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

FORM 8-K

CURRENT REPORT

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

Date of Report: June 29, 2007
(Date of earliest event reported)

APA ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State of other jurisdiction of incorporation)

0-16106

(Commission File No.)

41-1347235

(IRS Employer Identification No.)

2950 NE 84th Lane, Blaine, MN 55449

(Address of principal executive offices) (Zip Code)

(763) 784-4995

Registrant's telephone number, including area code:

Not Applicable

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).
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Item 2.01 Completion of Acquisition or Disposition of Assets.

On June 28, 2007, the Company sold all of its interest in its India operations, by means of a sale of stock of its India subsidiary named APA Optronics (India) Private Limited ("APA India"), to an entity owned by the former chief executive officer of the Company, Dr. Anil K. Jain. The purchase price of approximately \$500,000 (subject to certain post-closing adjustments) has been paid by delivery of the buyer's five year promissory note secured by a pledge of Company stock by Dr. Jain, a pledge by Dr. Jain of payments under his Separation Agreement with the Company, and a personal guaranty by Dr. Jain. The purchase price was determined by the independent directors to be fair and reasonable to the Company. Copies of the agreements executed in connection with this transaction are filed as exhibits to this report.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective June 28, 2007 Anil K. Jain ceased to be Chief Executive Officer (principal executive officer), Chief Financial Officer (principal financial and accounting officer), and Chairman of the Board of Directors of the Company.

Cheryl Beranek Podzimek, age 44, who is and has been the President of APA Cables and Networks, Inc. ("APACN") since 2003, a wholly-owned subsidiary of the Company, assumed the role of Chief Executive Officer (principal executive officer) of the Company, effective June 28, 2007. She will also continue in her role as President of APACN. From 2001 to 2002 Ms. Podzimek was Chief Operating Officer of Americable. From 2002 to 2003 she served as President of Americable, which was acquired by APACN in June of 2003.

Bruce Blackey, age 55, became Chief Financial Officer of the Company (principal financial and accounting officer) effective June 28, 2007. Mr. Blackey has extensive experience in finance and administration and has worked as an independent business consultant from 2001 to the present. He has previous experience as an interim CFO and business consultant. Mr. Blackey holds a Bachelors of Science degree in Accounting from the Carlson School of Business, University of Minnesota.

Ronald G. Roth, age 61, a current member of the Board of Directors, became Chairman of the Board effective June 28, 2007. Mr. Roth has been a member of the Company's Board of Directors since 2002. From 1990 to 2007 he was Chairman of the Board with Phillips Recycling Systems, a privately held regional recycling service provider in Minnesota. Mr. Roth is now semi-retired with various investment interests.

Pursuant to the terms of an Amended and Restated Agreement Regarding Employment/Compensation Upon Change In Control dated September 15, 2005, filed herewith, Dr. Jain will be paid his current salary (\$190,000 per year) for 24 months after the date of termination of his employment, payable quarterly. This severance provision applies notwithstanding the absence of a "change of control." APA and Dr. Jain have also entered into a Supplemental Separation Agreement, filed herewith.

9.01 Financial Statements and Exhibits.

The following exhibits are filed as a part of this report on Form 8-K.

- [10.16](#) Amended and Restated Agreement Regarding Employment/Compensation Upon Change In Control
- [10.17](#) Supplemental Separation Agreement with A. Jain.

The following documents (Exhibits 10.18 through 10.24) relate to the sale of APA India.

- [10.18](#) Stock Purchase Agreement
- [10.19](#) Promissory Note
- [10.20](#) Guaranty-AK Jain
- [10.21](#) Stock Pledge Agreement
- [10.22](#) Separation Payments Pledge Agreement
- [10.23](#) Agreement to Provide Additional Collateral
- [10.24](#) Non-Compete Agreement

- [99.1](#) Press Release dated June 29, 2007
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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 hereunto duly authorized.

Dated: June 29, 2007

APA ENTERPRISES, INC.

By /s/ Cheryl Beranek Podzimek
Cheryl Beranek Podzimek, Chief Executive Officer
(Principal Executive Officer) and authorized signatory

**AMENDED AND RESTATED AGREEMENT
REGARDING EMPLOYMENT/COMPENSATION
UPON CHANGE IN CONTROL**

THIS AMENDED AND RESTATED AGREEMENT is entered into as of September 15, 2005, by and between APA ENTERPRISES, INC., a Minnesota corporation (herein called the "Company"), and ANIL K. JAIN (herein called the "Executive").

WHEREAS, Executive has been employed by the Company for many years and is currently its President and Chief Executive Officer; and

WHEREAS, Executive is a very important and valuable employee and the Company desires to keep Executive in its service; and

WHEREAS, the Company desires to provide suitable compensation to the Executive should Ms employment be terminated or substantially changed as a result of a "Change in Control" as defined herein or otherwise without "Cause" as defined herein; and

WHEREAS, Executive acknowledges that this is not an employment agreement, but is solely intended to provide for employment security and compensation in the event of termination of his employment in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

1. Definitions. For the purpose of this Agreement, the following words and phrases shall have the following meanings:

(a) "Change in Control" shall mean:

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

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

(iii) approval by the shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company; or

(iv) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of 30% or more of the Company's outstanding stock; or

(v) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by at least two-thirds of the directors then still in office who were directors at the beginning of the two-year period.

(b) "Cause" shall mean clear and convincing evidence of:

(i) material dishonesty by Executive involving the employer;

(ii) willful violation of any law, rule, or regulation;

(iii) failure or refusal to perform a material requirement of Executive's duties, or failure or refusal to comply with a reasonable, important general policy of the Company or its Board of Directors, after receipt by Executive of written notice specifying in detail the failure or refusal, and a reasonable time in which to perform;

(iv) breach of fiduciary duty to the employer; or

(v) Executive's (a) death or (b) disability (by reason of physical or mental disease, defect, accident or illness) such that Executive is or, in the opinion of two independent physicians, one selected by the Company and one by Executive or his representative, for purposes of making this determination, will be unable for an aggregate of 180 or more days during any continuous 12-month period to render the services required of him. In his then current position with the Company.

(c) "Competitive Activities" shall mean:

(i) directly or indirectly engaging in, continuing in, or carrying on any business which substantially competes with the business conducted by the Company;

(ii) soliciting or accepting orders for business on behalf of an entity other than the Company from any persons (whether individuals or entities) who were customers or bona fide prospects of the Company during the one-year period prior to Executive's termination of employment or inducing or attempting to induce such persons to terminate or modify their relationship with the Company for such business; or

(iii) offering, soliciting or agreeing to employ an employee of the Company, or inducing or attempting to induce such an employee to quit his or her employ with the Company, without the prior written consent of the Company; Provided, however, that the term "Competitive Activities" shall not include the ownership of securities of corporations, which are listed on a national securities exchange or quoted on a national over-the-counter market, by the Executive in an amount not exceeding 2% of the outstanding shares of any such corporation.

