	
			Amount	Per Share		High	Low		
				Basic	Diluted				
<b>2004</b>									
First	\$ 215,897	\$ 51,280	\$ 5,501	\$ 0.23	\$ 0.22	\$ 23.66	\$ 19.35	\$ 0.080	
Second	266,013	66,080	2,812	0.12	0.12	23.03	19.67	0.080	
Third	262,890	61,100	7,104	0.30	0.29	22.97	19.40	0.080	
Fourth	286,675	67,462	11,464	0.48	0.47	25.97	20.53	0.080	
Year	<u>\$ 1,031,475</u>	<u>\$ 245,922</u>	<u>\$ 26,881</u>	<u>\$ 1.13</u>	<u>\$ 1.10</u>	<u>\$ 25.97</u>	<u>\$ 19.35</u>	<u>\$ 0.320</u>	
<b>2003</b>									
First	\$ 207,294	\$ 52,853	\$ 7,293	\$ 0.31	\$ 0.30	\$ 21.88	\$ 18.48	\$ 0.075	
Second	200,666	51,488	6,367	0.27	0.26	22.85	18.30	0.080	
Third	202,498	47,806	4,093	0.17	0.17	21.88	17.65	0.080	
Fourth	227,167	55,843	7,734	0.32	0.32	24.22	18.96	0.080	
Year	<u>\$ 837,625</u>	<u>\$ 207,990</u>	<u>\$ 25,487</u>	<u>\$ 1.07</u>	<u>\$ 1.05</u>	<u>\$ 24.22</u>	<u>\$ 17.65</u>	<u>\$ 0.315</u>	
<b>2002</b>									
First	\$ 208,648	\$ 55,233	\$ 6,769	\$ 0.28	\$ 0.28	\$ 21.40	\$ 14.15	\$ 0.065	
Second	225,090	61,082	10,306	0.43	0.42	21.40	16.61	0.075	
Third	205,504	54,803	8,050	0.33	0.32	25.15	18.32	0.075	

Fourth	215,656	60,358	8,504	0.36	0.35	25.50	17.24	0.075
Year	\$ 854,898	\$ 231,476	\$ 33,629	\$ 1.40	\$ 1.37	\$ 25.50	\$ 14.15	\$ 0.290

Earnings per share are computed independently for each of the quarters. Therefore, the sum of the quarterly earnings per share may not equal the total for the year.

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

None.

#### ITEM 9A. CONTROLS AND PROCEDURES.

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures provide reasonable assurance that such disclosure controls and procedures are effective in timely providing them with material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic Securities and Exchange Commission filings.

There have been no significant changes in the Company's internal controls over financial reporting during the fourth fiscal quarter for the period covered by this report that have materially affected, or are reasonably likely to materially affect, such internal controls.

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#### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Securities Exchange Act Rule 13a-15(f). The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's internal control over financial reporting. The Company's management used the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) to perform this evaluation. Based on that evaluation, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 25, 2004.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 25, 2004 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, a copy of which is included in this Annual Report on Form 10-K.

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#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
Valmont Industries, Inc.  
Omaha, Nebraska

We have audited management's assessment, included in the accompanying *Management's Report on Internal Control over Financial Reporting*, that Valmont Industries, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 25, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the

effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 25, 2004, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 25, 2004, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 25, 2004 of the Company and our report dated March 8, 2005 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Omaha, Nebraska  
March 8, 2005

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#### ITEM 9B. OTHER INFORMATION.

None.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Except for the information relating to the executive officers of the Company set forth in Part I of this 10-K Report, the information called for by items 10, 11, and 13 is incorporated by reference to the sections entitled "Corporate Governance", "Certain Shareholders", "Election of Directors", "Director Compensation", "Summary Compensation Table", "Stock Option Grants in Fiscal Year 2004", "Options Exercised in Fiscal Year 2004 and Fiscal Year End Values", "Compensation Committee Report on Executive Compensation", and "Long-Term Incentive Plans-Awards in Fiscal Year 2004" in the Proxy Statement.

#### ITEM 11. EXECUTIVE COMPENSATION.

See Item 10.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Incorporated herein by reference to "Certain Shareholders" in the Proxy Statement.

#### Equity Compensation Plan Information

The following table provides information about the Company's stock that may be issued upon exercise of options, warrants and rights under existing equity compensation plans as of December 25, 2004.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (including securities plans reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,626,416	18.43	1,108,631
Equity compensation plans not approved by security holders	—	—	—
Total	3,626,416		1,108,631

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See Item 10.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information called for by Item 14 is incorporated by reference to the sections titled "Ratification of Appointment of Independent Auditors" in the Proxy Statement.

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### PART IV



Mogens C. Bay

(Principal Executive Officer)

**Date**

/s/ TERRY J. MCCLAIN

Terry J. McClain

Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

3/8/05

**Date**

/S/ MARK C. JAKSICH

Mark C. Jaksich

Vice President and Controller  
(Principal Accounting Officer)

3/8/05

**Date**

Walter Scott, Jr.\*  
Thomas F. Madison\*  
Charles D. Peebler, Jr.\*  
Glen A. Barton\*

John E. Jones\*  
Kenneth E. Stinson\*  
Stephen R. Lewis, Jr.\*  
K.R. (Kaj) den Daas\*

\* Mogens C. Bay, by signing his name hereto, signs the Annual Report on behalf of each of the directors indicated on this 8th day of March, 2005. A Power of Attorney authorizing Mogens C. Bay to sign the Annual Report of Form 10-K on behalf of each of the indicated directors of Valmont Industries, Inc. has been filed herein as Exhibit 24.

By

/s/ MOGENS C. BAY

Mogens C. Bay  
*Attorney-in-Fact*

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### INDEX TO EXHIBITS

- Exhibit 3.1 — The Company's Certificate of Incorporation, as amended. This document was filed as Exhibit 3(i) to the Company's Annual Report on Form 10-K for the year ended December 27, 2003 and is incorporated herein by this reference.
- Exhibit 3.2 — The Company's By-Laws, as amended. This document was filed as Exhibit 3(ii) to the Company's Annual Report on Form 10-K for the year ended December 27, 2003 and is incorporated by this reference.
- Exhibit 4.1\* — Rights Agreement as of December 19, 1995, between the Company and First National Bank of Omaha as Rights Agent, with Certificate of Adjustment.
- Exhibit 4.2 — Amendment dated July 29, 2002 to Rights Agreement. This document was filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 2002 and is incorporated herein by this reference.
- Exhibit 4.3 — The Company's Credit Agreement with The Bank of New York dated May 4, 2004. This document was filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 27, 2004 and is incorporated herein by this reference.
- Exhibit 4.4 — Indenture relating to senior subordinated debt dated as of May 4, 2004, between Valmont Industries, Inc., as issuer and Wells Fargo Bank, National Association as trustee. This document was filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 27, 2004 and is incorporated herein by this reference.
- Exhibit 10.1 — The Company's 1988 Stock Plan and certain amendments. This document was filed as Exhibit 10(i) to the Company's Annual Report on Form 10-K for the year ended December 28, 2002 and is incorporated herein by this reference.
- Exhibit 10.2\* — The Company's 1996 Stock Plan.
- Exhibit 10.3\* — The Company's 1999 Stock Plan, as amended.
- Exhibit 10.4 — The Company's 2002 Stock Plan. This document was filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2002 and is incorporated herein by this reference.
- Exhibit 10.5 — Amendment No. 1 to Valmont 2002 Stock Plan. This document was filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 27, 2004 and is incorporated herein by this reference.
- Exhibit 10.6 — Form of Stock Option Agreement. This document was filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 25, 2004 and is incorporated herein by this reference.
- Exhibit 10.7 — Form of Restricted Stock Agreement. This document was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 19, 2004 and is incorporated herein by this reference.
- Exhibit 10.8 — The Valmont Executive Incentive Plan, as amended. This document was filed as Exhibit 10(iv) to the Company's Annual Report on Form 10-K for the year ended December 30, 2000 and is incorporated herein by this reference.
- Exhibit 10.9\* — Director Compensation summary.
- Exhibit 10.10 — The Amended Unfunded Deferred Compensation Plan for Nonemployee Directors. This document was filed as Exhibit 10(vi) to the Company's Annual Report on Form 10-K for the year ended December 27, 2003 and is incorporated herein by this reference.
- Exhibit 10.11 — VERSP Restoration Plan. This document was filed as Exhibit 10 to the Company's Registration Statement on Form S-8 (333-

Exhibit 21*	—	Subsidiaries of the Company.
Exhibit 23*	—	Consent of Deloitte & Touche LLP.
Exhibit 24*	—	Power of Attorney.
Exhibit 31.1*	—	Section 302 Certification of Chief Executive Officer.
Exhibit 31.2*	—	Section 302 Certification of Chief Financial Officer.
Exhibit 32.1*	—	Section 906 Certifications.

Pursuant to Item 601(b)(4) of Regulation S-K, certain instruments with respect to the registrant's long-term debt are not filed with this Form 10-K. Valmont will furnish a copy of such long-term debt agreements to the Securities and Exchange Commission upon request.

Management contracts and compensatory plans are set forth as exhibits 10.1 through 10.11.

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\* Filed herewith.

**VALMONT INDUSTRIES, INC.**  
**AND**  
**FIRST NATIONAL BANK OF OMAHA, AS RIGHTS AGENT**  
**RIGHTS AGREEMENT**

Dated as of December 19, 1995

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### **RIGHTS AGREEMENT**

Rights Agreement, dated as of December 19, 1995 (“Agreement”), between Valmont Industries, Inc., a Delaware corporation (the “Company”), and First National Bank of Omaha, as Rights Agent (the “Rights Agent”).

The Board of Directors of the Company has authorized and declared a dividend of one preferred share purchase right (a “Right”) for each share of Common Stock (as hereinafter defined) of the Company outstanding as of the Close of Business (as defined below) on January 8, 1996 (the “Record Date”), each Right representing the right to purchase one one-thousandth (subject to adjustment) of a share of Preferred Stock (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right (subject to adjustment as provided herein) with respect to each share of Common Stock that shall become outstanding between the Record Date and the earlier of the Distribution Date and the Expiration Date (as such terms are hereinafter defined); provided, however, that Rights may be issued with respect to shares of Common Stock that shall become outstanding after the Distribution Date and prior to the Expiration Date in accordance with Section 22.

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

1. Certain Definitions. For purposes of this Agreement, the following terms have the meaning indicated:

a. “Acquiring Person” shall mean any Person (as such term is hereinafter defined) who or which shall be the Beneficial Owner (as such term is hereinafter defined) of 15% or more of the shares of Common Stock then outstanding, but shall not include an Exempt Person (as such term is hereinafter defined); provided, however, that (i) if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an “Acquiring Person” became such inadvertently (including, without limitation, because (A) such Person was unaware that it beneficially owned a percentage of Common Stock that would otherwise cause such Person to be an “Acquiring Person” or (B) such Person was aware of the extent of its Beneficial Ownership of Common Stock but had no actual knowledge of the consequences of such Beneficial Ownership under this Agreement) and without any intention of changing or influencing control of the Company, and if such Person as promptly as practicable divested or divests itself of Beneficial Ownership of a sufficient number of shares of Common Stock so that such Person would no longer be an “Acquiring Person,” then such Person shall not be deemed to be or to have become an “Acquiring Person” for any purposes of this Agreement; and (ii) if, as of the date hereof, any Person is the Beneficial Owner of a number of shares of Common Stock that would otherwise cause such Person to be an “Acquiring Person”, such Person shall not be or become an “Acquiring Person” unless and until such time as such Person shall become the Beneficial Owner of additional shares of Common Stock (other than pursuant to a dividend or distribution paid or made by the Company on the outstanding Common Stock in shares of Common Stock or pursuant to a split or subdivision of the outstanding Common Stock), unless, upon becoming the Beneficial Owner of such additional shares of Common Stock, such Person is not then the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding. No Person shall become an “Acquiring Person” as the result of an acquisition of shares of Common Stock by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares of Common Stock beneficially owned by such Person to 15% or more of the shares of Common Stock then outstanding, provided, however, that if a Person shall become the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding by reason of such share acquisitions by the Company and shall thereafter become the Beneficial Owner of any additional shares of Common Stock, then such Person shall be deemed to be an “Acquiring Person” unless upon becoming the Beneficial Owner of such additional shares of Common Stock such Person does not beneficially own 15% or more of the shares of Common Stock then outstanding. For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as in effect on the date hereof.

