SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 1998

Commission file number
0-23246
DAKTRONICS, INC.

South Dakota	46-0306862
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

331 32nd Avenue Brookings, SD 57006
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (605) 697-4000

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ___X___ No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at December 1, 1998
Common Stock, No par value	4,367,159

Daktronics, Inc.

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DAKTRONICS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS	OCTOBER 31, 1998 (UNAUDITED)	MAY 2, 1998
CURRENT ASSETS		
Cash and cash equivalents	$ 162	$ 148
Accounts receivable less allowance for doubtful accounts of $270 at October 31, 1998 and $208 at May 2, 1998	17,287	13,632
Current maturities of long-term receivables	838	990
Inventories	12,175	10,994
Costs and estimated earnings in excess of billings on uncompleted contracts	6,983	1,523
Prepaid expenses and other	44	448
Deferred income tax benefit	1,139	1,139
Total current assets	$ 38,628	$ 28,874
LONG-TERM RECEIVABLES AND OTHER ASSETS		
Long-term receivables, less current maturities	$ 4,800	$ 4,575
Intangible assets and other	801	814
	$ 5,601	$ 5,389
PROPERTY AND EQUIPMENT, at cost		
Land	$ 532	$ 492
Buildings	5,369	5,069
Machinery and equipment	13,510	12,177
Office furniture and equipment	738	403
Transportation equipment	499	590
	$ 20,648	$ 18,731
Less accumulated depreciation	10,314	9,506
	$ 10,334	$ 9,225
	$ 54,563	$ 43,488

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	OCTOBER 31, 1998 (UNAUDITED)	MAY 2, 1998
CURRENT LIABILITIES		
Notes payable, bank	$ 7,245	$ 5,594
Current maturities of long-term debt	1,355	455
Accounts payable	7,420	5,730
Accrued expenses	3,921	3,752
Billings in excess of costs and estimated earnings on uncompleted contracts	1,944	645
Income taxes payable	--	469
Total current liabilities	$ 21,885	$ 16,645
LONG-TERM DEBT		
Less current maturities	$ 4,572	$ 783
DEFERRED INCOME	$ 389	$ 361
DEFERRED INCOME TAXES	$ 515	$ 515
SHAREHOLDERS' EQUITY		
Common stock, no par value Authorized 30,000,000 shares Issued October 31, 1998 4,330,278 shares May 2, 1998 4,324,210 shares	$ 11,783	$ 11,722
Retained earnings	15,428	13,471
	$ 27,211	$ 25,193
Less:		
Cost of 4,920 treasury shares	(9)	(9)
	$ 27,202	$ 25,184
	$ 54,563	$ 43,488

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except earnings per share)
(unaudited)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	OCTOBER 31, 1998 (13 WEEKS)	NOVEMBER 1, 1997 (13 WEEKS)	OCTOBER 31, 1998 (26 WEEKS)	NOVEMBER 1, 1997 (27 WEEKS)
Net sales	$ 24,233	$ 16,936	$ 46,469	$ 32,704
Cost of goods sold	18,064	12,049	34,003	23,809
Gross profit	$ 6,169	$ 4,887	$ 12,466	$ 8,895
Operating expenses:				
Selling	$ 3,054	$ 2,293	5,691	$ 4,500
General and administrative	885	793	1,837	1,512
Product design and development	801	532	1,669	1,160
	$ 4,740	$ 3,618	$ 9,197	$ 7,172
Operating income	$ 1,429	$ 1,269	$ 3,269	$ 1,723
Nonoperating income (expense):				
Interest income	191	160	293	256
Interest expense	(245)	(99)	(419)	(212)
Other income	34	44	128	51
Income before income taxes	$ 1,409	$ 1,374	$ 3,271	$ 1,818
Income tax expense	566	545	1,314	720
Net income	$ 843	$ 829	$ 1,957	$ 1,098
Earnings per share (basic)	$ .19	$ .19	$ .45	$ .25
Earnings per share (diluted)	$ .19	$ .19	$ .44	$ .25

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	SIX MONTHS ENDED	
	OCTOBER 31, 1998 (26 WEEKS)	NOVEMBER 1, 1997 (27 WEEKS)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,957	$ 1,098
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	808	684
Amoritization	160	440
Provision for doubtful accounts	62	9
Change in operating assets and liabilities	(7,310)	(1,619)
Net cash provided by (used in) operating activities	$ (4,323)	$ 612
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	$ (1,917)	$ (816)
Other, net	(147)	227
Net cash (used in) investing activities	$ (2,064)	$ (589)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on notes payable	$ 1,651	$ 709
Proceeds from long-term debt	5,000	--
Principal payments on long-term debt	(311)	(671)
Proceeds from exercise of stock options	61	--
Net cash provided by financing activities	$ 6,401	$ 38
Increase in cash and cash equivalents	$ 14	$ 61
Cash and cash equivalents:		
Beginning	148	118
Ending	$ 162	$ 179

The accompanying notes are an integral part of these Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE A. GENERAL

The consolidated financial statements include the accounts of Daktronics, Inc. and its wholly-owned subsidiary, Star Circuits, Inc. Intercompany accounts and transactions have been eliminated in consolidation.

Earnings per share are calculated in accordance with the provisions of FASB Statement No. 128, "Earnings Per Share". A reconciliation of the income and common stock share amounts used in the calculation of basic and diluted earnings per share for the six months ended October 31, 1998 and November 1, 1997 follows (amounts in thousands except per share amounts):

	Net Income	Shares	Per Share Amount
For the six months ended October 31, 1998:			
Basic EPS	$ 1,957	4,330	$ 0.45
Effect of dilutive securities:			
Exercise of stock options	--	94	.01
Diluted EPS	$ 1,957	4,424	$ 0.44
For the six months ended November 1, 1997:			
Basic EPS	$ 1,098	4,306	$ 0.25
Effect of dilutive securities:			
Exercise of stock options	--	32	--
Diluted EPS	$ 1,098	4,338	$ 0.25

In the opinion of management, the unaudited financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the consolidated financial position of the Company and its subsidiary as of October 31, 1998 and the results of its operations and cash flows for the six months ended October 31, 1998 and November 1, 1997. These results may not be indicative of the results to be expected for the full fiscal year.

NOTE B. INVENTORIES

Inventories consist of the following (in thousands):

	October 31, 1998	May 2, 1998
Raw materials.............	$ 9,953	$ 8,657
Work-in-process...........	956	790
Finished goods............	1,266	1,547
	$ 12,175	$ 10,994

NOTE C. LITIGATION

On May 4, 1995, the Company was served with a complaint alleging that the Company infringed on the plaintiff's patent rights. On November 5, 1997, the case was dismissed and the plaintiff appealed the decision. Management of the Company believes that there is no infringement and intends to defend the litigation vigorously. The Company's trial counsel is unable to evaluate the likelihood of an unfavorable outcome or the potential range of loss, if any.

The Company has recorded a provision for estimated costs to be incurred in connection with the litigation described above, as well as other miscellaneous claims and litigation arising in the ordinary course of business.

ITEM 2. FINANCIAL REVIEW

(Management's discussion and analysis of financial condition and results of operations)

The following discussion highlights the principal factors affecting changes in financial condition and results of operations.

This review should be read in conjunction with the accompanying Consolidated Financial Statements and Notes to Consolidated Financial Statements.