(d) "Date of Termination" shall mean:

(i) if Executive's employment is terminated by the Company for disability, 90 days after Notice of Termination is given to Executive (provided that Executive shall not have returned to the performance of Executive's duties on a full-time basis during such 90-day period); or

(ii) if Executive's employment is terminated by the Company for any other reason, 90 days after Notice of Termination is given; provided, however, that if within 90 days after any Notice of Termination is given to Executive by the Company Executive notifies the Company that a dispute exists concerning the termination, the Date of Termination shall be the date the dispute is finally determined, whether by mutual agreement by the parties or upon final judgment, order, or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

(e) "Good Reason" shall mean any of the following (without Executive's express written consent):

(i) Assignment to Executive by the Company of duties inconsistent with Executive's position, duties, responsibilities, and status with the Company immediately prior to a Change in Control of the Company, or a change in Executive's titles or offices as in effect immediately prior to a Change in Control of the Company, or any removal of Executive from or any failure to reelect or reappoint Executive to any of such positions, except in connection with the termination of his employment for disability, Retirement, or Cause or as a result of Executive's death or by Executive other than for Good Reasons;

(ii) A reduction by the Company of Executive's base salary as in effect on the date hereof or as the same may be increased from time to time during the term of this Agreement or the Company's failure to increase Executive's base salary (within 12 months of Executive's last increase in base salary) after a Change in Control of the Company in an amount which at least equals, on a percentage basis, the average percentage increase in base salary for all executive officers of the Company effected during the preceding 12 months;

(iii) Any failure by the Company to continue in effect, or to provide a comparable substitute for, any benefit plan or arrangement (including, without limitation, any profit sharing plan, executive supplemental medical plan, group life insurance plan, and medical, dental, accident, and disability plans) in which Executive is participating at the time of a Change in Control of the Company (or any other plans providing Executive with substantially similar benefits) (hereinafter referred to as "Benefit Plans"), the taking of any action by the Company that would adversely affect Executive's participation in or materially reduce Executive's benefits under any such Benefit Plan or deprive Executive of any material fringe benefit enjoyed by Executive at the time of a Change in Control of the Company;

(iv) Any failure by the Company to continue in effect, or to provide a comparable substitute for, any incentive plan or arrangement (including, without limitation, any incentive compensation plan, long-term incentive plan, bonus or contingent bonus arrangements or credits, the right to receive performance awards, or similar incentive compensation benefits) in which Executive is participating, or is eligible to participate, at the time of a Change in Control of the Company (or any other plans or arrangements providing him with substantially similar benefits) (hereinafter referred to as "Incentive Plans") or the taking of any action by the Company which would adversely affect Executive's participation in any such Incentive Plan, expressed as a percentage of his base salary, by more than ten percentage points in any fiscal year as compared to the immediately preceding fiscal year;

(v) Any failure by the Company to continue in effect, or to provide a comparable substitute for, any plan or arrangement to receive securities of the Company (including, without limitation, any stock option plan or any other plan or arrangement to receive and exercise stock options, stock appreciation rights, restricted stock, or grants thereof) in which Executive is participating, or is eligible to participate, at the time of a Change in Control of the Company (or plans or arrangements providing him with substantially similar benefits) (hereinafter referred to as "Securities Plans") or the taking of any action by the Company which would adversely affect Executive's participation in or materially reduce Executive's benefits under any such Securities Plan;

(vi) If at the time of a Change in Control of the Company Executive is employed at the Company's principal executive offices, a relocation of such principal executive offices to a location more than fifty miles outside of the Minneapolis-St. Paul Metropolitan Area or, if Executive is not employed at the Company's principal executive offices, Executive's relocation to any place other than the location at which the Executive performed Executive's duties prior to a Change in Control of the Company, except for required travel by Executive on the Company's business to an extent substantially consistent with Executive's business travel obligations at the time of a Change in Control of the Company;

(vii) Any failure by the Company to provide Executive with at least the number of paid vacation days to which the Executive is entitled at the time of a Change in Control of the Company;

(viii) Any material breach by the Company of any provision of this Agreement;

(ix) Any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company; or

(x) Any purported termination of Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section l(f) hereof.

(f) "Notice of Termination" shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claiming to provide a basis for termination of Executive's employment under the provisions so indicated. Any termination by the Company pursuant to this Agreement shall be communicated by Notice of Termination. For purposes of this Agreement, no such purported termination by the Company shall be effective without such Notice of Termination.

(g) "Retirement" shall mean termination by the Company or Executive of Executive's employment based on Executive's having reached age 65 or such other age or upon such other terms as shall have been fixed in any arrangement established with Executive's consent.

2. Separate Employment Arrangements. Executive is, and shall be, employed by the Company solely upon the existing arrangements which are separate from this Agreement, as those employment arrangements hereafter may be amended by the parties. The parties expressly acknowledge and agree that this Agreement is not intended to be an employment agreement.

3. Participation in Other Executive Benefit Plans. Nothing in this Agreement shall in any manner modify, impair, or affect the existing or future rights or interests of Executive (a) to receive any employee benefits from the Company to which he would otherwise be entitled or (b) as a participant in any incentive, profit-sharing or bonus plan, stock option plan or pension plan of the Company. The rights and interests of Executive to any employee benefits or as a participant or beneficiary in or under any or all such plans shall continue in full force and effect. Executive shall have the right at any future time to become a participant or beneficiary under or pursuant to any and all such plans. Any compensation payable under this Agreement shall not be deemed salary or other compensation to Executive for purposes of any retirement plans maintained by the Company or for purposes of any other fringe benefit obligations of the Company.

4. Nonassignability of Benefits. Executive shall not transfer, assign, encumber, or otherwise dispose of his right to receive payments hereunder and, in the event of any attempted transfer or assignment, the Company shall have no further liability to Executive under this Agreement.

5. Payments and Benefits upon a Change in Control. If Executive is employed by the Company upon the occurrence of a Change in Control, the following provisions shall govern:

(a) Executive shall continue to be employed for at least thirty-six (36) months with substantially the same duties, compensation, and benefits in the same geographic location as existed just prior to the Change in Control.

(b) Executive may terminate his employment during the thirty-six (36) months following the Change in Control for Good Reason, as defined herein, and, upon such termination, shall receive from the Company in a lump sum, in cash, on the fifth (5th) day following the Date of Termination, an amount equal to two and one-half (2 1/2) times Executive's "annualized includible compensation for the base period" (as defined in Section 280G(d) of the Internal Revenue Code of 1986, as amended (the "Code")), and shall not engage in any Competitive Activities for one year following the Date of Termination.