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b. “Affiliate” and “Associate” shall have the respective meanings scribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date hereof.

c. A Person shall be deemed the “Beneficial Owner” of, shall be deemed to have “Beneficial Ownership” of and shall be deemed to “beneficially own” any securities:

i. which such Person or any of such Person’s Affiliates or is deemed to beneficially own, directly or indirectly, within the meaning of Rule 13d-3 of the General Rules and Regulations under the Exchange Act as in effect on the date hereof;

ii. which such Person or any of such Person’s Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (x) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person’s Affiliates or Associates until such tendered

securities are accepted for purchase, (y) securities which such Person has a right to acquire upon the exercise of Rights at any time prior to the time that any Person becomes an Acquiring Person or (z) securities issuable upon the exercise of Rights from and after the time that any Person becomes an Acquiring Person if such Rights were acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) or Section 22 hereof ("Original Rights") or pursuant to Section 11(i) or Section 11(n) with respect to an adjustment to Original Rights; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security by reason of such agreement, arrangement or understanding if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

iii. which are beneficially owned, directly or indirectly, by any other Person and with respect to which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(c)(ii)(B)) or disposing of such securities of the Company; provided, however, that no Person who is an officer, director or employee of an Exempt Person shall be deemed, solely by reason of such Person's status or authority as such, to be the "Beneficial Owner" of, to have "Beneficial Ownership" of or to "beneficially own" any securities that are "beneficially owned" (as defined in this Section 1(c)), including, without limitation, in a fiduciary capacity, by an Exempt Person or by any other such officer, director or employee of an Exempt Person.

d. "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Nebraska or the city in which the principal office of the Rights Agent is located are authorized or obligated by law or executive order to close.

e. "Close of Business" on any given date shall mean 5:00 P.M., Omaha, Nebraska time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., Omaha, Nebraska time, on the next succeeding Business Day.

f. "Common Stock" when used with reference to the Company shall mean the Common Stock, presently par value \$1.00 per share, of the Company.

"Common Stock" when used with reference to any Person that the Company shall mean the common stock (or, in the case of an unincorporated entity, the equivalent equity interest) with the greatest voting power of such other Person or, if such other Person is a subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

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g. "Common Stock Equivalents" shall have the meaning set forth in Section 11(a)(iii) hereof.

h. "Current Value" shall have the meaning set forth in Section 11(a)(iii) hereof.

i. "Distribution Date" shall have the meaning set forth in Section 3 hereof.

j. "Equivalent Preferred Shares" shall have the meaning set forth in Section 11(b) hereof.

k. "Exempt Person" shall mean (i) the Company or any Subsidiary (as such term is hereinafter defined) of the Company, in each case including, without limitation, in its fiduciary capacity, or any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity or trustee holding Common Stock for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for employees of the Company or of any Subsidiary of the Company, and (ii) any Grandfathered Person. A Grandfathered Person shall be:

i. Robert B. Daugherty, his spouse and his children (such persons collectively defined as the "Daugherty Family Members");

ii. any trust previously established by a Daugherty Family Member, any estate of, or the executor or administrator of any estate of, or any guardian or custodian for, a Daugherty Family Member who dies after the date of this Agreement (such trusts, estates, executors, administrators or guardians or custodians collectively defined as the "Daugherty Family Entities"), or any trust established after the date hereof by one or more Daugherty Family Members or Daugherty Family Entities, provided that one or more Daugherty Family Members or Daugherty Family Entities, collectively, are the beneficiaries of at least 80% of the actuarially-determined beneficial interests in such estate or trust;

iii. any charitable organization which qualifies as an exempt organization under Section 501(c) of the Internal Revenue Code of 1986, as amended ("Charitable Organization") which is established by one or more Daugherty Family Members or Daugherty Family Entities (a "Daugherty Family Charitable Organization"); and

iv. any corporation, partnership or other entity of which at least 80% of the voting power and at least 80% of the equity interest is held, directly or indirectly, by or for the benefit of one or more Daugherty Family Members, Daugherty Family Entities, or Daugherty Family Charitable Organizations; provided, however, that a Grandfathered Person shall cease to be a Grandfathered Person at the time that (i) all or any part of its interest in the Common Stock becomes reportable on a Schedule 13D under the Securities Exchange Act of 1934, as amended (or any comparable or successor report) as part of a "group" (as such term is defined or used under Rule 13d-5(b) of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended) which beneficially owns, directly or indirectly, 15% or more of the then outstanding Common Shares and includes one or more persons (including any Affiliate or Associate thereof) who (A) are not Grandfathered Persons and (B) individually or in the aggregate beneficially own, directly or indirectly, in excess of 1% of the then outstanding Common Stock or (ii) the Grandfathered Persons in the aggregate beneficially own 35% or more of the then outstanding Common Shares unless such ownership threshold is exceeded as a result of the acquisition of shares of Common Stock by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares of Common Stock beneficially owned by such Grandfathered Persons in the aggregate to 35% or more of the shares of Common Stock then outstanding, provided, however, that if the Grandfathered Persons in the aggregate shall become the Beneficial Owners of 35% or more of the shares of Common Stock then outstanding by reason of such share acquisitions by the Company and shall thereafter in the aggregate become the Beneficial Owners of any additional shares of Common Stock, then each such Grandfathered Person shall cease to be a Grandfathered Person, unless upon becoming in the aggregate the Beneficial Owners of such additional shares of Common Stock (other than pursuant to a dividend or distribution paid or made by the Company on the outstanding Common Stock in shares of Common Stock or pursuant to a split or

subdivision of the outstanding Common Stock), the Grandfathered Persons in the aggregate do not beneficially own 35% or more of the shares of Common Stock then outstanding.

- l. "Exchange Ratio" shall have the meaning set forth in Section 24 hereof.
- m. "Expiration Date" shall have the meaning set forth in Section 7 hereof.

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- n. "Flip-In Event" shall have the meaning set forth in Section 11(a)(ii) hereof.
- o. "Final Expiration Date" shall have the meaning set forth in Section 7 hereof.
- p. "NASDAQ" shall mean The NASDAQ Stock Market.
- q. "New York Stock Exchange" shall mean the New York Stock Exchange, Inc.
- r. "Person" shall mean any individual, firm, corporation, partnership, limited liability company, trust or other entity, and shall include any successor (by merger or otherwise) to such entity.
- s. "Preferred Stock" shall mean the Series A Junior Participating Preferred Stock, par value \$1.00 per share, of the Company having the rights and preferences set forth in the Form of Certificate of Designation attached to this Rights Agreement as Exhibit A.
- t. "Principal Party" shall have the meaning set forth in Section 13(b) hereof.
- u. "Redemption Date" shall have the meaning set forth in Section 7 hereof.
- v. "Redemption Price" shall have the meaning set forth in Section 23 hereof.
- w. "Right Certificate" shall have the meaning set forth in Section 3 hereof.
- x. "Securities Act" shall mean the Securities Act of 1933, as amended.
- y. "Section 11(a)(ii) Trigger Date" shall have the meaning set forth in Section 11(a)(iii) hereof.
- z. "Spread" shall have the meaning set forth in Section 11(a)(iii) hereof.
- aa. "Stock Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such, or such earlier date as a majority of the Board of Directors shall become aware of the existence of an Acquiring Person.
- bb. "Subsidiary" of any Person shall mean any corporation or other entity of which securities or other ownership interests having ordinary voting power sufficient to elect a majority of the board of directors or other persons performing similar functions are beneficially owned, directly or indirectly, by such Person, and any corporation or other entity that is otherwise controlled by such Person.
- cc. "Substitution Period" shall have the meaning set forth in Section 11(a)(iii) hereof.
- dd. "Summary of Rights" shall have the meaning set forth in Section 3 hereof.
- ee. "Trading Day" shall have the meaning set forth in Section 11(d)(i) hereof.

2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date be the holders of Common Stock) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable.

### 3. Issue of Right Certificates.

a. Until the Close of Business on the earlier of (i) the tenth day after the Stock Acquisition Date or (ii) the tenth Business Day (or such later date as may be determined by action of the Board of Directors prior to such time as any

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Person becomes an Acquiring Person) after the date of the commencement by any Person (other than an Exempt Person) of, or of the first public announcement of the intention of such Person (other than an Exempt Person) to commence, a tender or exchange offer the consummation of which would result in any Person (other than an Exempt Person) becoming the Beneficial Owner of shares of Common Stock aggregating 15% or more of the Common Stock then outstanding (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Stock registered in the names of the holders thereof and not by separate Right Certificates, and (y) the Rights will be transferable only in connection with the transfer of Common Stock. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Stock as of the close of business on the Distribution Date (other than any Acquiring Person or any Associate or Affiliate of an

Acquiring Person), at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right (subject to adjustment as provided herein) for each share of Common Stock so held. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

b. On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Shares of Preferred Stock, in substantially the form of Exhibit C hereto (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of Common Stock as of the Close of Business on the Record Date (other than any Acquiring Person or any Associate or Affiliate of any Acquiring Person), at the address of such holder shown on the records of the Company. With respect to certificates for Common Stock outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with the Summary of Rights. Until the Distribution Date (or, if earlier, the Expiration Date), the surrender for transfer of any certificate for Common Stock outstanding on the Record Date, with or without a copy of the Summary of Rights, shall also constitute the transfer of the Rights associated with the Common Stock represented thereby.

c. Certificates issued for Common Stock (including, without limitation, upon transfer of outstanding Common Stock, disposition of Common Stock out of treasury stock or issuance or reissuance of Common Stock out of authorized but unissued shares) after the Record Date but prior to the earlier of the Distribution Date and the Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between Valmont Industries, Inc. and First National Bank of Omaha, as Rights Agent, dated as of December 19, 1995 as the same may be amended from time to time (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Valmont Industries, Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Valmont Industries, Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights owned by or transferred to any Person who is or becomes an Acquiring Person (as defined in the Rights Agreement) and certain transferees thereof will become null and void and will no longer be transferable.

With respect to such certificates containing the foregoing legend, until the Distribution Date the Rights associated with the Common Stock represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate, except as otherwise provided herein, shall also constitute the transfer of the Rights associated with the Common Stock represented thereby. In the event that the Company purchases or otherwise acquires any Common Stock after the Record Date but prior to the Distribution Date, any Rights associated with such Common Stock shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Stock which are no longer outstanding.

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Notwithstanding this paragraph (c), the omission of a legend shall not affect the enforceability of any part of this Agreement or the rights of any holder of the Rights.

4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof) shall be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or interdealer quotation system on which the Rights may from time to time be listed or quoted, or to conform to usage. Subject to the provisions of Sections 11, 13 and 22 hereof, the Right Certificates shall entitle the holders thereof to purchase such number of one one-thousandths of a share of Preferred Stock as shall be set forth therein at the price per one one-thousandth of a share of Preferred Stock set forth therein (the "Purchase Price"), but the number of such one one-thousandths of a share of Preferred Stock and the Purchase Price shall be subject to adjustment as provided herein.

5. Countersignature and Registration.

a. The Right Certificates shall be executed on behalf of the Company by the Chief Executive Officer of the Company, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof and shall be attested by the Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the Person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any Person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Agreement any such Person was not such an officer.

b. Following the Distribution Date, the Rights Agent will keep or cause to be kept, at an office or agency designated for such purpose, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates.

a. Subject to the provisions of Sections 7(e), 11(a)(ii) and 14 hereof, at any time after the Distribution Date and prior to the Expiration Date, any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-thousandths of a share of Preferred Stock as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the office or agency of the Rights Agent designated for such purpose. Thereupon the Rights Agent shall countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

b. Subject to the provisions of Section 11(a)(ii) hereof, at any time after the Distribution Date and prior to the Expiration Date, upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of

Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

7. Exercise of Rights, Purchase Price; Expiration Date of Rights.

a. Except as otherwise provided herein, the Rights shall become exercisable on the Distribution Date, and thereafter the registered holder of any Right Certificate may, subject to Section 11(a)(ii) hereof and except as otherwise provided herein, exercise the Rights evidenced thereby in whole or in part upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the office or agency of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price with respect to the total number of one one-thousandths of a share of Preferred Stock (or other securities, cash or other assets, as the case may be) as to which the Rights are exercised, at any time which is both after the Distribution Date and prior to the time (the "Expiration Date") that is the earliest of (i) the Close of Business on December 19, 2005 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date") or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

b. The Purchase Price shall be initially \$100.00 for each one one-thousandth of a share of Preferred Stock purchasable upon the exercise of a Right. The Purchase Price and the number of one one-thousandths of a share of Preferred Stock or other securities or property to be acquired upon exercise of a Right shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) of this Section 7.

c. Except as otherwise provided herein, upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the aggregate Purchase Price for the shares of Preferred Stock to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof, in cash or by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Stock certificates for the number of shares of Preferred Stock to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) requisition from the depository agent depository receipts representing interests in such number of one one-thousandths of a share of Preferred Stock as are to be purchased (in which case certificates for the Preferred Stock represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company hereby directs the depository agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) promptly after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, promptly deliver such cash to or upon the order of the registered holder of such Right Certificate.

d. Except as otherwise provided herein, in case the registered holder of any Right Certificate shall exercise less than all of the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the exercisable Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

e. Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of Rights upon the occurrence of any purported transfer or exercise of Rights pursuant to Section 6 hereof or this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of assignment or form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such transfer or exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) thereof as the Company shall reasonably request.