GENERAL

The Company designs, manufactures and sells a wide range of computer-programmable information display systems to customers in a variety of markets throughout the world. The Company focuses its sales and marketing efforts on markets rather than products. Major categories of markets include Sports, Business and Government.

The Company's net sales and profitability historically have fluctuated due to the impact of large product orders, such as display systems for the Olympic Games and major league sports, as well as the seasonality of the sports market. The Company's gross margins on large product orders tend to fluctuate more than those for small standard orders. Large product orders that involve competitive bidding and substantial subcontract work for product installation generally have lower gross margins. Although the Company follows the percentage of completion method of recognizing revenues for these large orders, the Company nevertheless has experienced fluctuations in operating results and expects that its future results of operations may be subject to similar fluctuations.

The Company operates on a 52-53 week fiscal year, with fiscal years ending on the Saturday closest to April 30 of each year. The first three quarters end on the Saturday closest to July 31, October 31 and January 31.

RESULTS OF OPERATIONS

The following table sets forth the percentage of net sales represented by items included in the Company's Consolidated Statements of Operations for the periods indicated:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	OCTOBER 31, 1998 (13 WEEKS)	NOVEMBER 1, 1997 (13 WEEKS)	OCTOBER 31, 1998 (26 WEEKS)	NOVEMBER 1, 1997 (27 WEEKS)
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	74.5%	71.1%	73.2%	72.8%
Gross profit	25.5%	28.9%	26.8%	27.2%
Operating expenses	19.6%	21.4%	19.8%	21.9%
Operating income	5.9%	7.5%	7.0%	5.3%
Interest income	0.8%	0.9%	0.6%	0.8%
Interest expense	(1.0%)	(0.6%)	(0.9%)	(0.6%)
Other income	0.1%	0.3%	0.3%	0.1%
Income before income taxes	5.8%	8.1%	7.0%	5.6%
Income tax expense	2.3%	3.2%	2.8%	2.2%
Net income	3.5%	4.9%	4.2%	3.4%

NET SALES

Net sales were $24.2 million and $46.5 million for the three and six months ended October 31, 1998, compared to $16.9 million and $32.7 million for the three and six months ended November 1, 1997. The increase in net sales was primarily the result in increases in sales in most of the sport niche markets, particularly in the federation, major league and college and university markets.

Based on current backlog and customer quotations, the Company believes that net sales for the last six months of fiscal year 1999 should exceed the last six months of fiscal year 1998.

GROSS PROFIT

Gross profit increased 27% from $4.9 million for the three months ended November 1, 1997 to $6.2 million for the three months ended October 31, 1998 while gross profit as a percentage of net sales decreased from 28.9% to 25.5%, respectively.

Gross profit increased 40% from $8.9 million for the six months ended November 1, 1997 to $12.5 million for the six months ended October 31, 1998 while gross profit as a percentage of net sales decreased from 27.2% to 26.8%, respectively.

The increase in gross profit was the result of increased net sales for the two periods. The decrease in gross profit as a percentage of sales for the periods was primarily the result of introducing the newest version of the ProStar(TM) Video Plus display into two college and university stadiums with virtually no gross profit in the second quarter.

Due in part to the impact of large orders and the amount of subcontracting work associated with installation of these products, the Company expects that its gross profit margin will continue to fluctuate in future periods.

OPERATING EXPENSES

Selling expenses increased from $2.3 million for the three months ended November 1, 1997, to $3.1 million for the three months ended October 31, 1998. Selling expenses increased from $4.5 million for the six months ended November 1, 1997 to $5.7 million for the six months ended October 31, 1998. The increases were due primarily to the addition of sales staff and increased selling activity.

General and administrative expenses increased from $793,000 and $1.5 million for the three and six months ended November 1, 1997 to $885,000 and $1.8 million for the three and six months ended October 31, 1998. The increases were due to increases in salary and personnel to support company growth.

Product design and development was $532,000 and $1.2 million for the three and six months ended November 1, 1997 and $801,000 and $1.7 million for the three and six months ended October 31, 1998 as the Company continues to aggressively develop its family of ProStar(TM) Video Plus displays.

INTEREST INCOME

The Company occasionally sells products on an installment basis or in exchange for advertising revenues from the scoreboard or display, both which result in long-term receivables. Interest income increased from $160,000 and $256,000 for the three and six months ended November 1, 1997 to $191,000 and $293,000 for the three and six months ended October 31, 1998. The increase was due to higher average balances of long-term receivables.

INTEREST EXPENSE

Interest expense increased from $99,000 and $212,000 for the three and six month periods ended November 1, 1997 to $245,000 and $419,000 for the three and six months ended October 31, 1998. The increase was due to an increase in average loan balances.

INCOME TAX EXPENSE

Income taxes as a percentage of income before income taxes were 40% for the six months ended November 1, 1997 and October 31, 1998 respectively.

NET INCOME

Net income was $829,000 and $1.1 million for the three and six months ended November 1, 1997 compared to $843,000 and $2.0 million for the three and six months ended October 31, 1998. The increase was due to an increase in net sales.

Management believes that one of the principal factors that will affect net sales and income growth is the Company's ability to increase the marketing of its products in existing markets and expand the marketing of its products to new markets.

LIQUIDITY AND CAPITAL RESOURCES

Working capital was $16.7 million at October 31, 1998 and $12.2 million at May 2, 1998. Working capital provided by net income, depreciation and amortization, and $5.0 million in additional long-term debt was offset by purchases of property and equipment and repayment of long-term debt. The Company has historically financed working capital needs through a combination of cash flow from operations and borrowings under bank credit agreements.

Cash used by operations for the six months ended October 31, 1998 was $4.3 million. Net income of $2.0 million plus depreciation and amortization of $968,000 were offset by an increase in inventories and receivables including costs and estimated earnings in excess of billings on uncompleted contracts. Cash used by investing activities consisted of $1,917,000 of purchases of property and equipment. Cash provided from financing activities included $1,651,000 net borrowings under the Company's line of credit, borrowings under a long-term financing agreement of $5.0 million and $61,000 in proceeds from the exercise of stock options. Cash used for financing activities consisted of $311,000 of repayment of long-term debt.

The Company has used and expects to continue to use cash reserves and bank borrowings to meet its short-term working capital requirements. On large product orders, the time between acceptance and completion may extend up to 12 months depending on the amount of custom work and the customer's delivery needs. The Company often receives a down payment or progress payments on these product orders. To the extent that these payments are not sufficient to fund the costs and other expenses associated with these orders, the Company uses working capital and bank borrowings to finance these cash requirements.

The Company's product development activities include the enhancement of existing products and the development of new products from existing technologies. Product development expenses were $1.7 million for the six months ended October 31, 1998 and $1.2 million for the six months ended November 1, 1997. The Company intends to continue to incur these expenditures to develop new display products using various display technologies to offer higher resolution, and more cost effective and energy efficient displays. Daktronics also intends to continue developing software applications for its display controllers to enable these products to continue to meet the needs and expectations of the marketplace.

The Company has a credit agreement with a bank. The credit agreement provides for a $15.0 million line of credit which includes up to $2.0 million for standby letters of credit. The line of credit is at LIBOR rate plus 1.55% (6.82% at October 31, 1998) and is due on October 1, 2001. As of October 31, 1998, $7.2 million had been drawn on the line of credit and no standby letters of credit had been issued by the bank. The credit agreement is unsecured and requires the Company to meet certain covenants. Financial covenants include the maintenance of tangible net worth of at least $23 million, a minimum liquidity ratio and a maximum ratio of liabilities to tangible net worth.