(c) If Executive's employment is terminated within thirty-six (36) months following the Change in Control, other than for Cause as defined herein or as a result of his Retirement, disability, or death, the Executive shall receive as severance pay in a lump sum, in cash, on the fifth (5th) day following the Date of Termination, an amount equal to two and one-half (2 1/2) times Executive's "annualized includible compensation for the base period" (as defined in Section 280G(d) of the Code), and shall not engage in any Competitive Activities for one year following the Date of Termination.

(d) Executive may terminate his employment other than for Good Reason upon at least three months' notice following the Change in Control, thereby waiving any further benefits hereunder except a severance benefit of three months' salary and a prorated portion of any annual bonus, provided that Executive then agrees not to engage in any Competitive Activities for six months following the Date of Termination.

(e) If Executive terminates his employment otherwise than under any of paragraphs (b) or (d) of this Section 5, Executive shall not be entitled to any payments for any period after the end of the employment and shall not receive any severance benefit.

(f) If the Executive holds any options to purchase stock of the Company after a Change in Control, Executive shall be entitled, upon involuntary termination except for Cause during the thirty-six (36) month period, to demand payment of the current value of such options (fair market value as of the Date of Termination less the then effective exercise price).

(g) If the lump sum severance payment provided for under this Section 5, calculated as set forth above, either alone or together with other payments which Executive has the right to receive from the Company, would constitute an "excess parachute payment" (as defined in Section 280G of the Code), such lump sum severance payment shall be reduced to the largest amount as will result in no portion of the lump sum severance payment under this Section 5 being subject to the excise tax imposed by Section 4999 of the Code. The determination of any reduction in the lump sum severance payment under this Section 5(g) pursuant to the foregoing sentence shall be made by Executive in good faith, and such determination shall be conclusive and binding on the Company.

(h) In the event of termination of Executive's employment for any reason, Executive shall be entitled to continue to participate in the Company's group health plan for employees following such termination. Executive shall be responsible for payment of premiums. This benefit shall be available until Executive's death or his election not to continue such participation.

6. Payments and Benefits Without a Change in Control. In the event that Executive's employment with the Company is terminated by the Company without Cause before a Change in Control or more than 36 months after a Change in Control, Employee shall be paid any bonus accrued at the Date of Termination and continuation of his salary for 24 months, payable at the end of every 3-month period after the Date of Termination.

7. No Obligation to Mitigate Damages; No Effect on Other Contractual Rights.

(a) Executive shall not be required to mitigate damages or the amount of any payment provided for under Section 5 hereof by seeking other employment or otherwise, nor shall the amount of any payment provided for under Section 5 be reduced by any compensation earned by Executive as the result of employment by another employer after the Date of Termination, or otherwise.

(b) The provisions of Section 5, and any payment provided for thereunder, shall not reduce any amounts otherwise payable, or in any way diminish Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any Benefit Plan, Incentive Plan, Securities Plan, employment agreement, or other contract, plan, or arrangement.

8. Entire Agreement; Headings. This Agreement is the entire Agreement between the parties on its subject matter and shall be deemed to supersede any other agreements allegedly made between the parties regarding the subject matter. Without limitation of the foregoing, this Agreement amends, restates and supersedes the Agreement Regarding Employment/ Compensation Upon Change in Control dated August 20, 1997. Headings shall not be utilized in any interpretation of this Agreement.

9. Notices. Any notice or other communication provided for herein or given hereunder shall be in writing and shall be delivered in person or, in the case of the Company, to the Board of Directors, or mailed by first class registered or certified mail, postage prepaid, addressed to the Company at its registered office in the State of Minnesota and addressed to the Executive or any other person at the last known address of such person appearing on the books of the Company.

10. Amendment. This Agreement may not be changed, modified or amended except in writing signed by both parties.

11. Waiver of Breach. The waiver by either party of the breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either party.

12. Invalidity of Any Provision. The provisions of this Agreement are severable, it being the intention of the parties hereto that should any provision hereof be invalid or unenforceable, such invalidity or unenforceability of any provision shall not affect the remaining provisions hereof, but the same shall remain in full force and effect as if such invalid or unenforceable provision or provisions were omitted.

13. Resolution of Disputes. Any dispute or claim arising out of this Agreement, or breach thereof, shall be decided by arbitration, under the commercial arbitration rules of the American Arbitration Association (the "AAA"), and shall be conducted in the Minneapolis, Minnesota metropolitan area. Demand for arbitration hereunder may be made by either party hereto upon written notification to the other party. The arbitration shall be by a single arbitrator mutually selected by Executive and the Company. If the parties do not agree upon an arbitrator within 20 days after the date of a demand for arbitration, the selection of the single arbitrator shall be made in accordance with the rules of the AAA. This agreement to arbitrate shall be specifically enforceable. Any decision rendered by the arbitrator shall be final and binding, and judgment may be entered upon it by any court having jurisdiction. The arbitrator shall assess arbitration fees, expenses, attorneys' fees, and compensation in accordance with the applicable AAA rules. Nothing herein contained shall bar either party from seeking equitable remedies in a court of appropriate jurisdiction.

14. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the Company, its successors and assigns, and Executive, his heirs, legal representatives and assigns.

15. Governing Law. This Agreement is being delivered and is intended to be performed in the State of Minnesota and shall be construed and enforced in accordance with the laws of such state.

16. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

APA ENTERPRISES, INC.

By: /s/ John G. Reddon

Its: Director

EXECUTIVE:

/s/ Anil K. Jain

Anil K. Jain

SUPPLEMENTAL SEPARATION AGREEMENT

This Supplemental Separation Agreement ("Agreement") between APA ENTERPRISES, INC. ("APA") and ANIL K. JAIN ("AKJ") supplements the Amended and Restated Agreement Regarding Employment/Compensation Upon Change In Control dated September 15, 2005 (the "2005 Agreement") between APA and AKJ.

1. AKJ hereby resigns as an employee and as Chief Executive Officer and Chief Financial Officer effective June 28, 2007, at the request of the Board of Directors of APA.

2. Termination of AKJ's employment and resignation as Chief Executive Officer and Chief Financial Officer of APA is agreed by AKJ and APA to be "involuntary" on the part of AKJ and not due to a Change in Control or for Cause as those terms are defined in the 2005 Agreement. Thus, AKJ is entitled to the separation benefits listed in Section 6 of the 2005 Agreement and no benefits under any other section of the 2005 Agreement.