8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall

be canceled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Right Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

9. Availability of Shares of Preferred Stock.

a. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock or any shares of Preferred Stock held in its treasury, the number of shares of Preferred Stock that will be sufficient to permit the exercise in full of all outstanding Rights.

b. So long as the shares of Preferred Stock (and, following the time that any Person becomes an Acquiring Person, shares of Common Stock and other securities) issuable upon the exercise of Rights may be listed or admitted to trading on any national securities exchange, or quoted on NASDAQ, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed or admitted to trading on such exchange, or quoted on NASDAQ, upon official notice of issuance upon such exercise.

c. From and after such time as the Rights become exercisable, the Company shall use its best efforts, if then necessary to permit the issuance of shares of Preferred Stock (and, following the time that any Person becomes an Acquiring Person, shares of Common Stock and other securities) upon the

exercise of Rights, to register and qualify such shares of Preferred Stock (and, following the time that any Person becomes an Acquiring Person, shares of Common Stock and other securities) under the Securities Act and any applicable state securities or "Blue Sky" laws (to the extent exemptions therefrom are not available), cause such registration statement and qualifications to become effective as soon as possible after such filing and keep such registration and qualifications effective until the earlier of the date as of which the Rights are no longer exercisable for such securities and the Expiration Date. The Company may temporarily suspend, for a period of time not to exceed 90 days, the exercisability of the Rights in order to prepare and file a registration statement under the Securities Act and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction unless the requisite qualification in such jurisdiction shall have been obtained and until a registration statement under the Securities Act (if required) shall have been declared effective.

d. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all shares of Preferred Stock (and, following the time that any Person becomes an Acquiring Person, shares of Common Stock and other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates therefor (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

e. The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any shares of Preferred Stock (or shares of Common Stock or other securities) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Stock (or shares of Common Stock or other securities) in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or deliver any certificates or depositary receipts for Preferred Stock (or shares of Common Stock or other securities) upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by that holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

10. Preferred Stock Record Date. Each Person in whose name any certificate for Preferred Stock is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the shares of

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Preferred Stock represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Stock transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Stock transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Stock for which the Rights shall be exercisable, including, without limitation, the right to vote or to receive dividends or other distributions, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

11. Adjustment of Purchase Price, Number and Kind of Shares and Number of Rights. The Purchase Price, the number of shares of Preferred Stock or other securities or property purchasable upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

a. (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding Preferred Stock, (C) combine the outstanding Preferred Stock into a smaller number of shares of Preferred Stock or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open, the holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to Section 24 of this Agreement, in the event any Person becomes an Acquiring Person (the first occurrence of such event being referred to hereinafter as the "Flip-In Event"), then (A) the Purchase Price shall be adjusted to be the Purchase Price in effect immediately prior to the Flip-In Event multiplied by the number of one one-thousandths of a share of Preferred Stock for which a Right was exercisable immediately prior to such Flip-In Event, whether or not such Right was then exercisable, and (B) each holder of a Right, except as otherwise provided in this Section 11(a)(ii) and Section 11(a)(iii) hereof, shall thereafter have the right to receive, upon exercise thereof at a price equal to the Purchase Price (as so adjusted), in accordance with the terms of this Agreement and in lieu of shares of Preferred Stock, such number of shares of Common Stock as shall equal the result obtained by dividing the Purchase Price (as so adjusted) by 50% of the current per share market price of the Common Stock (determined pursuant to Section 11(d) hereof) on the date of such Flip-In Event; provided, however, that the Purchase Price (as so adjusted) and the number of shares of Common Stock so receivable upon exercise of a Right shall, following the Flip-In Event, be subject to further adjustment as appropriate in accordance with Section 11(f) hereof.

Notwithstanding anything in this Agreement to the contrary, however, from and after the Flip-In Event, any Rights that are beneficially owned by (x) any Acquiring Person (or any Affiliate or Associate of any Acquiring Person), (y) a transferee of any Acquiring Person (or any such Affiliate or Associate) who becomes a transferee after the Flip-In Event or (z) a transferee of any Acquiring Person (or any such Affiliate or Associate) who became a transferee prior to or concurrently with the Flip-In Event pursuant to either (I) a transfer from the Acquiring Person to holders of its equity securities or to any Person with whom it has any continuing agreement, arrangement or understanding regarding the transferred Rights or (II) a transfer which the Board of Directors has determined is part of a plan, arrangement or understanding which has the purpose or effect of avoiding the provisions of this paragraph, and subsequent transferees of such Persons, shall be void without any further action and any holder of such Rights shall thereafter have no rights whatsoever with respect to such Rights under any provision of this Agreement. The Company shall use all reasonable efforts to ensure that the provisions of this Section 11(a)(ii) are complied with, but shall have no liability to any holder of Right Certificates or other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder. From and after the Flip-In Event, no Right Certificate shall be

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issued pursuant to Section 3 or Section 6 hereof that represents Rights that are or have become void pursuant to the provisions of this paragraph, and any Right Certificate delivered to the Rights Agent that represents Rights that are or have become void pursuant to the provisions of this paragraph shall be canceled. From and after the occurrence of an event specified in Section 13(a) hereof, any Rights that theretofore have not been exercised pursuant to this Section 11(a)(ii) shall thereafter be exercisable only in accordance with Section 13 and not pursuant to this Section 11(a)(ii).

(iii) The Company may at its option substitute for a share of Common Stock issuable upon the exercise of Rights in accordance with the foregoing subparagraph (ii) a number of shares of Preferred Stock or fraction thereof such that the current per share market price of one share of Preferred Stock multiplied by such number or fraction is equal to the current per share market price of one share of Common Stock. In the event that there shall not be sufficient shares of Common Stock issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Board of Directors shall, to the extent permitted by applicable law and any material agreements then in effect to which the Company is a party (A) determine the excess (such excess, the "Spread") of (1) the value of the shares of Common Stock issuable upon the exercise of a Right in accordance with the foregoing subparagraph (ii) (the "Current Value") over (2) the Purchase Price (as adjusted in accordance with the foregoing subparagraph (ii)), and (B) with respect to each Right (other than Rights which have become void pursuant to the foregoing subparagraph (ii)), make adequate provision to substitute for the shares of Common Stock issuable in accordance with the foregoing subparagraph (ii) upon exercise of the Right and payment of the Purchase Price (as adjusted in accordance therewith), (1) cash, (2) a reduction in such Purchase Price, (3) shares of Preferred Stock or other equity securities of the Company (including, without limitation, shares or fractions of shares of preferred stock which, by virtue of having dividend, voting and liquidation rights substantially comparable to those of the shares of Common Stock, are deemed in good faith by the Board of Directors to have substantially the same value as the shares of Common Stock (such shares of Preferred Stock and shares or fractions of shares of preferred stock are hereinafter referred to as "Common Stock Equivalents")), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having a value which, when added to the value of the shares of Common Stock actually issued upon exercise of such Right, shall have an aggregate value equal to the Current Value (less the amount of any reduction in such Purchase Price), where such aggregate value has been determined by the Board of Directors upon the advice of a nationally recognized investment banking firm selected in good faith by the Board of Directors; provided, however, that if the Company shall not make adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the Flip-In Event (the "Section 11(a) (ii) Trigger Date"), then the Company shall be obligated to deliver, to the extent permitted by applicable law and any material agreements then in effect to which the Company is a party, upon the surrender for exercise of a Right and without requiring payment of such Purchase Price, shares of Common Stock (to the extent available), and then, if necessary, such number or fractions of shares of Preferred Stock (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If, upon the occurrence of the Flip-In Event, the Board of Directors shall determine in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, then, if the Board of Directors so elects, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a) (ii) Trigger Date, in order that the Company may seek stockholder approval for the authorization of such additional shares (such thirty (30) day period, as it may be extended, is herein called the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the second and/or third sentence of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 11(a)(ii) hereof and the last sentence of this Section 11(a)(iii) hereof, that such action shall apply uniformly to all outstanding Rights and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such second sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the shares of Common Stock shall be the current per share market price (as determined pursuant to Section 11(d)(i)) on the Section 11(a)(ii) Trigger Date and the per share or fractional value of any "Common Stock equivalent" shall be deemed to equal the current per share market price of the Common Stock. The Board of Directors of the Company may, but shall not be required to, establish procedures to allocate the right to receive shares of Common Stock upon the exercise of the Rights among holders of Rights pursuant to this Section 11(a)(iii).

b. In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Stock entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Stock (or shares having the same rights, privileges and preferences as the Preferred Stock ("equivalent preferred shares")) or securities convertible into Preferred Stock or equivalent preferred shares at a price per share of Preferred Stock or equivalent preferred shares (or having a conversion price per share, if a security convertible into shares of Preferred Stock or equivalent preferred shares) less than the then current per share market price of the Preferred Stock (determined pursuant to Section 11(d) hereof) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Preferred Stock and equivalent preferred shares outstanding on such record date plus the number of shares of Preferred Stock and equivalent preferred shares which the aggregate offering price of the total number of shares of Preferred Stock and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price, and the denominator of which shall be the number of shares of Preferred Stock and equivalent preferred shares outstanding on such record date plus the number of additional shares of Preferred Stock and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Shares of Preferred Stock and equivalent preferred shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

c. In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Stock) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Preferred Stock (determined pursuant to Section 11(d) hereof) on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one share of Preferred Stock, and the denominator of which shall be such current per share market price (determined pursuant to Section 11(d) hereof) of the Preferred Stock; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such

adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

d. (i) Except as otherwise provided herein, for the purpose of any computation hereunder, the “current per share market price” of any security (a “Security” for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security, and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked

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prices, regular way, in either case as reported by the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term “Trading Day” shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day. (ii) For the purpose of any computation hereunder, if the Preferred Stock is publicly traded, the “current per share market price” of the Preferred Stock shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Stock is not publicly traded but the Common Stock is publicly traded, the “current per share market price” of the Preferred Stock shall be conclusively deemed to be the current per share market price of the Common Stock as determined pursuant to Section 11(d)(i) multiplied by the then applicable Adjustment Number (as defined in and determined in accordance with the Certificate of Designation for the Preferred Stock). If neither the Common Stock nor the Preferred Stock is publicly traded, “current per share market price” shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

e. No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one hundred-thousandth of a share of Preferred Stock or share of Common Stock or other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the Expiration Date.

f. If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than the Preferred Stock, thereafter the Purchase Price and the number of such other shares so receivable upon exercise of a Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Sections 11(a), 11(b), 11(c), 11(e), 11(h), 11(i) and 11(m) hereof, as applicable, and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Stock shall apply on like terms to any such other shares.

g. All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-thousandths of a share of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

h. Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-thousandths of a share of Preferred Stock (calculated to the nearest one hundred-thousandth of a share of Preferred Stock) obtained by (i) multiplying (x) the number of one one-thousandths of a share covered by a Right immediately prior to such adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

i. The Company may elect on or after the date of any adjustment of the Purchase Price pursuant to Sections 11(a)(i), 11(b) or 11(c) hereof to adjust the number of Rights, in substitution for any adjustment in the number of one

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one-thousandths of a share of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-thousandths of a share of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one-hundredth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company may, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment.

Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

j. Irrespective of any adjustment or change in the Purchase Price or the number of one one-thousandths of a share of Preferred Stock issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-thousandths of a share of Preferred Stock which were expressed in the initial Right Certificates issued hereunder.

k. Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, of the fraction of Preferred Stock or other shares of capital stock issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Preferred Stock or other such shares at such adjusted Purchase Price.

l. In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

m. Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such adjustments in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Stock, issuance wholly for cash of any shares of Preferred Stock at less than the current market price, issuance wholly for cash of Preferred Stock or securities which by their terms are convertible into or exchangeable for Preferred Stock, dividends on Preferred Stock payable in shares of Preferred Stock or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such stockholders.

n. Anything in this Agreement to the contrary notwithstanding, in the event that at any time after the date of this Rights Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Stock payable in Common Stock or (ii) effect a subdivision, combination or consolidation of the Common Stock (by reclassification or otherwise than by payment of a dividend payable in Common Stock) into a greater or lesser number of shares of Common Stock, then, in each such case, the number of Rights associated with each share of

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Common Stock then outstanding, or issued or delivered thereafter, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock immediately prior to such event by a fraction the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock outstanding immediately following the occurrence of such event.

o. The Company agrees that, after the earlier of the Distribution Date or the Stock Acquisition Date, it will not, except as permitted by Sections 23, 24 or 27 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or eliminate the benefits intended to be afforded by the Rights.

12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Stock and the Preferred Stock a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof (if so required under Section 25 hereof). The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall not be deemed to have knowledge of any such adjustment unless and until it shall have received such certificate.