The Company is sometimes required to obtain performance bonds for display installations. The Company currently has a bonding line available through an insurance company that provides for an aggregate of $25.0 million in bonded work outstanding. At October 31, 1998, the Company had $4.9 million of bonded work outstanding against this line.

The Company believes that if its growth continues, it may need to increase the amount of its credit facility. The Company anticipates that it will be able to obtain any needed funds under commercially reasonable terms from its current lender. The Company believes that cash from operations, from its existing or increased credit facility, and its current working capital will be adequate to meet the cash requirements of its operations in the foreseeable future.

BUSINESS RISKS AND UNCERTAINTIES

A number of risks and uncertainties exist which could impact the Company's future operating results. These uncertainties include, but are not limited to, general economic conditions, competition, the Company's success in developing new products and technologies, market acceptance of new products, and other factors, including those set forth in the Company's SEC filings, including its current report on Form 10-K for the year ended May 2, 1998.

YEAR 2000 ISSUES

Many existing computer programs use only two digits to identify a year in the date field, with the result that data referring to the Year 2000 and subsequent years may be misinterpreted by these programs. If present in the computer applications of the Company or its suppliers and not corrected, this problem could cause computer applications to fail or to create erroneous results and could cause a disruption in operations and have an adverse effect on the Company's business and results of operations. The Company has evaluated its principal computer systems and is in the process of implementation of new enterprise resource planning software which will be fully operational in fiscal 1999 and has been represented by the vendor to be Year 2000 compliant. The cost of the new software will be capitalized. The Company has initiated discussions with its key suppliers to determine whether they have any Year 2000 issues. At this time the Company has not received assurances from all critical vendors. The Company has not incurred any material expenses to date in connection with this evaluation, and does not anticipate material expenses in the future, depending on the status of its key suppliers with respect to this issue. The Company has reviewed its computer programs which it includes in its display systems and has started to implement changes to be Year 2000 compliant. The Company has determined that the cost of these modifications will not have a material impact on the result of operations in upcoming fiscal years.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board and the Accounting Standards Executive Committee have issued certain Statements of Financial Accounting Standards and Statements of Position, respectively, which have required effective dates occurring after the Company's May 2, 1998 year end. The Company's financial statements, including the disclosures therein, are not expected to be materially affected by those accounting pronouncements.

PART II - OTHER INFORMATION

Item 1 - LEGAL PROCEEDINGS

During the year ended May 3, 1997, a lawsuit was brought by another party alleging the Company breached contracts, committed tortious interference with contract, intentionally inflicted emotional distress and is responsible for compensatory and punitive damages. On October 28, 1997, a jury awarded the plaintiff an amount the Company had accrued as owing the plaintiff for royalties and commissions. The amount has been paid by the Company. The plaintiff appealed part of the verdict which was upheld by the appellate court on September 19, 1998 and in favor of the Company.

Item 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS

On November 19, 1998 the Company adopted a shareholders rights plan. A copy of this plan is included in form 8-K filed on November 30, 1998.

Item 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following items and the results were submitted to the shareholders at the annual meeting held on August 19, 1998.

1. Election of the following three nominees as directors of the Company, until their successors are duly elected and qualified:

James B. Morgan:	For 4,183,840	Against 37,564	Abstain)
Duane E. Sander:	For 4,183,840	Against 1,933	Abstain) 46,333
John L. Mulligan:	For 4,183,840	Against 16,211	Abstain)

2. Consider and vote upon a proposal to approve the Amendment to the Amended and Restated Articles of Incorporation increasing the shares authorized to be issued from 15,000,000 to 30,000,000.

   For 4,036,183 Against 239,883 Abstain 12,439

3. Consider and vote upon a proposal to approve an amendment to the Daktronics, Inc. 1993 Stock Option Plan increasing the number of shares reserved for issuance under the Plan by 300,000 shares.

   For 2,927,486 Against 174,318 Abstain 11,383

4. Consider and vote upon a proposal to approve an amendment to the Daktronics, Inc. 1993 Outside Directors Stock Option Plan increasing the number of shares reserved for issuance under the Plan by 100,000 shares.

   For 2,825,048 Against 252,046 Abstain 31,245

5. Ratification of the appointment of McGladrey & Pullen as independent auditors for the Company for the fiscal year ending 1 May 1999.

   For 4,223,242 Against 56,147 Abstain 9,453

Item 6 - EXHIBITS

4.2 - Shareholder Rights Agreement (1)

10.6 - Loan Agreement dated October 14, 1998 between U.S. Bank National Association and Daktronics Inc.

(1) Incorporated by reference under exhibit number 4.1 to the exhibits filed with form 8-K on November 30, 1998 as Commission File No. 0-23246.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

/s/ Aelred J. Kurtenbach, President

Daktronics, Inc.
(Dr. Aelred J. Kurtenbach, President)
(President)

Date December 11, 1998

/s/ Paul J. Weinand, Treasurer

Daktronics, Inc.
(Paul J. Weinand, Treasurer)
(Principal Financial Officer)

Exhibit 10.6

LOAN AGREEMENT

This Loan Agreement dated as of October 14, 1998, is by and between Daktronics, Inc., a South Dakota corporation (the "Borrower"), and U.S. Bank National Association, a national banking association (the "Lender").

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.1 Defined Terms. As used in this Agreement the following terms shall have the following respective meanings:

"Business Day": Any day (other than a Saturday, Sunday or legal holiday in the State of South Dakota) on which national banks are permitted to be open for business in Sioux Falls, South Dakota.

"Closing Date": The date on which the conditions set forth in Section 4.1 have been satisfied and the Loan is closed.

"Default": Any event which, with the giving of notice (whether such notice is required under Section 7.1, or under some other provision of this Agreement, or otherwise) or lapse of time, or both, would constitute an Event of Default.

"Default Rate": As defined in the Notes.

"ERISA": The Employee Retirement Income Security Act of 1974, as amended.

"Event of Default": Any event described in Section 1.1.

"GAAP": Generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of any date of determination.

"Governmental Requirements": All laws, statutes, codes, ordinances, and

governmental rules, regulations and requirements applicable to the Borrower and the Lender.

"Loan Documents": This Agreement, the Notes and any other document collateral to or as security for the Loan.

"Notes": The Revolving Note and Term Note.

"Obligations": The Borrower's obligations in respect of the due and punctual payment of principal and interest on the Revolving Note and Term Note when and as due, whether by acceleration or otherwise and all fees, expenses, indemnities, reimbursements and other obligations of the Borrower under this Agreement or any other Loan Document, in all cases whether now existing or hereafter arising or incurred.

"Person": Any natural person, corporation, partnership, limited partnership, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision or any other entity, whether acting in an individual, fiduciary or other capacity.

"Regulatory Change": Any change after the date of this Agreement in federal, state or foreign laws or regulations or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including the Lender under any federal, state or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Revolving Loan": As defined in Section 2.1.

"Revolving Loan Maturity Date": October 1, 2001.

"Revolving Note": The Revolving Note dated of even date herewith, in the amount of the Revolving Loan, executed by the Borrower and payable to the order of the Lender.

"Term Loan": As defined in Section 3.1.