3. Pursuant to Section 6 of the 2005 Agreement, APA shall make the following payments to AKJ:

<u>Type of Payment</u>	<u>Amount</u>	<u>When Paid</u>
Accrued planned time off (PTO)	\$67,561.74	One lump sum payment on or before July 13, 2007
Accrued Bonus	\$0	N/A
Continuation of Salary	Continued at rate in effect as of June 30, 2007. Accrued for three month periods	Each three month accrual paid on the Company's second payroll date in the third month of each calendar quarter with the 1 st payment on 9/21/07, except that the last payment (which shall be a full three month accrual) shall be paid on 6/12/09.

4. During the term of payment of separation pay under Section 6 of the 2005 Agreement, AKJ will not be provided any benefits at APA's expense. However, AKJ may participate in any standard health benefit provided by APA by electing to so participate and by providing for a deduction from his separation pay for the cost of the benefit or reimbursing APA for the full amount of expenses incurred by APA in providing the designated benefits.

/s/ Anil K. Jain
Anil K. Jain, Ph.D

APA ENTERPRISES, INC.

By: /s/ Ronald G. Roth
Its Chairman of the Board

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "**Agreement**") is entered into as of June 28, 2007 by and between APA Enterprises, Inc., a Minnesota corporation (the "**Seller**") and Photonics International, Inc., a Minnesota corporation (the "**Purchaser**"), with reference to the following facts:

A. The Seller owns 10,000 equity shares (collectively, the "**Shares**"), of APA Optronics (India), Private Limited, a corporation formed under the laws of India, The Companies Act, 1956 (the "**Company**").

B. Seller desires to sell to Purchaser, and Purchaser desires to buy from the Seller, all of the Shares owned by Seller (the "**Sale Shares**") upon the terms set forth herein.

NOW, THEREFORE, IN CONSIDERATION OF the foregoing facts and the mutual promises set forth herein, the parties agree as follows:

1. Purchase and Sale. Subject to the terms and conditions hereof, Seller agrees to sell, and Purchaser agrees to purchase, the Sale Shares owned by Seller for an aggregate purchase price (the "**Purchase Price**" computed as described on Schedule A hereto. The Purchase Price shall be paid to Seller by delivery of Seller's promissory note in form satisfactory to Seller (the "Note"). The face amount of the Note delivered at Closing (as defined in Section 5) shall be adjusted post-Closing, but not later than July 20, 2007, to reflect a Purchase Price computed in accordance with Schedule A using data as of June 28, 2007. The Note shall be secured by the security agreements listed on Schedule B hereto (collectively, the "Security Agreements"). In addition, Purchaser, Anil K. Jain and the Company shall enter into a Non-Compete Agreement with the Seller, in form and substance acceptable to Seller.

2. Representations and Warranties of Seller. Seller represents and warrants that:

(a) **Binding Obligations.** This Agreement and all other agreements executed by Seller in connection herewith constitute the legal, valid and binding obligations of Seller and are enforceable against Seller in accordance with their respective terms except as such enforcement may be limited by applicable bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights generally or by judicial discretion as to the availability of equitable remedies or legal or equitable principles.

(b) **Ownership of Sale Shares.** Seller (i) is the sole owner of the Sale Shares to be transferred hereunder, and such sole ownership is free and clear of any liens, security interests or other encumbrances, (ii) has not granted any other option or rights to the Sale Shares or any interest therein and (iii) has not pledged, collaterally assigned or otherwise hypothecated any interest therein. Seller's transfer, assignment and sale of the Sale Shares to Purchaser pursuant hereto will convey good and valid title to the Sale Shares to Purchaser, free and clear of any liens, security interests or other encumbrances.

3. **Representations and Warranties of Purchaser.** Purchaser represents and warrants that:

(a) **Authorization.** Purchaser has all requisite power and authority to enter into this Agreement and to carry out the provisions hereof. All organizational acts and proceedings required for the authorization, execution, delivery and performance of this Agreement have, or prior to the Closing will have, been taken.

(b) **Binding Obligations.** This Agreement and all other agreements executed by Purchaser in connection herewith constitute the legal, valid and binding obligations of Purchaser and are enforceable against Purchaser in accordance with their respective terms except as such enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.

(c) **Investment Intent.** The Purchaser is purchasing the Sale Shares for investment for its own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933 (the "***Securities Act***"). The Purchaser understands that the Sale Shares have not been registered under the Securities Act or other securities laws in reliance on specific exemptions therefrom, which exemptions depend upon, among other things, the bona fide nature of the Purchaser's investment intent as expressed herein.

(d) The Purchaser is a resident of the state indicated in the Preamble hereof, is legally competent to execute this Agreement, and:

(i) if the Purchaser is an individual, has his or her principal residence in such state;

(ii) if the Purchaser is a corporation, partnership, trust, limited liability company or other form of business organization, has its principal office in such state; or

(iii) if the Purchaser is a corporation, partnership, trust, limited liability company or other form of business organization, the Purchaser has not been organized for the specific purpose of acquiring the Sale Shares.

(e) The Purchaser has not been offered the Sale Shares by any form of general solicitation or general advertising, including but not limited to any advertisement, article, notice or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(f) The Purchaser understands that there are substantial restrictions on the transferability of the Sale Shares and, accordingly, the Purchaser will need to bear the economic risk of the investment in the Sale Shares for an indefinite period of time and will not be readily able to liquidate the investment in case of an emergency.

(g) The Purchaser understands that the Company has a limited financial or operating history, the Sale Shares are a speculative investment which involve a high degree of financial risk, and there is no assurance of any economic, income or tax benefit from such investment.

(h) In making this investment, the Purchaser is relying solely upon the advice of the Purchaser's personal tax advisors, and not the Seller, the Company or its advisers and counsel, with respect to the tax aspects of an investment in the Sale Shares.

(i) If the Purchaser is a corporation, partnership, trust, limited liability company, employee benefit plan or other entity, the Purchaser is authorized and qualified to become a stockholder of the Company and the person signing this Agreement on behalf of such entity has been duly authorized by such entity to do so.

(j) No representations or warranties have been made to the Purchaser by the Seller or the Company or any officer, employee, agent or affiliate of the Seller or the Company, and the Purchaser's investment decision has been based solely upon the Purchaser's independent evaluation and due diligence, if any, of the Company.

(k) The Purchaser is experienced in business matters and regards himself, herself or itself as a sophisticated investor able to evaluate investment and financial information and to choose independent professional advisors to assist in such evaluation and, either alone or with such advisers, has such knowledge and experience in financial and business matters that the Purchaser is capable of evaluating the merits and risks of an investment in the Sale Shares and has the capacity to protect the Purchaser's own interests in connection with the Purchaser's proposed investment in the Sale Shares.