13. Consolidation, Merger or Sale or Transfer of Assets or Earnings Power.

a. In the event, directly or indirectly, at any time after the Flip-In Event (i) the Company shall merge with and into any other Person, (ii) any Person shall consolidate with the Company, or any Person shall merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Stock shall be changed into or exchanged for stock or other securities of any other Person (or of the Company) or cash or any other property, or (iii) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person (other than the Company or one or more wholly owned Subsidiaries of the Company), then upon the first occurrence of such event, proper provision shall be made so that: (A) each holder of a Right (other than Rights which have become void pursuant to Section 11(a)(ii) hereof) shall thereafter have the right to receive, upon the exercise thereof at the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof), in accordance with the terms of this Agreement and in lieu of shares of Preferred Stock or Common Stock of the Company, such number of validly authorized and issued, fully paid, non-assessable and freely tradable shares of Common Stock of the Principal Party (as such term is hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall equal the result obtained by dividing the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof) by 50% of the current per share market price of the Common Stock of such Principal Party (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; provided, however, that the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof) and the number of shares of Common Stock of such Principal Party so receivable upon exercise of a Right shall be subject to further adjustment as appropriate in accordance with Section 11(f) hereof to reflect any events occurring in respect of the Common Stock of such Principal Party after the occurrence of such consolidation, merger, sale or transfer; (B) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Rights Agreement; (C) the term "Company" shall thereafter be deemed to refer to such Principal Party; and (D) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its shares of Common Stock in accordance with Section 9 hereof) in connection with such consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the shares of its Common Stock thereafter deliverable upon the exercise of the Rights; provided that, upon the subsequent occurrence of any consolidation, merger, sale or transfer of assets or other extraordinary transaction in respect of such Principal

Party, each holder of a Right shall thereupon be entitled to receive, upon exercise of a Right and payment of the Purchase Price as provided in this Section 13(a), such cash, shares, rights, warrants and other property which such holder would have been entitled to receive had such holder,

at the time of such transaction, owned the Common Stock of the Principal Party receivable upon the exercise of a Right pursuant to this Section 13(a), and such Principal Party shall take such steps (including, but not limited to, reservation of shares of stock) as may be necessary to permit the subsequent exercise of the Rights in accordance with the terms hereof for such cash, shares, rights, warrants and other property.

b. "Principal Party" shall mean (i) in the case of any transaction described in (i) or (ii) of the first sentence of Section 13(a) hereof: (A) the Person that is the issuer of the securities into which the shares of Common Stock are converted in such merger or consolidation, or, if there is more than one such issuer, the issuer the shares of Common Stock of which have the greatest aggregate market value of shares outstanding, or (B) if no securities are so issued, (x) the Person that is the other party to the merger, if such Person survives said merger, or, if there is more than one such Person, the Person the shares of Common Stock of which have the greatest aggregate market value of shares outstanding or (y) if the Person that is the other party to the merger does not survive the merger, the Person that does survive the merger (including the Company if it survives) or (z) the Person resulting from the consolidation; and (ii) in the case of any transaction described in (iii) of the first sentence in Section 13(a) hereof, the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions, or, if each Person that is a party to such transaction or transactions receives the same portion of the assets or earning power so transferred or if the Person receiving the greatest portion of the assets or earning power cannot be determined, whichever of such Persons as is the issuer of Common Stock having the greatest aggregate market value of shares outstanding; provided, however, that in any such case described in the foregoing clause (b)(i) or (b)(ii), if the Common Stock of such Person is not at such time or has not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, then (1) if such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, the term "Principal Party" shall refer to such other Person, or (2) if such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stock of all of which is and has been so registered, the term "Principal Party" shall refer to whichever of such Persons is the issuer of Common Stock having the greatest aggregate market value of shares outstanding, or (3) if such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in clauses (1) and (2) above shall apply to each of the owners having an interest in the venture as if the Person owned by the joint venture was a Subsidiary of both or all of such joint venturers, and the Principal Party in each such case shall bear the obligations set forth in this Section 13 in the same ratio as its interest in such Person bears to the total of such interests.

c. The Company shall not consummate any consolidation, merger, sale or transfer referred to in Section 13(a) hereof unless prior thereto the Company and the Principal Party involved therein shall have executed and delivered to the Rights Agent an agreement confirming that the requirements of Sections 13(a) and (b) hereof shall promptly be performed in accordance with their terms and that such consolidation, merger, sale or transfer of assets shall not result in a default by the Principal Party under this Agreement as the same shall have been assumed by the Principal Party pursuant to Sections 13(a) and (b) hereof and providing that, as soon as practicable after executing such agreement pursuant to this Section 13, the Principal Party will:

i. prepare and file a registration statement under the Securities Act, if necessary, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, use its best efforts to cause such registration statement to become effective as soon as practicable after such filing and use its best efforts to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date and similarly comply with applicable state securities laws;

ii. use its best efforts, if the Common Stock of the Principal Party shall be listed or admitted to trading on the New York Stock Exchange or on another national securities exchange, to list or admit to trading (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on the New York Stock Exchange or such securities exchange, or, if the Common Stock of the Principal Party shall not be listed or admitted to trading on the New York Stock Exchange or a national securities exchange, to cause the Rights and the securities receivable upon exercise of the Rights to be authorized for quotation on NASDAQ or on such other system then in use;

iii. deliver to holders of the Rights historical financial statements for the Principal Party which comply in all respects with the requirements for registration on Form 10 (or any successor form) under the Exchange Act; and

iv. obtain waivers of any rights of first refusal or preemptive rights in respect of the Common Stock of the Principal Party subject to purchase upon exercise of outstanding Rights.

d. In case the Principal Party has provision in any of its authorized securities or in its certificate of incorporation or by-laws or other instrument governing its corporate affairs, which provision would have the effect of (i) causing such Principal Party to issue (other than to holders of Rights pursuant to this Section 13), in connection with, or as a consequence of, the consummation of a transaction referred to in this Section 13, shares of Common Stock of such Principal Party at less than the then current market price per share thereof (determined pursuant to Section 11(d) hereof) or securities exercisable for, or convertible into, Common Stock of such Principal Party at less than such then current market price, or (ii) providing for any special payment, tax or similar provision in connection with the issuance of the Common Stock of such Principal Party pursuant to the provisions of Section 13, then, in such event, the Company hereby agrees with each holder of Rights that it shall not consummate any such transaction unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing that the provision in question of such Principal Party shall have been canceled, waived or amended, or that the authorized securities shall be redeemed, so that the applicable provision will have no effect in connection with, or as a consequence of, the consummation of the proposed transaction.

e. The Company covenants and agrees that it shall not, at any time after the Flip-In Event, enter into any transaction of the type described in clauses (i) through (iii) of Section 13(a) hereof if (i) at the time of or immediately after such consolidation, merger, sale, transfer or other transaction there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights, (ii) prior to, simultaneously with or immediately after such consolidation, merger, sale, transfer or other transaction, the stockholders of the Person who constitutes, or would constitute, the Principal Party for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates or Associates or (iii) the form or nature of organization of the Principal Party would preclude or limit the exercisability of the Rights.

14. Fractional Rights and Fractional Shares.

a. The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights (except prior to the Distribution Date in accordance with Section 11(n) hereof). In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

b. The Company shall not be required to issue fractions of Preferred Stock (other than fractions which are integral multiples of one one-thousandth of a share of Preferred Stock) upon exercise of the Rights or to distribute

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certificates which evidence fractional shares of Preferred Stock (other than fractions which are integral multiples of one one-thousandth of a share of Preferred Stock). Interests in fractions of Preferred Stock in integral multiples of one one-thousandth of a share of Preferred Stock may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Stock represented by such depositary receipts. In lieu of fractional shares of Preferred Stock that are not integral multiples of one one-thousandth of a share of Preferred Stock, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current per share market price of one share of Preferred Stock (as determined pursuant to Section 11(d) hereof) for the Trading Day immediately prior to the date of such exercise.

c. The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Stock), on his own behalf and for his own benefit, may enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate (or, prior to the Distribution Date, such Common Stock) in the manner provided therein and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

- a. prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Stock;
- b. after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the office or agency of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer; and
- c. the Company and the Rights Agent may deem and treat the Person in whose name the Right Certificate (or, prior to the Distribution Date, the Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Stock or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in this Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

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18. Concerning the Rights Agent.

a. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement

and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly.

b. The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preferred Stock or Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

19. Merger or Consolidation or Change of Name of Rights Agent.

a. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

b. In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

a. The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

b. Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chief Executive Officer and the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

c. The Rights Agent shall be liable hereunder to the Company and any other Person only for its own negligence, bad faith or willful misconduct.

d. The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

e. The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 11(a)(ii) hereof) or any adjustment in the terms of the Rights provided for in Sections 3, 11, 13, 23 and 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after receipt of a certificate furnished pursuant to Section 12, describing such change or adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Preferred Stock or other securities to be issued pursuant to this Agreement or any Right Certificate or as to whether any shares of Preferred Stock or other securities will, when issued, be validly authorized and issued fully paid and nonassessable.

f. The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

g. The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any person reasonably believed by the Rights Agent to be one of the Chief Executive Officer or the Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

h. The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

i. The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

j. If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate contained in the form of assignment or the form of election to purchase set forth on the reverse thereof, as the case may be, has not been completed to certify the holder is not an Acquiring Person (or an Affiliate or Associate

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thereof), the Rights Agent shall not take any further action with respect to such requested exercise of transfer without first consulting with the Company.

21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Stock or Preferred Stock by registered or certified mail, and, following the Distribution Date, to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock or Preferred Stock by registered or certified mail, and, following the Distribution Date, to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or the laws of any state of the United States or the District of Columbia, in good standing, having an office in the State of Nebraska, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock or Preferred Stock, and, following the Distribution Date, mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such forms as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of Common Stock following the Distribution Date and prior to the Expiration Date, the Company may with respect to shares of Common Stock so issued or sold pursuant to (i) the exercise of stock options, (ii) under any employee plan or arrangement, (iii) upon the exercise, conversion or exchange of securities, notes or debentures issued by the Company or (iv) a contractual obligation of the Company, in each case existing prior to the Distribution Date, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale.

#### 23. Redemption.

a. The Board of Directors of the Company may, at any time prior to the Flip-In Event, redeem all but not less than all the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (the redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. The Redemption Price shall be payable, at the option of the Company, in cash, shares of Common Stock, or such other form of consideration as the Board of Directors shall determine.

b. Immediately upon the action of the Board of Directors ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23 (or at such later time as the Board of Directors may establish for the effectiveness of such

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redemption), and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights (or such later time as the Board of Directors may establish for the effectiveness of such redemption), the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption shall state the method by which the payment of the Redemption Price will be made.

#### 24. Exchange.

a. The Board of Directors of the Company may, at its option at any time after the Flip-In Event, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such amount per Right being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after an Acquiring Person shall have become the Beneficial Owner of shares of Common Stock aggregating 50% or more of the shares of Common Stock then outstanding. From and after the occurrence of an event specified in Section 13(a) hereof, any Rights that theretofore have not been exchanged pursuant to this Section 24(a) shall thereafter be exercisable only in accordance with Section 13 and may not be exchanged pursuant to this Section 24(a). The exchange of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

b. Immediately upon the effectiveness of the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of shares of Common Stock equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company shall promptly mail a notice of any such exchange to all of the holders of the Rights so exchanged at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the shares of Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

c. The Company may at its option substitute, and, in the event that there shall not be sufficient shares of Common Stock issued but not outstanding or authorized but unissued to permit an exchange of Rights for Common Stock as contemplated in accordance with this Section 24, the Company shall substitute to the extent of such insufficiency, for each share of Common Stock that would otherwise be issuable upon exchange of a Right, a number of shares of Preferred Stock or fraction thereof (or equivalent preferred shares, as such term is defined in Section 11(b)) such that the current per share market price (determined pursuant to Section 11(d) hereof) of one share of Preferred Stock (or equivalent preferred share) multiplied by such number or fraction is equal to the current per share market price of one share of Common Stock (determined pursuant to Section 11(d) hereof) as of the date of the Flip-In Event.

d. The Company shall not, in connection with any exchange pursuant to this Section 24, be required to issue fractions of shares of Common Stock or to distribute certificates which evidence fractional shares of Common Stock. In lieu of such fractional shares of Common Stock, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional shares of Common Stock would otherwise be issuable an amount in cash equal to the

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same fraction of the current per share market price of a whole share of Common Stock (as determined pursuant to Section 11(d) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

25. Notice of Certain Events.

a. In case the Company shall at any time after the earlier of the Distribution Date or the Stock Acquisition Date propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Stock or to make any other distribution to the holders of its Preferred Stock (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision or combination of outstanding Preferred Stock), (iv) to effect the liquidation, dissolution or winding up of the Company, or (v) to declare or pay any dividend on the Common Stock payable in Common Stock or to effect a subdivision, combination or consolidation of the Common Stock (by reclassification or otherwise than by payment of dividends in Common Stock), then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such liquidation, dissolution or winding up is to take place and the date of participation therein by the holders of the Common Stock and/or Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Stock for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Stock and/or Preferred Stock, whichever shall be the earlier.

b. In case any event described in Section 11(a)(ii) or Section 13 shall occur then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate (or if occurring prior to the Distribution Date, the holders of the Common Stock) in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) and Section 13 hereof.