"Term Loan Maturity Date": November 1, 2003.

"Term Note": The Term Note dated of even date herewith, in the amount of the Loan, executed by the Borrower and payable to the order of the Lender.

Section 1.2 Accounting Terms and Calculations. Except as may be expressly provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

Section 1.3 Other Definitional Terms, Terms of Construction. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Sections, Exhibits, Schedules and like references are to Sections, Exhibits, Schedules and the like of this Agreement unless otherwise expressly provided. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". Unless the context in which used herein otherwise clearly requires, "or" has the inclusive meaning represented by the phrase "and/or". All incorporations by reference of covenants, terms, definitions or other provisions from other agreements are incorporated into this Agreement as if such provisions were fully set forth herein, and include all necessary definitions and related provisions from such other agreements. All covenants, terms, definitions and other provisions from other agreements incorporated into this Agreement by reference shall survive any termination of such other agreements until the obligations of the Borrower under this Agreement and the Notes are irrevocably paid in full.

ARTICLE II

TERMS OF REVOLVING LOAN

Section 2.1 Revolving Loan. Upon the terms and subject to the conditions hereof, the Lender agrees to make available a revolving loan (the "Revolving Loan") to the Borrower of Fifteen Million and No/100 Dollars ($15,000,000.00) on the Closing Date. Borrower may request and Lender shall issue as part of the Revolving Loan, letters of credit in an amount not to exceed Two Million and No/100 Dollars ($2,000,000.00). The amount available to be borrowed under the Revolving Loan shall be correspondingly reduced by the face amount of all letters of credit issued. Lender shall not charge an origination fee or a maintenance fee for the issuance of the letters of credit, but may charge its standard issuance, documentation and examination fees therefor.

Section 2.2 The Revolving Note; Interest and Repayment. The Revolving Loan shall be evidenced by the Revolving Note. The Lender shall enter in its ledgers and records the payments made on the Revolving Loan, and the Lender is authorized by the

Borrower to enter on a schedule attached to the Revolving Note a record of such payments. The Revolving Note shall accrue interest and shall be payable, together with interest thereon, and may be prepaid, if at all, and is subject to mandatory prepayment, as provided in the Revolving Note. If not sooner paid, the Revolving Note, together with all accrued and unpaid interest thereon, shall be due and payable in full on the Revolving Loan Maturity Date. Lender shall not be required to permit advances under the Revolving Loan if Borrower remains in default following the Occurrence of an Event of Default that remains uncured subsequent to the expiration of any applicable cure period.

Section 2.3 Use of Proceeds. The proceeds of the Loan shall be used for the refinancing of loans issued by Norwest Bank National Association and operations in the ordinary course of business.

ARTICLE III

TERMS OF TERM LOAN

Section 3.1 Term Loan. Upon the terms and subject to the conditions hereof, the Lender agrees to make available a term loan (the "Term Loan") to the Borrower of Five Million and No/100 Dollars ($5,000,000.00) on the Closing Date.

Section 3.2 The Term Note; Interest and Repayment. The Term Loan shall be evidenced by the Term Note. The Lender shall enter in its ledgers and records the payments made on the Term Loan, and the Lender is authorized by the Borrower to enter on a schedule attached to the Term Note a record of such payments. The Term Note shall accrue interest and shall be payable, together with interest thereon, and may be prepaid, if at all, and is subject to mandatory prepayment, as provided in the Term Note. If not sooner paid, the Term Note, together with all accrued and unpaid interest thereon, shall be due and payable in full on the Term Loan Maturity Date.

Section 3.3 Use of Proceeds. The proceeds of the Loan shall be used for the refinancing of loans issued by Norwest Bank National Association and operations in the ordinary course of business.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.1 Conditions of the Loan. The obligation of the Lender to make the Loan hereunder shall be subject to the prior or simultaneous fulfillment of each of the following conditions:

4.1(a) Documents. The Lender shall have received the documents and other materials as set forth on Schedule 4.1(a) attached hereto and hereby made a part hereof.

4.1(b) Other Matters. All organizational and legal proceedings relating to the Borrower and all instruments and agreements in connection with the transactions contemplated by this Agreement shall be satisfactory in scope, form and substance to the Lender and its counsel, and the Lender shall have received all information and copies of all documents, including records of corporate proceedings, which it may reasonably have requested in connection therewith, such documents where appropriate to be certified by Borrower or governmental authorities.

4.1(c) Fees and Expenses. The Lender shall have received amounts due and payable by the Borrower on or prior to the Closing Date, including the reasonable fees and expenses of counsel to the Lender payable pursuant to Section 8.2.

4.1(d) No Default. All representations and warranties of the Borrower made in this Agreement shall remain true and correct and no Default or Event of Default shall exist.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender:

Section 5.1 Organization, Standing, Etc. The Borrower is a corporation duly incorporated and validly existing and in good standing under the laws of the jurisdiction of its incorporation, and has all requisite corporate power and authority to own its properties and to carry on its business as now conducted, to enter into this Agreement and the other Loan Documents to which it is a party and to issue the Notes and to perform its obligations hereunder and thereunder. This Agreement, the Notes and the other Loan Documents to which it is a party have been duly authorized by all necessary corporate action and when executed and delivered will be the legal and binding obligations of the Borrower. The execution, delivery and performance of this Agreement, the Notes and the other Loan Documents to which it is a party will not violate the Borrower's Articles of Incorporation or Bylaws or any law applicable to the Borrower, and will not violate or cause a default under or permit acceleration of any agreement to which Borrower is a party. Except for consents, approvals and exemptions previously obtained (copies of which have been delivered to the Lender), no approval of or exemption by any Person is required in connection with the Borrower's execution, delivery and performance of this Agreement, the Notes and the other Loan Documents to which it is a party. To the Borrower's knowledge, it is not in material default (beyond any applicable grace period) in the performance of any material agreement, order, writ, injunction, decree or demand to which it is a party or by which it is bound.

Section 5.2 Financial Statements and No Material Adverse Change. The Borrower's audited financial statements as of May 2, 1998, and its unaudited financial statements as of August 1, 1998, as heretofore furnished to the Lender, have been prepared in accordance with GAAP. The Borrower has no material obligation, liability or asset not disclosed in such financial statements, and there has been no material adverse change in the condition of the Borrower since the dates of such financial statements.

Section 5.3 Litigation. There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower which, if determined adversely to the Borrower, would have a material adverse effect on the condition of the Borrower or on the ability of the Borrower to perform its obligations under the Loan Documents. However, Borrower is currently defending the actions, suits and proceedings identified in Schedule 5.3. The Borrower is not in violation of any Governmental Requirement where such violation could reasonably be expected to impose a material liability on the Borrower.

Section 5.4 Taxes. The Borrower has filed all federal, state and local tax returns required to be filed and has paid or made provision for the payment of all taxes due and payable pursuant to such returns and pursuant to any assessments made against it or any of its property (other than taxes, fees or charges the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with GAAP have been provided on the books of the Borrower).

Section 5.5 Subsidiaries. The Borrower has no operating subsidiaries, except for Star Circuits, Inc., and MSC Technologies, Inc.