(l) The Purchaser is an "accredited investor" as that term is defined in Rule 501 of Regulation D under the Securities Act.

(m) Registration or Exemption Requirements. The Purchaser acknowledges and understands that the Sale Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Purchaser understands that any certificate(s) evidencing the Sale Shares will be imprinted with a legend that prohibits the transfer of the Sale Shares unless they are registered or such registration is not required.

4. Pre-Emptive Rights and Other Transfer Restriction. Purchaser warrants and represents that:

(a) the Board of Directors of the Company (consisting of Anil K. Jain and Kul Bhushan Jain, who are brothers) has waived any transfer fee which could be assessed with respect to the sale contemplated by this Agreement in accordance with Section 20 of the Articles of Association of the Company (the "Articles"); and

(b) Anil K. Jain, who owns one equity share in the Company has received notice of, and has irrevocably waived, all pre-emptive right to purchase the Sale Shares under Section 21 of the Articles.

5. **Closing.** The closing of the transactions contemplated herein (the "**Closing**") shall take place on or before July 2, 2007 (the "**Closing Date**") and shall be consummated by mail in accordance with arrangements reasonably acceptable to counsel for the Seller and the Purchaser.

(a) **Documents to be Delivered by Seller.** At the Closing, the Seller shall deliver to Purchaser:

- (1) stock powers with respect to the Sale Shares; and
- (2) the original share certificate or evidence of the Seller's ownership of the Sale Shares.

The Seller shall execute, acknowledge and deliver any further deeds, assignments, conveyances and other assurances, documents and instruments of transfer reasonably requested by the Purchaser and shall take such further action as reasonably requested by the Purchaser to effectuate the transactions contemplated by this Agreement.

(b) **Documents to be Delivered by Purchaser.** At the Closing, Purchaser shall deliver to the Seller the Note, the Security Agreements, and the Non-Compete Agreement.

(c) **Name Change and Use of Name Pending Change.** Not later than March 31, 2008, Purchaser shall change the name of the Company to a name which does not include "APA" and shall not thereafter use any name that includes "APA". Purchaser shall deliver proof of such name change to Seller. Failure to timely change the name or give notice of the change shall result in a penalty of \$500 per day of delay, which shall be added to the principal of the Note. In addition, following Closing and prior to March 31, 2008, Purchaser shall use its best efforts to adopt and do business under a name which does not include "APA."

6. **Miscellaneous.**

(a) **Notices.** All notices hereunder shall be in writing and shall be deemed to have been duly given upon receipt, if personally delivered, or on the third business day following mailing, postage prepaid, addressed to the parties at the following addresses or at such other addresses as shall be specified in writing and in accordance with this Section:

If to the Seller: APA Enterprises, Inc.
Attn: Cheri Podzimek
5480 Nathan Lane, Suite 120
Plymouth, MN 55442

If to the Purchaser: Photonics International, Inc.
Attn: Anil K. Jain
4 West Bay Lane
North Oaks, MN 55127

(b) Governing Law. This agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without reference to conflicts of law principles.

(c) Survival. All agreements, covenants and representations contained herein or made in writing by the Seller in connection with the transactions contemplated hereby shall survive the execution and delivery of this Agreement and the Closing Date.

(d) Severability. Should any one or more of the provisions of this Agreement or of any agreement entered into pursuant to this Agreement be determined to be illegal or unenforceable, all other provisions of this Agreement and of each other agreement entered into pursuant to this Agreement shall be given effect separately from the provision or provisions determined to be illegal or unenforceable and shall not be affected thereby.

(e) Successors and Assigns. All the terms and provisions of this agreement shall be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, whether so expressed or not.

(f) Entire Agreement. This Agreement and all schedules, certificates, lists, exhibits or other information furnished to Purchaser pursuant to this Agreement shall constitute the entire agreement of the parties.

(g) Counterparts. This Agreement may be executed in two or more counterparts and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

(h) Costs and Expenses. Each of the Purchaser and the Seller shall bear their respective costs and expenses in connection with the negotiation, execution and performance of this Agreement and the transactions contemplated thereby.

IN WITNESS WHEREOF, the parties have executed this Stock Purchase Agreement as of the date first set forth above.

SELLER:

APA ENTERPRISES, INC.

By: /s/ Ronald G. Roth
Its Chairman

PURCHASER:

PHOTONICS INTERNATIONAL, INC.

/s/ Anil K. Jain

By: Anil K Jain
Its President

SCHEDULE A

Exchange Rate 6/12/07 except where noted (to be based on rate as of 6/30/07)

40.73

	US \$	Discount	Net	As of approx 6/8/07 RS	Discount	Net	
Commitment to Bldg @ Exchange of 44.5	\$385,000	0.0%	\$385,000	INR 17,132,500.00	0.0%	INR 17,132,500.00	a
Spent @ Exchange of 44.5	\$256,183	0.0%	\$256,183	INR 11,400,150.00	0.0%	INR 11,400,150.00	b
Remaining Blding Investment (@ current exchange)	\$140,740		140,740.24	INR 5,732,350.00		INR 5,732,350.00	c = a - b
Other Liabilities (non building)	\$28,185	0.0%	\$28,185	INR 1,147,984.00	0.0%	INR 1,147,984.00	d
Total Commitments	\$168,925		\$168,925	INR 6,880,334.00		INR 6,880,334.00	e = c + d
Assets							
Cash	\$84,328	0.0%	\$84,328	INR 3,434,696.47	0.0%	INR 3,434,696.47	f
A/R	\$72,119	10.0%	\$64,907	INR 2,937,417.75	10.0%	INR 2,643,675.98	g
FO Inv less than 6 Mo's Old	\$11,798	0.0%	\$11,798	INR 480,540.00	0.0%	INR 480,540.00	h
All other inventory	\$21,374	100.0%	\$0	INR 870,573.00	100.0%	INR 0.00	i
Advances	\$3,879	25.0%	\$2,909	INR 158,000.00	25.0%	INR 118,500.00	j
Fixed Deposits	\$56,884	25.0%	\$42,663	INR 2,316,867.47	25.0%	INR 1,737,650.60	k
Total Variable Assets	\$250,383		\$206,606	INR 10,198,094.69		INR 8,415,063.05	l = sum(f - k)
Net Assets less Commitments			\$37,681			INR 1,534,729.05	m = l - e
Less Fees/penalties/taxes to exit Noida	\$45,888	62.5%	\$17,208	INR 1,869,000.00	62.5%	INR 700,875.00	n
Net Addition (Reduction) to purchase price of \$500,000			\$20,473			INR 833,854.05	o = m - n

*** Final numbers to be determined by July 20, 2007 based on numbers as of June 30, 2007

SCHEDULE B

Guaranty by Anil K. Jain
Stock Pledge Agreement
Separation Payments Pledge Agreement by Anil K. Jain
Agreement to Provide Additional Collateral

PROMISSORY NOTE

\$500,000

June 28, 2007

FOR VALUE RECEIVED, Photonics International, Inc., a Minnesota corporation ("Maker"), hereby promises to pay to the order of APA Enterprises, Inc., a Minnesota corporation, and successors and assigns ("Holder") at 5480 Nathan Lane, Plymouth, MN 55442, or such other place as Holder may appoint, the principal sum of Five Hundred Thousand and 00/100 U.S. Dollars (\$500,000), in the following manner:

The principal of \$500,000, together with interest at the rate of seven percent (7%) per annum, accruing from and after November 1, 2007, shall be due and payable in monthly installments of \$5,805.42 each, commencing December 1, 2007 and on the first day of each calendar month thereafter through November 1, 2012, when the entire remaining balance of principal and accrued interest shall be due and payable in full, subject to acceleration in the manner provided below.