26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Valmont Industries, Inc.  
Valley, Nebraska 68064  
Attention: Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

First National Bank of Omaha  
First National Center  
16 & Dodge Streets  
Omaha, Nebraska 68102

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

27. Supplements and Amendments. Except as provided in the penultimate sentence of this Section 27, for so long as the Rights are then redeemable, the Company may in its sole and absolute discretion, and the Rights Agent shall if the Company so directs, supplement or amend any provision of this Agreement in any respect without the approval of any holders of the Rights. At any time when the Rights are no longer redeemable, except as provided in the

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penultimate sentence of this Section 27, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order to (i) cure any ambiguity, (ii) correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) shorten or lengthen any time period hereunder, or (iv) change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable; provided that no such supplement or amendment shall adversely affect the interests of the holders of Rights as such (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person), and no such amendment may cause the Rights again to become redeemable or cause the Agreement again to become amendable other than in accordance with this sentence. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which changes the Redemption Price. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment.

28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Stock) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Stock).

30. Determinations and Actions by the Board of Directors. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise the rights and powers specifically granted to the Board of Directors of the Company or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including, without limitation, a determination to redeem or not redeem the Rights or to amend this Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) that are done or made by the Board of Directors of the Company in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights, as such, and all other parties, and (y) not subject the Board of Directors to any liability to the holders of the Rights.

31. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

32. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

33. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

34. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

VALMONT INDUSTRIES, INC.

By: /s/ Mogens C. Bay

Name: Mogens C. Bay

Title: President

FIRST NATIONAL BANK OF OMAHA,

as Rights Agent

By: /s/ John E. Lenihan

Name: John E. Lenihan

Title: Corporate Trust Officer

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FORM OF  
CERTIFICATE OF DESIGNATION

of

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

VALMONT INDUSTRIES, INC.

Pursuant to Section 151 of the General Corporation Law  
of the State of Delaware

Valmont Industries, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority vested in the Board of Directors in accordance with the provisions of the Certificate of Incorporation of the said Corporation, the said Board of Directors on December 19, 1995 adopted the following resolution creating a series of 50,000 shares of Preferred Stock designated as "Series A Junior Participating Preferred Stock":

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of the Certificate of Incorporation, a series of Preferred Stock, par value \$1.00 per share, of the Corporation be and hereby is created, and that the designation and number of shares thereof and the voting and other powers, preferences and relative, participating, optional or other rights of the shares of such series and the qualifications, limitations and restrictions thereof are as follows:

Series A Junior Participating Preferred Stock

1. Designation and Amount. There shall be a series of Preferred Stock that shall be designated as "Series A Junior Participating Preferred Stock," and the number of shares constituting such series shall be 50,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series A Junior Participating Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

2. Dividends and Distribution.

A. Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock, in preference to the holders of shares of any class or series of stock of the Corporation ranking junior to the Series A Junior Participating Preferred Stock, shall

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be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) the Adjustment Number (as defined below) times the aggregate per share amount of all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$1.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. The "Adjustment Number" shall initially be 1000. In the event the Corporation shall at any time after December 19, 1995 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

B. The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock). (C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

A. Each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to a number of votes equal to the Adjustment Number on all matters submitted to a vote of the stockholders of the Corporation.

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B. Except as required by law and by Section 10 hereof, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

A. Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not (i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock, (ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or (iii) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series A Junior Participating Preferred Stock, or to such holders and holders of any such shares ranking on a parity therewith, upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

B. The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. **Reacquired Shares.** Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired promptly after the acquisition thereof. All such shares shall upon their retirement become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth herein.

6. Liquidation, Dissolution or Winding Up.

A. Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received an amount per share (the "Series A Liquidation Preference") equal to the greater of (i) \$100 plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (ii) the Adjustment Number times the per share amount of all cash and other property to be

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distributed in respect of the Common Stock upon such liquidation, dissolution or winding up of the Corporation.

B. In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, that rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

C. Neither the merger or consolidation of the Corporation into or with another corporation nor the merger or consolidation of any other corporation into or with the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

7. **Consolidation, Merger, Etc.** In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

8. **No Redemption.** Shares of Series A Junior Participating Preferred Stock shall not be subject to redemption by the Company.

9. **Ranking.** The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise, and shall rank senior to the Common Stock as to such matters.

10. **Amendment.** At any time that any shares of Series A Junior Participating Preferred Stock are outstanding, the Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

11. **Fractional Shares.** Series A Junior Participating Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 19th day of December, 1995.

VALMONT INDUSTRIES, INC.

By: /s/ Mogens C. Bay

Name: Mogens C. Bay

Title: President

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EXHIBIT B  
Form of Right Certificate

Certificate No. R-

NOT EXERCISABLE AFTER DECEMBER 19, 2005 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT \$.01 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS OWNED BY OR TRANSFERRED TO ANY PERSON WHO IS OR BECOMES AN ACQUIRING PERSON (AS DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF WILL BECOME NULL AND VOID AND WILL NO LONGER BE TRANSFERABLE.

Right Certificate

VALMONT INDUSTRIES, INC.

This certifies that \_\_\_\_\_ or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of December 19, 1995, as the same may be amended from time to time (the "Rights Agreement"), between Valmont Industries, Inc., a Delaware corporation (the "Company"), and First National Bank of Omaha, as Rights Agent (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., Omaha, Nebraska time, on December 19, 2005 at the office or agency of the Rights Agent designated for such purpose, or of its successor as Rights Agent, one one-thousandth of a fully paid non-assessable share of Series A Junior Participating Preferred Stock, par value \$1.00 per share (the "Preferred Stock"), of the Company, at a purchase price of \$100.00 per one one-thousandth of a share of Preferred Stock (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Rights Certificate (and the number of one one-thousandths of a share of Preferred Stock which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of December 19, 1995, based on the Preferred Stock as constituted at such date. As provided in the Rights Agreement, the Purchase Price, the number of one one-thousandths of a share of Preferred Stock (or other securities or property) which may be purchased upon the exercise of the Rights and the number of Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned office or agency of the Rights Agent. The Company will mail to the holder of this Right Certificate a copy of the Rights Agreement without charge after receipt of a written request therefor.

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This Right Certificate, with or without other Right Certificates, upon surrender at the office or agency of the Rights Agent designated for such purpose, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of shares of Preferred Stock as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of \$.01 per Right or (ii) may be exchanged in whole or in part for shares of the Company's Common Stock, par value \$1.00 per share, or shares of Preferred Stock.

No fractional shares of Preferred Stock will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-thousandth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depository receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Stock or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement) or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

ATTEST: VALMONT INDUSTRIES, INC.  
By: \_\_\_\_\_  
[Title]

\_\_\_\_\_  
[Title]

Countersigned:

FIRST NATIONAL BANK OF OMAHA, as Rights Agent

By \_\_\_\_\_  
[Title]

Form of Reverse Side of Right Certificate  
FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate)  
FOR VALUE RECEIVED \_\_\_\_\_ hereby sells,  
assigns and transfers unto \_\_\_\_\_

(Please print name and address of transferee)

Rights represented by this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint Attorney, to transfer said Rights on the books of the within-named Company, with full power of substitution.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

Signature Guaranteed:

Signatures must be guaranteed by a bank, trust company, broker, dealer or other eligible institution participating in a recognized signature guarantee medallion program.

(To be completed)

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by, were not acquired by the undersigned from, and are not being assigned to an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

\_\_\_\_\_  
Signature

Form of Reverse Side of Right Certificate - continued  
FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Rights Certificate)

To Valmont Industries, Inc.:

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ Rights represented by this Right Certificate to purchase the shares of Preferred Stock (or other securities or property) issuable upon the exercise of such Rights and requests that certificates for such shares of Preferred Stock (or such other securities) be issued in the name of:

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to: Please insert social security or other identifying number

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

(Signature must conform to holder specified on Right Certificate)

Signature Guaranteed:

Signature must be guaranteed by a bank, trust company, broker, dealer or other eligible institution participating in a recognized signature guarantee medallion program.

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Form of Reverse Side of Right Certificate - continued

(To be completed)

The undersigned certifies that the Rights evidenced by this Right Certificate are not beneficially owned by, and were not acquired by the undersigned from, an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

\_\_\_\_\_  
Signature

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, such Assignment or Election to Purchase will not be honored.

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EXHIBIT C

UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS OWNED BY OR TRANSFERRED TO ANY PERSON WHO IS OR BECOMES AN ACQUIRING PERSON (AS DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF WILL BECOME NULL AND VOID AND WILL NO LONGER BE TRANSFERABLE.

SUMMARY OF RIGHTS TO PURCHASE  
SHARES OF PREFERRED STOCK OF  
VALMONT INDUSTRIES, INC.

On December 19, 1995, the Board of Directors of Valmont Industries, Inc. (the "Company") declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value \$1.00 per share, of the Company (the "Common Stock"). The dividend is payable on January 8, 1996 (the "Record Date") to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$1.00 per share, (the "Preferred Stock") of the Company at a price of \$100.00 per one one-thousandth of a share of Preferred Stock (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement dated as of December 19, 1995, as the same may be amended from time to time (the "Rights Agreement"), between the Company and First National Bank of Omaha, as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 15% or more of the outstanding shares of Common Stock or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding shares of Common Stock (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Stock certificates outstanding as of the Record Date, by such Common Stock certificate together with a copy of this Summary of Rights. An "Acquiring Person" shall not include the Company, its employee benefit plans, or, subject to certain conditions, Robert B. Daugherty and his related persons and entities.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the Common Stock. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Stock certificates issued after the Record Date upon transfer or new issuances of Common Stock will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for shares of Common Stock outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights, will also constitute the transfer of the Rights associated with the shares of Common Stock represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Stock as of the close of

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business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on December 19, 2005 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case as described below.

The Purchase Price payable, and the number of shares of Preferred Stock or other securities or property issuable, upon exercise of the Rights is subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) upon the grant to holders of the Preferred Stock of certain rights or warrants to subscribe for or purchase Preferred Stock at a price, or securities convertible into Preferred Stock with a conversion price, less than the then-current market price of the Preferred Stock or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Preferred Stock) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights is subject to adjustment in the event of a stock dividend on the Common Stock payable in shares of Common Stock or subdivisions, consolidations or combinations of the Common Stock occurring, in any such case, prior to the Distribution Date.

Shares of Preferred Stock purchasable upon exercise of the Rights will not be redeemable. Each share of Preferred Stock will be entitled, when, as and if declared, to a minimum preferential quarterly dividend payment of \$1.00 per share but will be entitled to an aggregate dividend of 1000 times the dividend declared per share of Common Stock. In the event of liquidation, the holders of the Preferred Stock will be entitled to a minimum preferential liquidation payment of \$100 per share (plus any accrued but unpaid dividends) but will be entitled to an aggregate payment of 1000 times the payment made per share of Common Stock. Each share of Preferred Stock will have 1000 votes, voting together with the Common Stock. Finally, in the event of any merger, consolidation or other transaction in which shares of Common Stock are converted or exchanged, each share of Preferred Stock will be entitled to receive 1000 times the amount received per share of Common Stock. These rights are protected by customary antidilution provisions.

Because of the nature of the Preferred Stock's dividend, liquidation and voting rights, the value of the one one-thousandth interest in a share of Preferred Stock purchasable upon exercise of each Right should approximate the value of one share of Common Stock.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a Right at the then-current exercise price of the Right, that number of shares of Common Stock having a market value of two times the exercise price of the Right.

In the event that, after a person or group has become an Acquiring Person, the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provisions will be made so that each holder of a Right (other than Rights beneficially owned by an Acquiring Person which will have become void) will thereafter have the right to receive, upon the exercise thereof at the then-current exercise price of the Right, that number of shares of common stock of the person with

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whom the Company has engaged in the foregoing transaction (or its parent) that at the time of such transaction has a market value of two times the exercise price of the Right.

At any time after any person or group becomes an Acquiring Person and prior to the earlier of one of the events described in the previous paragraph or the acquisition by such person or group of 50% or more of the outstanding shares of Common Stock, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, for shares of Common Stock or Preferred Stock (or a series of the Company's preferred stock having equivalent rights, preferences and privileges), at an exchange ratio of one share of Common Stock, or a fractional share of Preferred Stock (or other preferred stock) equivalent in value thereto, per Right.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional shares of Preferred Stock will be issued (other than fractions which are integral multiples of one one-thousandth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), and in lieu thereof an adjustment in cash will be made based on the market price of the Preferred Stock on the last trading day prior to the date of exercise.