Section 5.6 Employee Benefit Plans. Except as disclosed in writing to the Lender: (a) the Borrower is not an employee benefit plan as defined in Section 3(1) of ERISA, whether or not subject to ERISA; (b) no assets of the Borrower constitute assets of any such plan under ERISA regulations or rulings; (c) with respect to any such plan that the Borrower sponsors, participates in or has fiduciary duties with respect to, the Borrower has materially complied with all federal and state laws, plan documents and funding requirements; (d) the Borrower does not sponsor, participate in, or have fiduciary duties with respect to any defined benefit pension plan subject to Title IV of ERISA or any multi-employer pension plan as defined in Section 3(37)(A) of ERISA or any plan providing medical or other welfare benefits to retirees or other former employees (except as required by federal or state law); and (e) the Borrower is not (and has not ever been) a member of a group of trades or businesses (whether or not incorporated) that is treated as a single employer under Section 414 of the Internal Revenue Code.

Section 5.7 Federal Reserve Regulations. The Borrower is not engaged principally or as one of its important activities in the business of extending credit for the purpose of purchasing or carrying margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System or any successor thereto). The value of all margin stock owned by the Borrower does not constitute more than 25% of the value of the assets of the Borrower.

Section 5.8 Year 2000. The Borrower has reviewed and assessed its business operations and computer systems and applications to address the "year 2000 problem" (that is, that computer applications and equipment used by the Borrower, directly or indirectly through third parties, may be unable to properly perform date-sensitive functions before, during and after January 1, 2000); (b) has developed a plan which is projected to complete remediation of material year 2000 problems by March 1, 1999, including the testing thereof. In any event, remediation will be completed by July 1, 1999. The Borrower will promptly deliver to Lender such information relating to this representation and covenant as Lender requests from time to time.

ARTICLE VI

COVENANTS

Until the Notes and all of the Borrower's other Obligations shall have been paid and performed in full, unless the Lender shall otherwise consent in writing:

Section 6.1 Financial Statements and Reports. The Borrower will furnish to the Lender:

6.1(a) As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Borrower, financial statements of Borrower consisting of at least statements of income, cash flow and changes in stockholders' equity, a balance sheet as at the end of such year, and a statement of contingent liabilities as at the end of such year, setting forth in each case in comparative form corresponding figures from the previous annual audit, certified without qualification by an independent Certified Public Accountant or other independent certified public accountants of recognized regional standing selected by the Borrower, as the case may be, and acceptable to the Lender.

6.1(b) As soon as available and in any event within forty-five (45) days after the end of each fiscal quarter of the Borrower, unaudited financial statements for Borrower for such quarter and for the period from the beginning of such fiscal year to the end of such quarter, substantially similar to the annual audited statements.

6.1(c) As soon as available and in any event within ninety (90) days after the deadline for filing the same, copies of all federal income tax returns (with all supporting schedules) of the Borrower.

6.1(d) As soon as available and in any event at least thirty (30) days prior to the beginning of each fiscal year, a financial forecast for the upcoming fiscal year, setting forth the projected income and expenses for such year.

6.1(e) As soon as practicable and in any event within forty-five (45) days after the end of each fiscal quarter, a statement signed by the Chief Executive Officer or the Chief Financial Officer of the Borrower stating that as at the end of such quarter there did not exist any Default or Event of Default or, if such Default or Event of Default existed, specifying the nature and period of existence thereof and what action the Borrower proposes to take with respect thereto.

6.1(f) Immediately upon any officer of the Borrower becoming aware of any Default or Event of Default, a notice describing the nature thereof and what action the Borrower proposes to take with respect thereto.

6.1(g) From time to time, such other information regarding the business, operation and financial condition of the Borrower as the Lender may reasonably request.

Section 6.2 Books and Records. The Borrower will keep adequate and proper records and books of account in which full and correct entries will be made of its dealings, business and affairs.

Section 6.3 Inspection. The Borrower will permit any Person designated by the Lender to visit and inspect any of the properties, books and financial records of the Borrower, to examine and to make copies of the books of accounts and other financial records of the Borrower, and to discuss the affairs, finances and accounts of the Borrower with its President/Chief Executive Officer and Chief Financial Officer/Treasurer at such reasonable times and intervals as the Lender may designate.

Section 6.4 Existence. The Borrower will maintain its existence in good standing under the laws of its jurisdiction of incorporation or formation, and its qualification to transact business in each jurisdiction where failure so to qualify would permanently preclude the Borrower from enforcing its rights with respect to any material asset or would expose the Borrower to any material liability.

Section 6.5 Notice of Litigation. The Borrower will give prompt written notice to the Lender of the commencement of any action, suit or proceeding affecting the Borrower alleging claims of Fifty Thousand and No/100 Dollars ($50,000.00) or more.

Section 6.6 Employee Benefit Plans. The Borrower shall neither take any action, nor omit to take any action, if such action or omission would result in any of the statements set forth in Section 5.6 (including any written disclosures made by the Borrower to the Lender under Section 5.6) becoming inaccurate or misleading at any time while the Notes remain outstanding.

Section 6.7 Insurance. The Borrower will maintain with financially sound and reputable insurance companies such insurance as may be required by law and such other insurance in such amounts and against such hazards as is customary in the case of reputable companies engaged in the same or similar business.

Section 6.8 Payment of Taxes. The Borrower will file all tax returns and reports which are required by law to be filed by it and will pay before they become delinquent, all taxes, assessments and governmental charges and levies imposed upon it or its property and all claims or demands of any kind (including those of suppliers, mechanics, carriers, warehousemen, landlords and other like Persons) which, if unpaid, might result in the creation of a Lien upon its property.

Section 6.9 Maintenance of Properties, Compliance. The Borrower will maintain its properties in good condition, repair and working order, and supplied with all necessary equipment, and make all necessary repairs, renewals, replacements, betterments and improvements thereto, all as may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times. The Borrower will comply in all material respects with all laws, rules and regulations to which it may be subject.

Section 6.10 Merger. The Borrower will not merge or consolidate or enter into any analogous reorganization or transaction with any Person or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution).

Section 6.11 Acquisitions. The Borrower will not acquire during any fiscal year another business, firm or company at a price in excess of One Million and No/100 Dollars ($1,000,000.00).

Section 6.12 Sale of Assets. The Borrower will not sell, transfer, lease or otherwise convey all or any substantial part of its assets except for sales and leases of inventory in the ordinary course of business, except for the sale of demonstration equipment, and except for advertising rights.

Section 6.13 Additional Covenants. For additional covenants, see Schedule VI attached hereto and hereby made a part hereof.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default:

7.1(a) The Borrower shall fail to make when due, whether by acceleration or otherwise, any payment of principal of or interest on the Notes or any other obligations of the Borrower to the Lender pursuant to this Agreement or any of the other Loan Documents.

7.1(b) Any representation or warranty made by or on behalf of the Borrower in this Agreement or any of the other Loan Documents or by or on behalf of the Borrower in any certificate, statement, report or document herewith or hereafter furnished to the Lender pursuant to this Agreement or any of the other Loan Documents shall prove to have been false or misleading in any material respect on the date as of which the facts set forth are stated or certified.

7.1(c) The Borrower shall fail to comply with Section 6.10 or 6.11 or any covenant contained in Schedule VI hereto.

7.1(d) A sale, transfer, conveyance or encumbrance of Borrower's properties except as permitted under Section 6.12.