Payments shall be applied first to accrued interest and the remainder to principal reduction.

All or any part of the indebtedness hereunder may be prepaid at any time without penalty. If this Note is prepaid in full prior to December 28, 2007, Maker shall be credited \$25,000 against the amount due.

This Note shall be immediately due and payable (i) in full, 15 days after sale of all or substantially all of the business or assets of APA Optronics (India) Private Limited and (ii) in the amount of \$385,000 in principal, plus accrued interest thereon, 180 days after sale of any building and/or related equipment owned by APA Optronics (India) Private Limited.

This Note is given to evidence Maker's obligation with respect to the purchase price payable by Maker to Holder under that certain Stock Purchase Agreement between Maker and Holder dated June 28, 2007 (the "Stock Purchase Agreement"). All rights of Holder hereunder are expressly subject to the terms and provisions of the Stock Purchase Agreement.

Upon payment in full of this Note and all costs of collection and enforcement, in accordance with its terms, (i) the Stock Pledge Agreement (referred to below) shall terminate and all securities pledged thereunder shall be returned to the pledgor; and (ii) the Separation Payments Pledge Agreement, the Guaranty by A.K. Jain, the Separation Payments Pledge Agreement, and the Agreement to Provide Additional Collateral (referred to below) shall terminate.

Upon default in payment on this Note when due, upon default in any agreement securing repayment of this Note (including without limitation the Stock Pledge Agreement, Separation Payments Pledge Agreement, Agreement to Provide Additional Collateral, and Guaranty by A. Jain, all of even date herewith), or upon breach of the Non-Compete Agreement of even date herewith, the entire sum then remaining unpaid, together with accrued interest, shall at the option of Holder become immediately due and payable, upon notice to Maker. If upon default, it is necessary for Holder to place this instrument in the hands of an attorney for collection, Maker shall pay, in addition, reasonable attorneys' fees incurred and costs of collection. Holder's extension of the time for payment or failure to exercise any rights shall not waiver, prejudice, or impair Holder's rights upon subsequent defaults.

No delay or omission of the Holder to exercise any right hereunder shall impair any such right or operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof, or the exercise of any other right.

Maker hereby waives demand of payments, presentment, notice of dishonor, protest, and notice of protest, and all other notices and demands in connection with delivery, acceptance, performance, default, or endorsement of this instrument, except notice of acceleration.

This Note may not be modified or discharged orally, but only in writing duly executed by Maker and Holder.

This instrument, and all obligations with respect to the underlying indebtedness, are made and delivered in the State of Minnesota and shall be construed in accordance with Minnesota law, without giving effect to choice of law principles thereof. Any proceedings with respect to this instrument shall be conducted in the District Court of Hennepin County, Minnesota.

PHOTONICS INTERNATIONAL, INC.

By: /s/ Anil K. Jain

Its: President

UNCONDITIONAL AND CONTINUING GUARANTY

WHEREAS, the undersigned Anil K. Jain (the "Guarantor") seeks to induce APA Enterprises, a Minnesota corporation ("APA"), to extend or continue to extend credit to Photonics International, Inc., a Minnesota corporation (the "Borrower") by acceptance of Borrower's promissory note of even date herewith (the "Note") in payment of the purchase price under that certain Stock Purchase Agreement of even date herewith whereby Borrower will acquire all of APA's interest in APA Optronics (India) Private Limited;

WHEREAS, the execution and delivery by Guarantor of this Guaranty is a condition precedent to acceptance of the Note by APA; and

WHEREAS, Guarantor will derive substantial benefits from the credit extended or continued to and/or obligations purchased or acquired of Borrower;

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, Guarantor hereby represents and agrees as follows:

1. Guaranty. Guarantor hereby absolutely, irrevocably and unconditionally guarantees to APA the punctual and full payment when due, whether at the stated date or dates for such payment, by acceleration or otherwise, of all indebtedness, liabilities and obligations of Borrower to APA of every name and nature whatsoever, whether absolute or contingent, now existing or hereafter arising, secured or unsecured, created directly or acquired indirectly by assignment or otherwise and whether on open account, or evidenced by a promissory note, check, draft, continuing credit agreement, continuing agreement for letters of credit, continuing agreement for bankers' acceptances or any other instrument or document, and whether created as maker, debtor, surety, endorser, guarantor, pledgor, account party or otherwise, and including, without limitation, all principal, interest, premiums, fees, costs and expenses reimbursements, letter of credit reimbursement obligations, acceptance fees and commissions and all other obligations assumed under the documentation of such indebtedness, liabilities and obligations, all of which are referred to herein as the "Obligations."

2. Payment by Guarantor. In the event of a default by any Borrower under any of the Obligations and/or the failure of a Borrower punctually to pay any of the Obligations when due, Guarantor hereby agrees to make such payment punctually when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise. Each such payment shall be made at the address of APA set forth in Section 12(A), below (or at such other office as APA shall specify by written notice to Guarantor), in immediately available funds.

While this Guaranty is in effect, all property of Guarantor in the hands of APA is hereby and shall continue to be and stand pledged and impressed with a lien as collateral security for all Obligations.

3. Obligations of Guarantor Unconditional. Guarantor hereby agrees that:

(A) Guarantor's liability hereunder is unconditional, irrespective of:

(1) the legality, validity or enforceability of the Obligations;

(2) the legality, validity or enforceability of any security interest, mortgage or pledge granted by Borrower as collateral for the Obligations, any guaranty, suretyship, letter of credit or reimbursement agreement issued by any person secondarily or otherwise liable for any of the Obligations, any security interest, mortgage, or pledge granted by any person secondarily or otherwise liable for any of the Obligations, any right of set-off against any account or credit on APA's books in favor of Borrower or any other person secondarily or otherwise liable for any of the Obligations, or any other device providing collateral security for payment of the Obligations, all of the hereinabove referenced devices being referred to herein as the "Collateral Security";

(3) the absence of any action or effort by APA to either resort to, enforce or exhaust its remedies under or against the Obligations and/or the Collateral Security;

(4) the waiver or consent by APA with respect to any provision in the documentation of the Obligations or the Collateral Security; and

(5) the recovery of any judgment against Borrower or any action to enforce such judgment or any other circumstance which might, absent the unconditional nature of this Guaranty, constitute a legal or equitable discharge or defense of a Guarantor.