At any time prior to the time an Acquiring Person becomes such, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

For so long as the Rights are then redeemable, the Company may, except with respect to the redemption price, amend the Rights in any manner. After the Rights are no longer redeemable, the Company may, except with respect to the redemption price, amend the Rights in any manner that does not adversely affect the interests of holders of the Rights.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A dated December 1, 1995. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, as the same may be amended from time to time, which is hereby incorporated herein by reference.

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CERTIFICATE OF ADJUSTMENT

This is to certify pursuant to Section 12 of the Rights Agreement, dated as of December 19, 1995, as amended (the "Rights Agreement"), between Valmont Industries, Inc., A Delaware corporation (the "Company") and First National Bank of Omaha, as Rights Agent, that:

I. Statement of Facts.

At its April 28, 1997 meeting, the Company's Board of Directors declared a two-for-one split of the shares of common stock of the Company (the "Common Stock"), which was effected in the form of a stock dividend on May 30, 1997.

II. Adjustments Pursuant to the Rights Agreement.

Pursuant to the provisions of the Sections 11(n) of the Rights Agreement, effective as of May 30, 1997, the Right associated with each share of Common Stock is hereby adjusted so that one-half Right shall be associated with each share of Common Stock outstanding immediately after the Distribution.

Effective the 30th day of May, 1997.

VALMONT INDUSTRIES, INC,

By: /s/ Terry J. McClain

Name: Terry J. McClain

Title: Senior Vice President and  
Chief Financial Officer

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**VALMONT 1996 STOCK PLAN****SECTION 1****NAME AND PURPOSE**

1.1 Name. The name of the plan shall be the Valmont 1996 Stock Plan (the "Plan").

1.2. Purpose of Plan. The purpose of the Plan is to foster and promote the long-term financial success of the Company and increase stockholder value by (a) motivating superior performance by means of stock incentives, (b) encouraging and providing for the acquisition of an ownership interest in the Company by Employees and (c) enabling the Company to attract and retain the services of a management team responsible for the long-term financial success of the Company.

**SECTION 2****DEFINITIONS**

2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

- a. "Act" means the Securities Exchange Act of 1934, as amended.
- b. "Award" means any Option, Stock Appreciation Right, Restricted Stock, Stock Bonus, or any combination thereof, including Awards combining two or more types of Awards in a single grant.
- c. "Board" means the Board of Directors of the Company.
- d. "Code" means the Internal Revenue Code of 1986, as amended.
- e. "Committee" means the Compensation Committee of the Board, which shall consist of two or more members, each of whom shall be "disinterested persons" within the meaning of Rule 16b-3 as promulgated under the Act.
- f. "Company" means Valmont Industries, Inc., a Delaware corporation (and any successor thereto) and its Subsidiaries.
- g. "Director Award" means an award of Stock and an annual Award of a Nonstatutory Stock Option granted to each Eligible Director pursuant to Section 7.1 without any action by the Board or the Committee.
- h. "Eligible Director" means a person who is serving as a member of the Board and who is not an Employee.
- i. "Employee" means any employee of the Company or any of its Subsidiaries.
- j. "Fair Market Value" means, on any date, the average of the high and low sales prices of the Stock as reported on the National Association of Securities Dealers Automated Quotation system (or on such other recognized market or quotation system on which the trading prices of the Stock are traded or quoted at the relevant time) on such date. In the event that there are no Stock transactions reported on such system (or such other system) on such date, Fair Market Value shall mean the average of the high and low sale prices on the immediately preceding date on which Stock transactions were so reported.
- k. "Option" means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either (i) an Incentive Stock Option within the meaning of Section 422 of the Code or (ii) a Nonstatutory Stock Option.
- l. "Participant" means any Employee designated by the Committee to participate in the Plan.
- m. "Plan" means the Valmont 1996 Stock Plan, as in effect from time to time.

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- n. "Restricted Stock" shall mean a share of Stock granted to a Participant subject to such restrictions as the Committee may determine.
- o. "Stock" means the Common Stock of the Company, par value \$1.00 per share.
- p. "Stock Appreciation Right" means the right, subject to such terms and conditions as the Committee may determine, to receive an amount in cash or Stock, as determined by the Committee, equal to the excess of (i) the Fair Market Value, as of the date such Stock Appreciation Right is exercised, of the number shares of Stock covered by the Stock Appreciation Right being exercised over (ii) the aggregate exercise price of such Stock Appreciation Right.
- q. "Stock Bonus" means the grant of Stock as compensation from the Company, which may be in lieu of cash salary or bonuses otherwise payable to the Participant or in addition to such cash compensation.
- r. "Subsidiary" means any corporation or partnership in which the Company owns, directly or indirectly, 50% or more of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership.

2.2 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

**SECTION 3****ELIGIBILITY AND PARTICIPATION**

Except as otherwise provided in Section 7.1, the only persons eligible to participate in the Plan shall be those Employees selected by the Committee as Participants.

## SECTION 4

### POWERS OF THE COMMITTEE

4.1 Power to Grant. The Committee shall determine the Participants to whom Awards shall be granted, the type or types of Awards to be granted, and the terms and conditions of any and all such Awards. The Committee may establish different terms and conditions for different types of Awards, for different Participants receiving the same type of Awards, and for the same Participant for each Award such Participant may receive, whether or not granted at different times.

4.2 Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, and to make all other determinations necessary or advisable for the administration and interpretation of the Plan in order to carry out its provisions and purposes. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final, binding, and conclusive for all purposes and upon all persons. Notwithstanding anything else contained in the Plan to the contrary, neither the Committee nor the Board shall have any discretion regarding whether an Eligible Director receives a Director Award pursuant to Section 7.1 or regarding the terms of any such Director Award, including, without limitation, the number of shares subject to any such Director Award.

### SECTION 5 STOCK SUBJECT TO PLAN

5.1 Number. Subject to the provisions of Section 5.3, the number of shares of Stock subject to Awards (including Director Awards) under the Plan may not exceed 800,000 shares of Stock. The shares to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose. The maximum number of shares of Stock with respect to which Awards may be granted to any one Employee under the Plan is 40% of the aggregate number of shares of Stock available for Awards under Section 5.1.

5.2 Cancelled, Terminated or Forfeited Awards. Any shares of Stock subject to an Award which for any reason are cancelled, terminated or otherwise settled without the issuance of any Stock shall again be available for Awards under the Plan.

5.3 Adjustment in Capitalization. In the event of any Stock dividend or Stock split, recapitalization (including, without

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limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to stockholders, exchange of shares, or other similar corporate change, (i) the aggregate number of shares of Stock available for Awards under Section 5.1 and (ii) the number of shares and exercise price with respect to Options and the number, prices and dollar value of other Awards, may be appropriately adjusted by the Committee, whose determination shall be conclusive. If, pursuant to the preceding sentence, an adjustment is made to the number of shares of Stock authorized for issuance under the Plan, a corresponding adjustment shall be made with respect to Director Awards granted pursuant to Section 7.1.

### SECTION 6 STOCK OPTIONS

6.1 Grant of Options. Options may be granted to Participants at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Nonstatutory Stock Options. The Committee shall have complete discretion in determining the number of Options, if any, to be granted to a Participant. Each Option shall be evidenced by an Option agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, the exercisability (if any) of the Option in the event of death, retirement, disability or termination of employment, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine.

6.2 Option Price. Nonstatutory Stock Options and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value on the date the Option is granted.

6.3 Exercise of Options. Options awarded to a Participant under the Plan shall be exercisable at such times and shall be subject to such restrictions and conditions as the Committee may impose, subject to the Committee's right to accelerate the exercisability of such Option in its discretion. Notwithstanding the foregoing, no Option shall be exercisable for more than ten years after the date on which it is granted.

6.4 Payment. The Committee shall establish procedures governing the exercise of Options, which shall require that written notice of exercise be given and that the Option price be paid in full in cash or cash equivalents, including by personal check, at the time of exercise or pursuant to any arrangement that the Committee shall approve. The Committee may, in its discretion, permit a Participant to make payment (i) in Stock already owned by the Participant valued at its Fair Market Value on the date of exercise (if such Stock has been owned by the Participant for at least six months) or (ii) by electing to have the Company retain Stock which would otherwise be issued on exercise of the Option, valued at its Fair Market Value on the date of exercise. As soon as practicable after receipt of a written exercise notice and full payment of the exercise price, the Company shall deliver to the Participant a certificate or certificates representing the acquired shares of Stock.

6.5 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of any Participant affected thereby, to cause any Incentive Stock Option previously granted to fail to qualify for the Federal income tax treatment afforded under Section 421 of the Code. In furtherance of the foregoing, (i) the aggregate Fair Market Value of shares of Stock (determined at the time of grant of each Option) with respect to which Incentive Stock Options are exercisable for the first time by an Employee during any calendar year shall not exceed \$100,000 or such other amount as may be required by the Code, (ii) an Incentive Stock Option may not be exercised more than three months following termination of employment (except as the Committee may otherwise determine in the event of death or disability), and (iii) if the Employee receiving an Incentive Stock Option owns Stock possessing more than 10% of the total combined voting power of all classes of Stock of the Company, the exercise price of the Option shall be at least 110% of Fair Market Value and the Option shall not be exercisable after the expiration of five years from the date of grant.

6.6 Replacement Options. The Committee may grant a replacement option (a "Replacement Option") to any Employee who exercises all or part of an option granted under this Plan using Qualifying Stock (as herein defined) as payment for the purchase price. A Replacement Option shall grant to the

Employee the right to purchase, at the Fair Market Value as of the date of said exercise and grant, the number of shares of stock equal to the sum of the number of whole shares (i) used by the Employee in payment of the purchase price for the option which was exercised and (ii) used by the Employee in connection with applicable withholding taxes on such transaction. A Replacement Option may not be exercised for six

months following the date of grant, and shall expire on the same date as the option which it replaces. Qualifying Stock is stock which has been owned by the Employee for at least six months prior to the date of exercise and has not been used in a stock-for-stock swap transaction within the preceding six months.

**SECTION 7**  
**DIRECTOR AWARDS**

7.1 Amount of Award. Each Eligible Director shall receive a non-discretionary Award of 1,000 shares of stock each year; such Award shall be made annually on the date of and following completion of the Company's annual stockholders' meeting (commencing with the 1996 annual stockholders' meeting). Each Eligible Director shall be issued a common stock certificate for such number of shares. Termination of the director's services for any reason other than (i) death, (ii) retirement from the Board at mandatory retirement age, or (iii) resignation or failure to stand for re-election, in any such case with the prior approval of the Board, will result in forfeiture of the Stock. If the Stock is forfeited, the director shall return the number of forfeited shares of Stock, or equivalent value, to the Company. The number of shares of Stock awarded to an Eligible Director annually shall be appropriately adjusted in the event of any stock changes as described in Section 5.3. In addition, each Eligible Director shall receive a non-discretionary Award of a Nonqualified Stock Option for 2,000 shares of Stock exercisable at the Fair Market Value of the Company's common stock on the date of grant; such Award shall be made annually on the date of and following completion of the Company's annual stockholders' meeting (commencing with the 1996 annual stockholders' meeting). The number of nonqualified options awarded to a director shall be appropriately adjusted in the event of any stock changes as described in Section 5.3.

7.2 No Other Awards. An Eligible Director shall not receive any other Award under the Plan.

**SECTION 8**  
**STOCK APPRECIATION RIGHTS**

8.1 SAR's In Tandem with Options. Stock Appreciation Rights may be granted to Participants in tandem with any Option granted under the Plan, either at or after the time of the grant of such Option, subject to such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine. Each Stock Appreciation Right shall only be exercisable to the extent that the corresponding Option is exercisable, and shall terminate upon termination or exercise of the corresponding Option. Upon the exercise of any Stock Appreciation Right, the corresponding Option shall terminate.

8.2 Other Stock Appreciation Rights. Stock Appreciation Rights may also be granted to Participants separately from any Option, subject to such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine.

**SECTION 9**  
**RESTRICTED STOCK**

9.1 Grant of Restricted Stock. The Committee may grant Restricted Stock to Participants at such times and in such amounts, and subject to such other terms and conditions not inconsistent with the Plan as it shall determine. Each grant of Restricted Stock shall be subject to such restrictions, which may relate to continued employment with the Company, performance of the Company, or other restrictions, as the Committee may determine. Each grant of Restricted Stock shall be evidenced by a written agreement setting forth the terms of such Award.

9.2 Removal of Restrictions. The Committee may accelerate or waive such restrictions in whole or in part at any time in its discretion.

**SECTION 10**  
**STOCK BONUSES**

10.1 Grant of Stock Bonuses. The Committee may grant a Stock Bonus to a Participant at such times and in such amounts, and subject to such other terms and conditions not inconsistent with the Plan, as it shall determine.