7.1(e) The Borrower shall fail to comply with any other agreement, covenant, condition, provision or term contained in this Agreement or any of the other Loan Documents (other than those hereinabove set forth in this Section 7.1) and such failure to comply shall continue for thirty (30) calendar days after whichever of the following dates is the earliest: (i) the date the Borrower gives notice of such failure to the Lender, (ii) the date the Borrower should have given notice of such failure to the Lender pursuant to Section 6.1, or (iii) the date the Lender gives notice of such failure to the Borrower.

7.1(f) The Borrower shall become insolvent or shall generally not pay its debts as they mature or shall apply for, shall consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver of itself or for a substantial part of its property, or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for the Borrower or for a substantial part of the property thereof and shall not be discharged within forty-five (45) days, or the Borrower shall make an assignment for the benefit of creditors.

7.1(g) Any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law shall be instituted by or against the Borrower and, if instituted against the Borrower, shall have been consented to or acquiesced in by the Borrower, as the case may be, or shall remain undismissed for sixty (60) days, or an order for relief shall have been entered against the Borrower.

7.1(h) Any dissolution or liquidation proceeding shall be instituted by or against the Borrower and, if instituted against the Borrower, shall be consented to or acquiesced in by the Borrower, as the case may be, or shall remain for forty-five (45) days undismissed.

7.1(i) A judgment or judgments for the payment of money in excess of the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00) in the aggregate, excluding any amount covered by insurance, shall be rendered against the Borrower and either (i) the judgment creditor executes on such judgment or (ii) such judgment remains unpaid or undischarged for more than sixty (60) days from the date of entry thereof or such longer period during which execution of such judgment shall be stayed during an appeal from such judgment.

7.1(j) The maturity of any material indebtedness of the Borrower (other than the Revolving Loan and Term Loan) shall be accelerated, or the Borrower shall fail to pay any such material indebtedness when due (after the lapse of any applicable grace period) or any event shall occur or condition shall exist and shall continue for more than the period of grace, if any, applicable thereto and shall have the effect of causing, or permitting the holder of any such indebtedness to cause, such material indebtedness to become due prior to its stated maturity or to realize upon any collateral given as security therefor. For purposes of this Section, indebtedness shall be deemed "material" if it exceeds Five Hundred Thousand and No/100 Dollars ($500,000.00) as to any item of indebtedness or in the aggregate for all items of indebtedness with respect to which any of the events described in this Section has occurred.

7.1(k) Any execution or attachment shall be issued whereby any substantial part of the property of the Borrower shall be taken or attempted to be taken and the same shall not have been vacated or stayed within thirty (30) days after the issuance thereof.

7.1(l) Any default shall occur under any other Loan Document, and shall continue beyond any grace or cure period provided therein with respect to such default.

Section 7.2 Remedies. If (a) any Event of Default described in Sections 7.1 (f), (g) or (h) shall occur with respect to the Borrower, the Notes and all other obligations of the Borrower to the Lender under this Agreement and the other Loan Documents shall automatically become immediately due and payable, or (b) any other Event of Default shall occur and be continuing, then the Lender may declare the Notes and all other obligations of the Borrower to the Lender under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon the same shall immediately become due and payable, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement or in the Notes or in any of the other Loan Documents to the contrary notwithstanding. Upon the occurrence of any of the events described in clauses (a) or (b) of the preceding sentence the Lender may exercise all rights and remedies under this Agreement, the Notes and any of the other Loan Documents and under any applicable law. In addition, the Lender may cure the Event of Default on behalf of the Borrower, and, in doing so, may enter upon the Borrower's properties, and may expend such sums as it may deem desirable, including attorneys' fees, all of which shall be deemed to be advances hereunder and under the Notes, even though causing the Loan to exceed the face amount of the Notes, shall bear interest at the Default Rate and shall be payable by the Borrower on demand.

Section 7.3 Offset. In addition to the remedies set forth in Section 7.2, upon the occurrence of any Event of Default and thereafter while the same be continuing, the Borrower hereby irrevocably authorizes the Lender to set off all sums owing by the Borrower to the Lender against all deposits and credits of the Borrower with, and any and all claims of the Borrower against, the Lender.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Modifications. Notwithstanding any provisions to the contrary herein, any term of this Agreement may be amended with the written consent of the Borrower; provided that no amendment, modification or waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by the Lender, and then such amendment, modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

Section 8.2 Costs and Expenses. Whether or not the transactions contemplated hereby are consummated, the Borrower agrees to reimburse the Lender upon demand for all reasonable out-of-pocket expenses paid or incurred by the Lender (including fees and expenses of Woods, Fuller, Shultz & Smith P.C., counsel to the Lender) in connection with the negotiation, preparation, approval, review, execution, delivery, amendment, modification, interpretation, collection and enforcement of this Agreement, the Notes and the other Loan Documents. The obligations of the Borrower under this Section shall survive any termination of this Agreement.

Section 8.3 Waivers, etc. No failure on the part of the Lender or the holder of the Notes to exercise and no delay in exercising any power or right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The rights and remedies of the Lender hereunder are cumulative and not exclusive of any right or remedy the Lender otherwise has.

Section 8.4 Notices. Except when telephonic notice is expressly authorized by this Agreement, any notice or other communication to any party in connection with this Agreement shall be in writing and shall be sent by manual delivery, telegram, telex, facsimile transmission, overnight courier or United States mail (postage prepaid) addressed to such party at the address specified on the signature page hereof, or at such other address as such party shall have specified to the other party hereto in writing. All periods of notice shall be measured from the date of delivery thereof if manually delivered, from the date of sending thereof if sent by telegram, telex or facsimile transmission, from the first Business Day after the date of sending if sent by overnight courier, or from four days after the date of mailing if mailed. Either party may change its address for notices by a notice given not less than five (5) Business Days prior to the effective date of the change.

Section 8.5 Successors and Assigns; Disposition of Loans. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns, except that the Borrower may not assign its rights or delegate its obligations hereunder without the prior written consent of the Lender. The Lender may at any time sell, assign, transfer, grant participations in, or otherwise dispose of any portion of the Loans to banks or other financial institutions. The Lender may disclose any information regarding the Borrower in the Lender's possession to any prospective buyer or participant.

SECTION 8.6 GOVERNING LAW AND CONSTRUCTION. THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE

OF SOUTH DAKOTA, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS OR PRINCIPLES THEREOF, BUT GIVING EFFECT TO FEDERAL LAWS OF THE UNITED STATES APPLICABLE TO NATIONAL BANKS. WHENEVER POSSIBLE, EACH PROVISION OF THIS AGREEMENT AND ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO, SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER SUCH APPLICABLE LAW, BUT, IF ANY PROVISION OF THIS AGREEMENT OR ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO SHALL BE HELD TO BE PROHIBITED OR INVALID UNDER SUCH APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE ONLY TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS AGREEMENT OR ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO.

SECTION 8.7 CONSENT TO JURISDICTION. AT THE OPTION OF THE LENDER, THIS AGREEMENT AND THE NOTES MAY BE ENFORCED IN ANY FEDERAL COURT OR SOUTH DAKOTA CIRCUIT COURT SITTING IN SIOUX FALLS OR BROOKINGS, SOUTH DAKOTA; AND THE BORROWER CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT THE BORROWER COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT, THE LENDER AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

SECTION 8.8 WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE LENDER IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES AND ANY OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 8.9 Captions. The captions or headings herein and any table of contents hereto are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

Section 8.10 Number; Gender. The singular of all terms used herein shall include the plural and the plural shall include the singular, and the use of any gender herein shall include all other genders, where the context so requires or permits.