(B) APA may at any time, or from time to time, in APA's sole discretion:

(1) change, alter, renew, continue, extend and/or accelerate the time of payment of, all or any of the Obligations, or any part or parts thereof or any renewal or renewals thereof;

(2) replace any existing Obligation and the documentation therefor with an amended and restated Obligation and the documentation therefor;

(3) sell, exchange, release, compromise and/or surrender all or any of the property which is the subject of the Collateral Security, or any part or parts thereof, with respect to which APA may now or hereafter have an interest (the "Collateral");

(4) sell and/or purchase any or all of the Collateral at public or private sale, or at any broker's board, and after deducting all costs and expenses of every kind for collection, sale and/or delivery, apply the proceeds of any such sale or sales against any of the Obligations; and

(5) settle or compromise any or all of the Obligations with Borrower, and/or any other person or persons liable thereon, and/or subordinate the payment of same or any part thereof to the payment of any other debts or claims which may at any time be due or owing to APA and/or other person, all in such manner and upon such terms as APA may see fit and without notice to or the consent from Guarantor, who hereby agrees to be and remain bound upon this Guaranty, irrespective of the effect upon the existence or status of the Obligations or the Collateral Security and notwithstanding any such change, alteration, renewal, continuance, extension, acceleration, sale, exchange, release, compromise, surrender, application, settlement, subordination or other action hereinabove mentioned.

(C) The liability of Guarantor will not be discharged except by complete and final performance of the Obligations.

(D) The liability of Guarantor under this Guaranty shall be reinstated with respect to any amount paid to APA by Borrower or any other guarantor of the Obligations which is hereafter required to be returned to Borrower or such other guarantor or any trustee, receiver or other representative of or for Borrower or such other guarantor, upon or by reason of the bankruptcy, insolvency, reorganization, or dissolution of Borrower or such other guarantor, or for any other reason, all as though such amount had never been paid to APA.

(E) This is a guaranty of payment and not merely of collection.

4. No Subrogation. No payment by Guarantor pursuant to any provision of this Guaranty or other satisfaction of Guarantor's liabilities hereunder shall entitle Guarantor, by subrogation to the rights of APA or otherwise, to any payment from Borrower, from the proceeds of the property of Borrower or from any Collateral Security.

5. Waivers. Guarantor hereby expressly waives:

- (A) notice of the acceptance of this Guaranty;
- (B) notice of extensions of credit by APA to Borrower and of any change in the rate at which any of the Obligations are accruing interest;
- (C) diligence, presentment and demand for payment of any of the Obligations;
- (D) protest, notice of protest, notice of dishonor and notice of nonpayment or default to Guarantor or to any other person with respect to the Obligations;
- (E) filings of claims or proofs of claim with a court in the event of any bankruptcy or insolvency proceedings as to which Borrower or any person secondarily or otherwise liable for any of the Obligations is subject;
- (F) any right to require a proceeding first against Borrower or any other person;
- (G) any demand for payment under this Guaranty;
- (H) any defenses available to a surety under law; and
- (I) all other legally waivable notices to which Guarantor might otherwise be entitled.

6. Insolvency of Borrower. If a Borrower becomes subject of an order for relief under the Federal Bankruptcy Code, as now or hereafter in effect, or any proceeding is commenced by or against Borrower under any insolvency or other debtor relief laws, as now or hereafter in effect, or for the appointment of a receiver for Borrower or any of its property, or if Borrower shall make an assignment for the benefit of creditors or shall discontinue business or become unable to pay or admit in writing its inability to pay its debts as they come due, all Obligations of Borrower shall, for the purpose of this Guaranty, become immediately due and payable.

7. Covenants and Financial Condition. Guarantor covenants and agrees with APA that during such time as this Guaranty is in effect, there will be no material adverse change in Guarantor's financial status, Guarantor will perform and comply with all of its duties, responsibilities and obligations articulated in the terms, provisions and agreements contained in this Guaranty, and Guarantor will not sell, mortgage, pledge or otherwise convey or transfer any substantial or material portion of its real or personal property without having first obtained APA's written consent therefor. In the event of any breach of said covenants and agreements, each of the Obligations, regardless of its terms, shall, at APA's election, be deemed for the purposes of this Guaranty to have matured, and at APA's election, Guarantor shall promptly pay to APA all of said outstanding Obligations and Lender may take any action it deems necessary or advisable to enforce this Guaranty.

8. Subordination, Assignment and Transfer. Guarantor further agrees with APA:

(A) that all of the present and future indebtedness of Borrower to Guarantor shall be and hereby is subordinated to, assigned and transferred to APA and pledged and made security for the payment of all Obligations;

(B) that Guarantor contemporaneously herewith and from time to time hereafter shall on request execute such further endorsements, assignments or other proper transfers as APA may request further to evidence the assignment hereby agreed to and made; and

(C) that Guarantor hereby appoints APA and each of its executive officers as Guarantor's attorney in its or their name to demand and enforce payment of said indebtedness, to prove all claims, receive all dividends and take all other action on said indebtedness in any liquidation or any proceedings whatsoever affecting Borrower or its property under any bankruptcy or other laws now or hereafter in effect for the relief of debtors and in general to do any act or take any action in regard to said indebtedness which Guarantor might otherwise do.

9. Termination of Guaranty. This Guaranty is a continuing Guaranty and shall remain in full force and effect irrespective of any interruptions in the business relations of Borrower with APA; provided, however, that Guarantor may, by notice in writing actually received and acknowledged by an executive officer of APA, terminate this Guaranty with respect to all new Obligations incurred or contracted by Borrower or acquired by APA at noon on the sixtieth day after the date on which such notice is so received and acknowledged, but this Guaranty shall remain in full force and effect as to all Obligations existing at the sixtieth day after receipt and acknowledgment of such notice and as to all renewals and extensions thereof until the full payment and satisfaction thereof and the expiration of any and all applicable preference periods during which the payments credited to the satisfaction of the Obligations may be required to be returned to the payor thereof or such person's trustee, receiver or other representative.

10. Representations and Warranties. See Exhibit A, if any, attached hereto for a list of Representations and Warranties. None.