**SECTION 11**  
**AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN**

11.1 General. The Board may from time to time amend, modify or terminate any or all of the provisions of the Plan, subject to the provisions of this Section 11.1. The Board may not change the Plan in a manner which would prevent outstanding Incentive Stock Options granted under the Plan from being Incentive Stock Options without the consent of the optionees concerned. Furthermore, the Board may not make any amendment which would (i) materially modify the

requirements for participation in the Plan, (ii) increase the number of shares of Stock subject to Awards under the Plan pursuant to Section 5.1, (iii) materially increase the benefits accruing to Participants under the Plan, or (iv) make any other amendments which would cause the Plan not to comply with Rule 16b-3 under the Act, in each case without the approval of the Company's stockholders. No amendment or modification shall affect the rights of any Employee with respect to a previously granted Award, nor shall any amendment or modification affect the rights of any Eligible Director pursuant to a previously granted Director Award.

11.2 Termination of Plan. No further Options shall be granted under the Plan subsequent to December 31, 2005, or such earlier date as may be determined by the Board.

**SECTION 12**  
**MISCELLANEOUS PROVISIONS**

12.1 Nontransferability of Awards. No Awards granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All rights with respect to Awards granted to a Participant under the Plan shall be exercisable during the Participant's lifetime only by such Participant and all rights with respect to any Director Awards granted to an Eligible Director shall be exercisable during the Director's lifetime only by such Eligible Director.

12.2 Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries (who may be named contingent or successively) to whom any benefit under the Plan is to be paid or by whom any right under the Plan is to be exercised in case of his death. Each designation will revoke all prior designations by the same Participant shall be in a form prescribed by the Committee, and will be effective only when filed in writing with the Company. In the absence of any such designation, Awards outstanding at death may be exercised by the Participant's surviving spouse, if any, or otherwise by his estate.

12.3 No Guarantee of Employment or Participation. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future Awards.

12.4 Tax Withholding. The Company shall have the power to withhold, or require a Participant or Eligible Director to remit to the Company, an amount sufficient to satisfy federal, state, and local withholding tax requirements on any Award under the Plan, and the Company may defer issuance of Stock until such requirements are satisfied. The Committee may, in its discretion, permit a Participant to elect, subject to such conditions as the Committee shall impose, (i) to have shares of Stock otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company previously acquired shares of Stock, in each case having a Fair Market Value sufficient to satisfy all or part of the Participant's estimated total federal, state and local tax obligation associated with the transaction.

12.5 Change of Control. On the date of a Change of Control, all outstanding options and stock appreciation rights shall become immediately exercisable and all restrictions with respect to Restricted Stock shall lapse. "Change of Control" shall mean:

(i) The acquisition (other than from the Company) by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Act (excluding any acquisition or holding by (i) the Company or its subsidiaries, (ii) any employee benefit plan of the Company or its subsidiaries which acquires beneficial ownership of voting securities of the Company and (iii) Robert B. Daugherty, his successors and assigns and any tax-exempt entity established by him) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 50% or more of either the then outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or (ii) Individuals who, as of the date hereof, constitute the Board (as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for the election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or (iii) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case, with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power

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entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, or a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

12.6 Company Intent. The Company intends that the Plan comply in all respects with Rule 16b-3 under the Act, and any ambiguities or inconsistencies in the construction of the Plan shall be interpreted to give effect to such intention.

12.7 Requirements of Law. The granting of Awards and the issuance of shares of Stock shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or securities exchanges as may be required.

12.8 Effective Date. The Plan shall be effective upon its adoption by the Board subject to approval by the Company's stockholders at the 1996 annual stockholders' meeting.

12.9 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

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**VALMONT 1999 STOCK PLAN****SECTION 1****NAME AND PURPOSE**

1.1 Name. The name of the plan shall be the Valmont 1999 Stock Plan (the "Plan").

1.2. Purpose of Plan. The purpose of the Plan is to foster and promote the long-term financial success of the Company and increase stockholder value by (a) motivating superior performance by means of stock incentives, (b) encouraging and providing for the acquisition of an ownership interest in the Company by Employees and (c) enabling the Company to attract and retain the services of a management team responsible for the long-term financial success of the Company.

**SECTION 2****DEFINITIONS**

2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

- a. "Act" means the Securities Exchange Act of 1934, as amended.
- b. "Award" means any Option, Stock Appreciation Right, Restricted Stock, Stock Bonus, or any combination thereof, including Awards combining two or more types of Awards in a single grant.
- c. "Board" means the Board of Directors of the Company.
- d. "Code" means the Internal Revenue Code of 1986, as amended.
- e. "Committee" means the Compensation Committee of the Board, which shall consist of two or more members, each of whom shall be a "non-employee director" within the meaning of Rule 16b-3 as promulgated under the Act.
- f. "Company" means Valmont Industries, Inc., a Delaware corporation (and any successor thereto) and its Subsidiaries.
- g. "Director Award" means an award of Stock and an annual Award of a Nonstatutory Stock Option granted to each Eligible Director pursuant to Section 7.1 without any action by the Board or the Committee.
- h. "Eligible Director" means a person who is serving as a member of the Board and who is not an Employee.
- i. "Employee" means any employee of the Company or any of its Subsidiaries.
- j. "Fair Market Value" means, on any date, the average of the high and low sales prices of the Stock as reported on the National Association of Securities Dealers Automated Quotation system (or on such other recognized market or quotation system on which the trading prices of the Stock are traded or quoted at the relevant time) on such date. In the event that there are no Stock transactions reported on such system (or such other system) on such date, Fair Market Value shall mean the average of the high and low sale prices on the immediately preceding date on which Stock transactions were so reported.
- k. "Option" means the right to purchase Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either (i) an Incentive Stock Option within the meaning of Section 422 of the Code or (ii) a Nonstatutory Stock Option.
- l. "Participant" means any Employee designated by the Committee to participate in the Plan.

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- m. "Plan" means the Valmont 1999 Stock Plan, as in effect from time to time.
- n. "Restricted Stock" shall mean a share of Stock granted to a Participant subject to such restrictions as the Committee may determine.
- o. "Stock" means the Common Stock of the Company, par value \$1.00 per share.
- p. "Stock Appreciation Right" means the right, subject to such terms and conditions as the Committee may determine, to receive an amount in cash or Stock, as determined by the Committee, equal to the excess of (i) the Fair Market Value, as of the date such Stock Appreciation Right is exercised, of the number shares of Stock covered by the Stock Appreciation Right being exercised over (ii) the aggregate exercise price of such Stock Appreciation Right.
- q. "Stock Bonus" means the grant of Stock as compensation from the Company in lieu of cash salary or bonuses otherwise payable to the Participant.
- r. "Subsidiary" means any corporation or partnership in which the Company owns, directly or indirectly, 50% or more of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership.

2.2 Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

**SECTION 3****ELIGIBILITY AND PARTICIPATION**

Except as otherwise provided in Section 7.1, the only persons eligible to participate in the Plan shall be those Employees selected by the Committee as Participants.

**SECTION 4**  
**POWERS OF THE COMMITTEE**

4.1 Power to Grant. The Committee shall determine the Participants to whom Awards shall be granted, the type or types of Awards to be granted, and the terms and conditions of any and all such Awards. The Committee may establish different terms and conditions for different types of Awards, for different Participants receiving the same type of Awards, and for the same Participant for each Award such Participant may receive, whether or not granted at different times.

4.2 Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions deemed necessary or advisable to protect the interests of the Company, and to make all other determinations necessary or advisable for the administration and interpretation of the Plan in order to carry out its provisions and purposes. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be final, binding, and conclusive for all purposes and upon all persons.

**SECTION 5**  
**STOCK SUBJECT TO PLAN**

5.1 Number. Subject to the provisions of Section 5.3, the number of shares of Stock subject to Awards (including Director Awards) under the Plan may not exceed 1,700,000 shares of Stock. The shares to be delivered under the Plan may consist, in whole or in part, of treasury Stock or authorized but unissued Stock, not reserved for any other purpose. The maximum number of shares of Stock with respect to which Awards may be granted to any one Employee under the Plan is 40% of the aggregate number of shares of Stock available for Awards under Section 5.1.

5.2 Cancelled, Terminated or Forfeited Awards. Any shares of Stock subject to an Award which for any reason are cancelled, terminated or otherwise settled without the issuance of any Stock shall again be available for Awards under the Plan. In the event a Participant pays the exercise price of an Option pursuant to Section 6.4 by transferring or having withheld shares of stock, only the net number of Shares shall be considered utilized under the Plan and the balance shall again be available for Award under the Plan.

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5.3 Adjustment in Capitalization. In the event of any Stock dividend or Stock split, recapitalization (including, without limitation, the payment of an extraordinary dividend), merger, consolidation, combination, spin-off, distribution of assets to stockholders, exchange of shares, or other similar corporate change, (i) the aggregate number of shares of Stock available for Awards under Section 5.1 and (ii) the number of shares and exercise price with respect to Options and the number, prices and dollar value of other Awards, may be appropriately adjusted by the Committee, whose determination shall be conclusive. If, pursuant to the preceding sentence, an adjustment is made to the number of shares of Stock authorized for issuance under the Plan, a corresponding adjustment shall be made with respect to Director Awards granted pursuant to Section 7.1.

**SECTION 6**  
**STOCK OPTIONS**

6.1 Grant of Options. Options may be granted to Participants at such time or times as shall be determined by the Committee. Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Nonstatutory Stock Options. The Committee shall have complete discretion in determining the number of Options, if any, to be granted to a Participant. Each Option shall be evidenced by an Option agreement that shall specify the type of Option granted, the exercise price, the duration of the Option, the number of shares of Stock to which the Option pertains, the exercisability (if any) of the Option in the event of death, retirement, disability or termination of employment, and such other terms and conditions not inconsistent with the Plan as the Committee shall determine. Options may also be granted in replacement of or upon assumption of options previously issued by companies acquired by the Company by merger or stock purchase, and any options so replaced or assumed may have the same terms including exercise price as the options so replaced or assumed.

6.2 Option Price. Nonstatutory Stock Options and Incentive Stock Options granted pursuant to the Plan shall have an exercise price which is not less than the Fair Market Value on the date the Option is granted.

6.3 Exercise of Options. Options awarded to a Participant under the Plan shall be exercisable at such times and shall be subject to such restrictions and conditions as the Committee may impose, subject to the Committee's right to accelerate the exercisability of such Option in its discretion. Notwithstanding the foregoing, no Option shall be exercisable for more than ten years after the date on which it is granted.

6.4 Payment. The Committee shall establish procedures governing the exercise of Options, which shall require that written notice of exercise be given and that the Option price be paid in full in cash or cash equivalents, including by personal check, at the time of exercise or pursuant to any arrangement that the Committee shall approve. The Committee may, in its discretion, permit a Participant to make payment (i) in Stock already owned by the Participant valued at its Fair Market Value on the date of exercise (if such Stock has been owned by the Participant for at least six months) or (ii) by electing to have the Company retain Stock which would otherwise be issued on exercise of the Option, valued at its Fair Market Value on the date of exercise. As soon as practicable after receipt of a written exercise notice and full payment of the exercise price, the Company shall deliver to the Participant a certificate or certificates representing the acquired shares of Stock. The Committee may permit a Participant to elect to pay the exercise price upon the exercise of an Option by authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any required tax withholding resulting from such exercise.

6.5 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of any Participant affected thereby, to cause any Incentive Stock Option previously granted to fail to qualify for the Federal income tax treatment afforded under Section 421 of the Code.

6.6 Replacement Options. The Committee may grant a replacement option (a "Replacement Option") to any Employee who exercises all or part of an option granted under this Plan using Qualifying Stock (as herein defined) as payment for the purchase price. A Replacement Option shall grant to the Employee the right to purchase, at the Fair Market Value as of the date of said exercise and grant, the number of shares of stock equal to the sum of the number of whole shares (i) used by the Employee in payment of the purchase price for the option which was exercised and (ii) used by the Employee in connection with applicable withholding taxes on such transaction. A Replacement Option may not be exercised for six months following the date of grant, and shall expire on the same date as the option which it replaces.

Qualifying Stock is stock which has been owned by the Employee for at least six months prior to the date of exercise and has not been used in a stock-for-stock swap transaction within the preceding six months.