Section 8.11 Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement and understanding between the Borrower and the Lender with respect to the subject matter hereof and thereof. This Agreement supersedes all prior agreements and understandings relating to the subject matter hereof.

Section 8.12 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and either of the parties hereto may execute this Agreement by signing any such counterpart.

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

DAKTRONICS, INC.

By ______________________________________
Print Name____________________________
Title_________________________________

Borrower's Address:
331 32nd Avenue
Brookings, South Dakota 57006
Fax: (605) __________________

U.S. BANK NATIONAL ASSOCIATION

By ______________________________________
Print Name____________________________
Title_________________________________

Lender's Address:
U.S. Bank National Association
141 North Main Avenue
Post Office Box 5308
Sioux Falls, South Dakota 57117
Fax: (605) 333-3825

SCHEDULE 4.1(a)

This Agreement, the Revolving Note and the Term Note, each duly executed by the Borrower and dated the Closing Date.

The opinion of counsel to the Borrower covering such matters as the Lender may request.

The most current available financial statements of the Borrower, as well as financial statements of the Borrower for each of their preceding three (3) full fiscal years together with copies of all federal income tax returns (with all supporting schedules) of the Borrower for their three (3) most recent fiscal years, all signed and certified as true, correct and complete by the Borrower.

A copy of the corporate resolutions of such party authorizing the execution, delivery and performance of the Loan Documents to which Borrower is a party, and containing an incumbency certificate showing the names and titles, and bearing the signatures of, the officers of such party authorized to execute the Loan Documents to which Borrower is a party, certified as of the Closing Date by the Secretary or an Assistant Secretary of Borrower.

A certificate of good standing for such party in the jurisdiction of its incorporation, certified by the appropriate governmental officials as of a date not more than 15 days prior to the Closing Date.

A copy of the Articles of Incorporation of Borrower with all amendments thereto, certified as of the Closing Date by the Secretary or an Assistant Secretary of Borrower.

A copy of the bylaws of Borrower, certified as of the Closing Date by the Secretary or an Assistant Secretary of Borrower.

SCHEDULE 5.3

ACTIONS, SUITS AND PROCEEDINGS PENDING AGAINST BORROWER

SCHEDULE VI

ADDITIONAL COVENANTS

Until the Notes and all of the other Obligations shall have been paid and performed in full, unless the Lender shall otherwise consent in writing:

Dividends. The Borrower will not pay in excess of current year's net profit after tax any dividends or otherwise make any distributions on, or redemptions of, any of its outstanding stock.

Tangible Net Worth. The Borrower will not permit its Tangible Net Worth (the excess of its assets, excluding intangible assets, over its liabilities) at any time to be less than Twenty-three Million and No/100 Dollars ($23,000,000.00).

Current Ratio. The Borrower will not permit the ratio of its current assets to its current liabilities to be less than 1.4 to 1 at any time.

Minimum Adjusted Fixed Charge Coverage Ratio. The Borrower will not permit the Minimum Adjusted Fixed Charge Coverage Ratio, as of the last day of any fiscal quarter for the four consecutive fiscal quarters ending on that date to be less than 2 to 1.

For purposes hereof, the following definitions have the following meanings:

"EBITDA": For any period of determination, the net income of the Borrower before deductions for income taxes, interest expense, depreciation and amortization, all as determined in accordance with GAAP.

"Adjusted Fixed Charge Coverage Ratio": For any period of determination with respect to the Borrower, the ratio of

(a) EBITDA minus the sum of (i) any dividends or other distributions, (ii) expenditures in the sum of Seven Hundred Fifty Thousand and No/100 Dollars ($750,000.00) for fixed and capital assets not financed and (iii) tax expenses,

to

(b) all required principal and interest payments with respect to Indebtedness (including but not limited to all payments with respect to capitalized lease obligations of the Borrower), in each case determined for said period in accordance with GAAP.

"Indebtedness": All interest-bearing obligations, including those represented by bonds, debentures, or other debt securities, except principal reductions on the Revolving Loan.

REVOLVING NOTE

$15,000,000.00 Brookings, South Dakota
October 14, 1998

FOR VALUE RECEIVED, Daktronics, Inc., a South Dakota corporation ("Borrower"), hereby promises to pay to the order of U.S. Bank National Association, a national banking association, 141 North Main Avenue, Post Office Box 5308, Sioux Falls, South Dakota 57117 ("Lender", which term shall include any future holder hereof), at or at such other place as Lender may from time to time designate in writing, in lawful money of the United States of America, the principal sum of Fifteen Million and No/100 Dollars ($15,000,000.00) or so much thereof as may be advanced hereunder and to pay interest on the outstanding principal balance hereof from time to time at a daily fluctuating rate tied to the One-Month Reserve Adjusted Reuters London Inter-Bank Offering Rate ("LIBOR"), with the rate tiers determined on the last day of each fiscal quarter of Borrower's accounting year, and based upon the following rate tiers:

1.	Total Liabilities/Tangible Net Worth Ratio = or (less than) .6	LIBOR + 140 basis points
2.	Total Liabilities/Tangible Net Worth Ratio (more than).6 but (less than) 1.0	LIBOR + 155 basis points
3.	Total Liabilities/Tangible Net Worth Ratio = or (more than) 1.0	LIBOR + 190 basis points

Lender will tell Borrower the current LIBOR rate interest rate and rate tier upon Borrower's request. The initial rate tier shall be #2 above. The rate tier shall not be adjusted more often than quarterly. Interest shall be computed on the basis of actual days elapsed and a year of 360 days. Interest only shall be paid on the first day of each month, commencing November 1, 1998, and continuing on the first day of each month thereafter. The total unpaid principal amount and all interest thereon shall be payable on October 1, 2002 (the "Revolving Loan Maturity Date"). THIS NOTE REQUIRES A BALLOON PAYMENT.

Borrower may prepay this Note in whole at any time, or in part from time to time, without penalty or premium. No prepayment shall suspend any required payments of either principal or interest on this Note or reduce the amount of any scheduled payment.

Failure to exercise any option provided herein shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. Borrower agrees that if, and as often as, this Note is given to an attorney for collection or to defend or enforce any of Lender's rights hereunder, Borrower will pay to the Lender Lender's reasonable attorneys' fees together with all court costs and other expenses paid by Lender.

Borrower waives presentment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Note and any lack of diligence or delays in collection or enforcement of this Note. Borrower agrees that this Note, or any payment hereunder, may be extended from time to time, and Borrower consents to the release of any party liable for the obligation evidenced by this Note, the release of any of the security for this Note, the acceptance of any other security therefor, or any other indulgence or forbearance whatsoever, all without notice to any party and without affecting the liability of Borrower.

THIS NOTE SHALL BE CONSTRUED UNDER AND GOVERNED BY THE LAWS OF THE STATE OF SOUTH DAKOTA, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS OR PRINCIPLES THEREOF, BUT GIVING EFFECT TO FEDERAL LAWS OF THE UNITED STATES APPLICABLE TO NATIONAL BANKS. WHENEVER POSSIBLE, EACH PROVISION OF THIS NOTE AND ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO, SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER SUCH APPLICABLE LAW, BUT, IF ANY PROVISION OF THIS NOTE OR ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO SHALL BE HELD TO BE PROHIBITED OR INVALID UNDER SUCH APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE ONLY TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS NOTE OR ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO.