**SECTION 7**  
**DIRECTOR AWARDS**

7.1 Amount of Award. Each Eligible Director shall receive a non-discretionary Award of 2,000 shares of stock each year; such Award shall be made annually on the date of and following completion of the Company's annual stockholders' meeting (commencing with the 1999 annual stockholders' meeting). Each Eligible Director shall be issued a common stock certificate for such number of shares. Termination of the director's services for any reason other than (i) death, (ii) retirement from the Board at mandatory retirement age, or (iii) resignation or failure to stand for re-election, in any such case with the prior approval of the Board, will result in forfeiture of the Stock. If the Stock is forfeited, the director shall return the number of forfeited shares of Stock, or equivalent value, to the Company. The number of shares of Stock awarded to an Eligible Director annually shall be appropriately adjusted in the event of any stock changes as described in Section 5.3. In addition, each Eligible Director shall receive a non-discretionary Award of a Nonqualified Stock Option for 4,000 shares of Stock exercisable at the Fair Market Value of the Company's common stock on the date of grant; such Award shall be made annually on the date of and following completion of the Company's annual stockholders' meeting (commencing with the 1999 annual stockholders' meeting). The number of nonqualified options awarded to a director shall be appropriately adjusted in the event of any stock changes as described in Section 5.3.

7.2 No Other Awards. An Eligible Director shall not receive any other Award under the Plan.

**SECTION 8**  
**STOCK APPRECIATION RIGHTS**

8.1 SAR's In Tandem with Options. Stock Appreciation Rights may be granted to Participants in tandem with any Option granted under the Plan, either at or after the time of the grant of such Option, subject to such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine. Each Stock Appreciation Right shall only be exercisable to the extent that the corresponding Option is exercisable, and shall terminate upon termination or exercise of the corresponding Option. Upon the exercise of any Stock Appreciation Right, the corresponding Option shall terminate.

8.2 Other Stock Appreciation Rights. Stock Appreciation Rights may also be granted to Participants separately from any Option, subject to such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine.

**SECTION 9**  
**RESTRICTED STOCK**

9.1 Grant of Restricted Stock. The Committee may grant Restricted Stock to Participants at such times and in such amounts, and subject to such other terms and conditions not inconsistent with the Plan as it shall determine. Each grant of Restricted Stock shall be subject to such restrictions, which may relate to continued employment with the Company, performance of the Company, or other restrictions, as the Committee may determine. Each grant of Restricted Stock shall be evidenced by a written agreement setting forth the terms of such Award. A maximum of 20% of the shares of Stock available for issuance under the Plan may be issued as Restricted Stock.

9.2 Removal of Restrictions. The Committee may accelerate or waive such restrictions in whole or in part at any time in its discretion.

**SECTION 10**  
**STOCK BONUSES**

10.1 Grant of Stock Bonuses. The Committee may grant a Stock Bonus to a Participant at such times and in such amounts, and subject to such other terms and conditions not inconsistent with the Plan, as it shall determine.

**SECTION 11**  
**AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN**

11.1 General. The Board may from time to time amend, modify or terminate any or all of the provisions of the Plan, subject to the provisions of this Section 11.1. The Board may not change the Plan in a manner which would prevent outstanding Incentive Stock Options granted under the Plan from being Incentive Stock Options without the consent of

the optionees concerned. Furthermore, the Board may not make any amendment which would (i) materially modify the requirements for participation in the Plan or (ii) increase the number of shares of Stock subject to Awards under the Plan pursuant to Section 5.1, in each case without the approval of a majority of the outstanding shares of Stock entitled to vote thereon. No amendment or modification shall affect the rights of any Employee with respect to a previously granted Award, nor shall any amendment or modification affect the rights of any Eligible Director pursuant to a previously granted Director Award.

11.2 Termination of Plan. No further Options shall be granted under the Plan subsequent to December 31, 2009, or such earlier date as may be determined by the Board.

**SECTION 12**  
**MISCELLANEOUS PROVISIONS**

12.1 Nontransferability of Awards. Except as otherwise provided by the Committee, no Awards granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

12.2 Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries (who may be named contingent or successively) to whom any benefit under the Plan is to be paid or by whom any right under the Plan is to be exercised in case of his death. Each designation will revoke all prior designations by the same Participant shall be in a form prescribed by the Committee, and will be effective only

when filed in writing with the Company. In the absence of any such designation, Awards outstanding at death may be exercised by the Participant's surviving spouse, if any, or otherwise by his estate.

12.3 No Guarantee of Employment or Participation. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Subsidiary. No Employee shall have a right to be selected as a Participant, or, having been so selected, to receive any future Awards.

12.4 Tax Withholding. The Company shall have the power to withhold, or require a Participant or Eligible Director to remit to the Company, an amount sufficient to satisfy federal, state, and local withholding tax requirements on any Award under the Plan, and the Company may defer issuance of Stock until such requirements are satisfied. The Committee may, in its discretion, permit a Participant to elect, subject to such conditions as the Committee shall impose, (i) to have shares of Stock otherwise issuable under the Plan withheld by the Company or (ii) to deliver to the Company previously acquired shares of Stock, in each case having a Fair Market Value sufficient to satisfy all or part of the Participant's estimated total federal, state and local tax obligation associated with the transaction.

12.5 Change of Control. On the date of a Change of Control, all outstanding options and stock appreciation rights shall become immediately exercisable and all restrictions with respect to Restricted Stock shall lapse. "Change of Control" shall mean:

- i. The acquisition (other than from the Company) by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Act (excluding any acquisition or holding by (i) the Company or its subsidiaries, (ii) any employee benefit plan of the Company or its subsidiaries which acquires beneficial ownership of voting securities of the Company and (iii) Robert B. Daugherty, his successors and assigns and any tax-exempt entity established by him) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 50% or more of either the then outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or
- ii. Individuals who, as of the date hereof, constitute the Board (as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for the election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or

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- iii. Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case, with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, or a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

12.6 Company Intent. The Company intends that the Plan comply in all respects with Rule 16b-3 under the Act, and any ambiguities or inconsistencies in the construction of the Plan shall be interpreted to give effect to such intention.

12.7 Requirements of Law. The granting of Awards and the issuance of shares of Stock shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or securities exchanges as may be required.

12.8 Effective Date. The Plan shall be effective upon its adoption by the Board subject to approval by the Company's stockholders at the 1999 annual stockholders' meeting.

12.9 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

**AMENDMENT NO. 1 TO THE  
VALMONT 1999 STOCK PLAN**

Effective April 26, 2004, Section 5.2 of the Valmont 1999 Stock Plan is amended and restated in its entirety to read as follows:

"5.2 Cancelled, Terminated or Forfeited Awards. Any shares of Stock subject to an Award which for any reason are cancelled, terminated or otherwise settled without the issuance of any Stock shall again be available for Awards under the Plan. In the event a Participant pays the exercise price of an Option pursuant to Section 6.4 by transferring or having withheld shares of stock, only the net number of Shares shall be considered utilized under the Plan and the balance shall again be available for Award under the Plan. Notwithstanding the immediately preceding sentence, the number of shares available for Awards under the Plan shall not be increased by the number of any previously issued shares surrendered in connection with the exercise of an Award, more than ten years after the date of the most recent shareholder approval of the Plan."

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**Director Compensation Summary**

The Valmont board of directors on December 20, 2004 established director compensation for fiscal 2005. Non-employee directors will receive (1) an annual retainer of \$55,000, (2) \$2,500 for each board meeting attended (\$1,000 if the participation was via teleconference), and (3) \$2,000 for each committee meeting attended. The lead director receives an additional \$25,000 per year and each committee chairman receives an additional \$10,000 per year. Directors have the ability to receive cash fees in the form of deferred compensation which accrues interest indexed to U.S. Government Bonds compounded monthly.

Non-employee directors also receive equity compensation as provided in the stockholder-approved 2002 Stock Plan. The equity compensation consists of (1) an annual grant of 2,000 shares of common stock and (2) an annual grant of a nonqualified stock option for 4,000 shares of common stock exercisable at the fair market value of the Company's common stock on the date of grant. The equity grants are made annually on the date of and following completion of the Company's annual stockholders' meeting. The common stock grant is forfeited if a director's services terminate for any reason other than death, retirement from the board at mandatory retirement age, or resignation or failure to stand for re-election, in any case without the prior approval of the board.

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## SUBSIDIARIES OF VALMONT INDUSTRIES, INC.

Name of Subsidiary	State or Country of Incorporation
Best-All Electric, Inc.	Nebraska
Cascade Earth Sciences, Ltd.	Oregon
Cleanwater International, Ltd.	Oregon
Dreamwise Props 32 (Proprietary) Limited	South Africa
George Industries, Inc.	California
Golden State Irrigation, Inc.	California
Irri Management Argentina S.A.	Argentina
Lampadaires Feralux, Inc.	Canada
Mastock Ltd.	Zambia
NeuValco GmbH	Germany
Newmark International, Inc.	Delaware
Oregon Pacific Group, LLC	Oregon
PiRod, Inc.	Delaware
Sermeto Equipement Industriel S.A.S.	France
Valmont Industries (China) Co., Ltd.	China
Societe Marocaine des Pivots O'irrigation Valmont	Morocco
Teeter Irrigation, Inc.	Kansas
Valley Irrigation South Africa, (PTY) Ltd.	South Africa
Valmont Australia Pty. Ltd.	Australia
Valmont Coatings, Inc.	Delaware
Valmont Credit Corporation	Delaware
Valmont France S.A.S.	France
Valmont Formet S. de R.L. de C.V.	Mexico
Valmont Iberica S.A.	Spain
Valmont Mastbau GmbH & Co., KG	Germany
Valmont S.A.	Spain
Valmont Industria e Comercio, Ltda.	Brazil
Valmont Industries de Argentina S.A.	Argentina
Valmont Industries Holland B.V.	The Netherlands
Valmont International, L.L.C.	Delaware
Valmont International Corp.	Texas
Valmont International Inc.	U. S. Virgin Islands
Valmont Investimentos Ltda.	Brazil
Valmont Mastbau Verwaltung	Germany
Valmont Middle East FZE	United Arab Emirates
Valmont Nederland B.V.	The Netherlands
Valmont Northwest, Inc.	Nebraska
Valmont Polska Sp.z oo	Poland
Valmont Sarl	Morocco
Valmont Service Centers, Inc.	Nebraska
Valmont Singapore Pte. Ltd.	Singapore
Valmont Structures, Inc.	Delaware
Valmont (UK) Limited	United Kingdom
W.J. Whatley, Inc.	Colorado
Xinjiang Valmont Tianye Irrigation, Ltd.	China

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 33-21680, 33-57117, 333-02785, 333-64170, 333-78017, 333-83251, and 333-87432 of Valmont Industries, Inc. on Form S-8 and Registration Statement No. 333-59912 of Valmont Industries, Inc. on Form S-3 of our reports dated March 8, 2005 (which reports express an unqualified opinion and include an explanatory paragraph relating to the change in methods of accounting for variable interest entities in 2003 and goodwill and other intangibles in 2002), relating to the financial statements and financial statement schedule of Valmont Industries, Inc. and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Valmont Industries, Inc. for the fiscal year ended December 25, 2004.

/s/ DELOITTE & TOUCHE LLP

Omaha, Nebraska  
March 8, 2005

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**POWER OF ATTORNEY**

The undersigned Directors of Valmont Industries, Inc., a Delaware Corporation, hereby constitute and appoint Mogens C. Bay as attorney-in-fact in their name, place and stead to execute Valmont's Annual Report on Form 10-K for the fiscal year ended December 25, 2004, together with any and all subsequent amendments thereof in their capacity as Director and hereby ratify all that said attorney-in-fact may do by virtue thereof.

DATED this 28th day of February, 2005

/s/Glen A. Barton  
Glen A. Barton, Director

/s/Thomas F. Madison  
Thomas F. Madison, Director

/s/K.R. (Kaj) den Daas  
K. R. (Kaj) den Daas, Director

/s/Charles D. Peebler, Jr.  
Charles D. Peebler, Jr. Director

/s/John E. Jones  
John E. Jones, Director

/s/Walter Scott, Jr.  
Walter Scott, Jr., Director

/s/Stephen R. Lewis, Jr.  
Stephen R. Lewis, Jr., Director

/s/Kenneth E. Stinson  
Kenneth E. Stinson, Director

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## CERTIFICATIONS

I, Mogens C. Bay, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 25, 2004 of Valmont Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2005

/s/ MOGENS C. BAY

Mogens C. Bay

Chairman and Chief Executive Officer

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I, Terry J. McClain, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 25, 2004 of Valmont Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2005

/s/ TERRY J. MCCLAIN

Terry J. McClain

Senior Vice President and Chief

Financial Officer

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**  
**Pursuant to 18 U.S.C. Section 1350, as adopted**  
**pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The undersigned, Mogens C. Bay, Chairman and Chief Executive Officer of Valmont Industries, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the year ended December 25, 2004 (the "Report").

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 8th day of March 2005.

/s/ MOGENS C. BAY

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Mogens C. Bay  
*Chairman and Chief Executive Officer*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**  
**Pursuant to 18 U.S.C. Section 1350, as adopted**  
**pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The undersigned, Terry J. McClain, Senior Vice President and Chief Financial Officer, Valmont Industries, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the year ended December 25, 2004 (the "Report").

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 8th day of March 2005.

/s/ TERRY J. MCCLAIN

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Terry J. McClain  
*Senior Vice President and*  
*Chief Financial Officer*

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