AT THE OPTION OF LENDER, THIS NOTE MAY BE ENFORCED IN ANY FEDERAL COURT OR SOUTH DAKOTA CIRCUIT COURT SITTING IN SIOUX FALLS OR BROOKINGS, SOUTH DAKOTA; AND BORROWER CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT BORROWER COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS NOTE, LENDER AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

Borrower and Lender each irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or any of the Loan Documents (as defined in the Loan Agreement) or the transactions contemplated hereby or thereby.

DAKTRONICS, INC.

By ______________________________________
Its President/Chief Executive Officer

TERM NOTE

$5,000,000.00 Brookings, South Dakota
October 14, 1998

FOR VALUE RECEIVED, Daktronics, Inc., a South Dakota corporation ("Borrower"), hereby promises to pay to the order of U.S. Bank National Association, a national banking association, 141 North Main Avenue, Post Office Box 5308, Sioux Falls, South Dakota 57117 ("Lender", which term shall include any future holder hereof), at or at such other place as Lender may from time to time designate in writing, in lawful money of the United States of America, the principal sum of Five Million and No/100 Dollars ($5,000,000.00) or so much thereof as may be advanced hereunder and to pay interest on the outstanding principal balance hereof from time to time at the rate of six and 77/100 percent (6.77%) per annum. Interest shall be computed on the basis of actual days elapsed and year of 360 days. Accrued interest from the date hereof shall be paid on the first day of November, 1998. Equal installments of principal and interest shall be paid in the sum of Ninety-eight Thousand Four Hundred Seventy and No/100 Dollars (98,470.00) commencing on the first day of December, 1998, and continuing on the first day of each month thereafter through November 1, 2003 (the "Term Maturity Date").

Borrower acknowledges and agrees as follows: (i) Borrower has no right to prepay the Note, except upon payment of the prepayment indemnity provided for herein; (ii) Lender will be harmed by reason of any prepayment of the Note at a time when interest rates have declined below the levels prevailing at the time funds were advanced under the Note or, if earlier, the date Lender locked in the interest rate on the Note, because any reinvestment of the prepaid funds at the lower rates prevailing at the time of prepayment will produce a lower return to Lender; (iii) there is no readily available index of rates payable on loans such as that from Lender to Borrower, nor any assurance that Lender could replace the loan with a similar loan; and (iv) changes in the yields on U.S. government securities provide a reasonable approximation for changes in interest rates generally.

Now, therefore, to induce Lender to agree to accept voluntary prepayments, Borrower agrees to pay Lender a prepayment indemnity as described in this Note upon any prepayment, whether voluntary, mandatory or upon acceleration of the Note, and agrees to all of the other terms of prepayment herein.

As used herein, all capitalized terms not otherwise defined herein have the meanings assigned to them in the Note, and the following terms have the meanings assigned to them:

"Average Initial Maturity Period" means the weighted average time to scheduled maturity of the Note. Average Initial Maturity Period shall be computed by multiplying the dollar amount of each installment of principal of the Note by the number of days from the Note Date until the scheduled maturity of that installment, adding together the resulting products and dividing the resulting sum by the total dollar amount of principal of the Note.

"Average Remaining Maturity Period" means the weighted average time to scheduled maturity of the amount prepaid. Average Remaining Maturity Period shall be computed by multiplying the dollar amount of each installment of principal prepaid by the number of days from the prepayment date until the scheduled maturity of that installment, adding together the resulting products and dividing the resulting sum by the total dollar amount of principal being prepaid.

"Government Yield" means the annual yield (converted as necessary to the equivalent semi-annual compound rate) on a U.S. Treasury security having a maturity date closest to the date computed by adding (i) for the Government Yield as of the Note Date, the Average Initial Maturity period to the Note Date or (ii) for the Government Yield as of the prepayment date, the Average Remaining Maturity Period to the date of prepayment, as published in The Wall Street Journal (or, if not so published, as determined by Lender based on quotations by secondary market dealers selected by Lender). "U.S. Treasury securities" means actively traded U.S. Treasury bonds, bills and notes. If more than one issue of U.S. Treasury securities is scheduled to mature at or about the time of such computed date, then to the extent possible the U.S. Treasury security trading closest to its par value will be chosen as the basis of the Government Yield.

"Interest Differential" means the Government Yield as of the Note Date minus the Government Yield as of the prepayment date.

"Note Date" means the date that the Note is funded or such other date that Lender locks in the interest rate in effect on the Note as of the date of prepayment.

Any voluntary prepayment under the Note shall be either in the full amount of the outstanding loans under the Note or, if a partial prepayment, in the amount of [$100,000] or an integral multiple thereof, and partial prepayments shall be applied to installments due under the Note in inverse order of their maturities. If, at the time of any prepayment (whether voluntary, mandatory or upon acceleration of the Note), the Interest Differential shall exceed zero, such prepayment shall be accompanied by payment of a prepayment indemnity. The amount of the prepayment indemnity shall equal the present value (determined by Lender using the Government Yield as of the date of prepayment as the discount factor) on the prepayment date of a stream of equal monthly payments in number equal to the number of whole months (using a thirty-day month) in the Average Remaining Maturity Period. The amount of each such monthly payment shall equal the quotient obtained by dividing (a) the product of the amount prepaid, times the Interest Differential, times a fraction, the numerator of which is the number of days in the Average Remaining Maturity Period and the denominator of which is 360, by (b) the number of whole months (using a thirty-day month) in the Average Remaining Maturity Period.

Failure to exercise any option provided herein shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. Borrower agrees that if, and as often as, this Note is given to an attorney for collection or to defend or enforce any of Lender's rights hereunder, Borrower will pay to the Lender Lender's reasonable attorneys' fees together with all court costs and other expenses paid by Lender.

Borrower waives presentment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Note and any lack of diligence or delays in collection or enforcement of this Note. Borrower agrees that this Note, or any payment hereunder, may be extended from time to time, and Borrower consents to the release of any party liable for the obligation evidenced by this Note, the release of any of the security for this Note, the acceptance of any other security therefor, or any other indulgence or forbearance whatsoever, all without notice to any party and without affecting the liability of Borrower.

THIS NOTE SHALL BE CONSTRUED UNDER AND GOVERNED BY THE LAWS OF THE STATE OF SOUTH DAKOTA, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS OR PRINCIPLES THEREOF, BUT GIVING EFFECT TO FEDERAL LAWS OF THE UNITED STATES APPLICABLE TO NATIONAL BANKS. WHENEVER POSSIBLE, EACH PROVISION OF THIS NOTE AND ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO, SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER SUCH APPLICABLE LAW, BUT, IF ANY PROVISION OF THIS NOTE OR ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO SHALL BE HELD TO BE PROHIBITED OR INVALID UNDER SUCH APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE ONLY TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER

OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS NOTE OR ANY OTHER STATEMENT, INSTRUMENT OR TRANSACTION CONTEMPLATED HEREBY OR RELATING HERETO.

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Borrower and Lender each irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or any of the Loan Documents (as defined in the Loan Agreement) or the transactions contemplated hereby or thereby.

DAKTRONICS, INC.

By ______________________________________
Its President/Chief Executive Officer

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