11. Covenants. See Exhibit B, if any, attached hereto for a list of additional Covenants. None.

12. Miscellaneous.

(A) Notices. All notices, requests, demands or other communication (including telecommunications) or upon APA or Guarantor shall be in writing and shall be deemed to have been duly given or made: (1) if to Lender, when actually received by an executive officer of APA at APACN, 5840 Nathan Lane, Suite 120, Plymouth, MN 55442, or at such other address as APA may hereafter specify to Guarantor in writing; or (2) if to Guarantor, the earlier of Grantor's receipt thereof or three business days after being deposited in the United States mail, postage prepaid and addressed to Guarantor at the address appearing on the books and records of Lender as that of Guarantor.

(B) Expenses. Guarantor agrees that, with or without notice to or demand upon Borrower or Guarantor, Guarantor will pay or reimburse APA (to the extent reimbursement has not already been made by Borrower) for all expenses, including reasonable fees and expenses of its legal counsel, incurred by APA in connection with any of the Obligations or the collection thereof and the enforcement of any provisions of this Guaranty.

(C) Continuing Guaranty. This Guaranty shall be and remain binding upon Guarantor and its heirs, executors, administrators, legal representatives, successors and assigns until termination in conformity with the paragraph hereof designed "Termination of Guaranty." In the event of the death of any individual person designed as a Guarantor hereunder, an amount equal to the outstanding Obligations guaranteed hereby shall become immediately due and payable by the estate or personal representative of the decedent Guarantor's interest, irrespective of whether the underlying Obligations shall otherwise be due and payable.

(D) Assignments. APA may assign its rights and powers under this Guaranty with all or any of the Obligations, the payment thereof is hereby guaranteed, and, in the event of such assignment, the assignee of such rights and powers, to the extent of such assignment, shall have the same rights and remedies as if originally named herein in the place of its assignor.

(E) Waiver of Rights. No delay on the part of APA in exercising any rights hereunder or failure to exercise the same shall operate as a waiver of such rights; no notice of or demand on Guarantor shall be deemed to be a waiver of the obligation of Guarantor or of the right of APA to take other or further action without notice or demand as provided herein. In any event, no modification or waiver of the provisions hereof shall be effective unless in writing nor shall any waiver be applicable except with respect to the specific person to whom and in the specific instance or matter for which given.

(F) Cumulative Remedies. The Obligations of Guarantor hereunder are in addition to and not in substitution for any other obligations or security interests now or hereafter held by APA and shall not operate as a merger of any contract or debt or suspend the fulfillment of, or affect the rights, remedies or powers of APA in respect of, any obligation or other security interest held by it for the fulfillment thereof. The rights and remedies provided herein and in any other instrument are cumulative and not exclusive of any other rights or remedies provided by law.

(G) Governing Law; Jurisdiction; Venue; Service of Process. This Guaranty is and shall be deemed to be a contract entered into and made pursuant to the laws of the State of Minnesota, USA, and shall in all respects be governed, construed, applied and enforced in accordance with the laws of said State, without reference to conflict of laws principles. If APA brings any action hereunder in any court of Minnesota or of the United States located in Minnesota, Guarantor consents to and acknowledges personal jurisdiction over Guarantor by such court or courts, waives any objection to the placement of venue in such courts and agrees that service of process may be made upon Guarantor by mailing a copy of the summons to Guarantor in the manner set forth in the subparagraph hereof designed "Notices."

(H) Severability. If any part of this Guaranty is contrary to, prohibited by or deemed invalid under the applicable law or regulations of any jurisdiction, such provision shall, as to such jurisdiction, be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given full force and effect so far as possible, and any such prohibition or invalidity in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(I) References to Lender. Each reference herein to APA shall be deemed to include its successors and assigns.

(J) References to Guarantor. The term "Guarantor" as used herein shall, if this instrument is signed by more than one party, mean the "Guarantor and each of them" and each and every undertaking shall be their joint and several undertaking; provided, however, that in the subparagraph hereof designed "Waiver of Rights" the term "Guarantor" shall mean the "Guarantor or any of them." If any party hereto shall be a partnership or limited liability company, the agreements and obligations on the part of such party herein contained shall remain in force and applicable notwithstanding any changes in the individuals composing the partnership or limited liability company, and the terms "Guarantor" and "Borrower" shall include any altered or successive partnerships or limited liability companies, but predecessor partnerships or limited liability companies and their partners or members shall not thereby be released from any obligation or liability. Each reference to Guarantor and any pronouns referring thereto as used herein shall be construed in the masculine, feminine, neuter, singular, or plural as the context may require and shall be deemed to include the heirs, executors, administrators, legal representatives, successors and assigns of Guarantor, all of whom shall be bound by the provisions hereof.

(K) Complete Agreement; No Reliance by Guarantor. This Guaranty, together with any security instruments securing this Guaranty, constitutes the entire agreement between Guarantor and APA relating to the subject matter hereof and supersedes all prior proposals, negotiations, agreements and understandings relating to such subject matter. In entering into this Guaranty, Guarantor acknowledges that it is relying on no statement, representation, warranty, covenant or agreement of any kind made by APA or any employees or agents of APA, except as set forth herein.

(L) Waiver of Claims, Defenses and Damages. **Guarantor absolutely, irrevocably and unconditionally waives any and all right to assert any defense, set-off, counterclaim or cross-claim of any nature with respect to this Guaranty, any agreement or instrument securing this Guaranty, any obligations of any other person or party (including Borrower) relating hereto, in any action, suit or proceeding APA may bring to collect any of the Obligations or to enforce any of Guarantor's obligations hereunder. In any litigation involving APA and any Guarantor, the Guarantor waives any right it may have to recover any special, exemplary, punitive or consequential damages or any damages other than actual damages.**

(M) Waiver of Right to Trial by Jury. Guarantor absolutely, irrevocably and unconditionally waives any right to trial by jury in any action, suit, counterclaim or cross-claim arising in connection with, out of, or otherwise relating to this Guaranty, any agreement or instrument securing this Guaranty, any collateral security or any transaction arising therefrom or related thereto.

IN WITNESS WHEREOF Guarantor has executed and delivered this Guaranty as of the 28th day of June 2007.

Witness:

/s/ Roben D. Hunter

/s/ Anil K. Jain

Anil K. Jain

ACCEPTED BY APA ENTERPRISES, INC.

By /s/ Ronald G. Roth

Its Chairman

Dated: 6/28/07

STOCKPLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT, made as of this 28th day of June, 2008, by and between Anil K. Jain, Grantor, under that certain Revocable Trust Agreement dated December 19, 1989, and Anil K. Jain and Sandhya Jain, Co-Trustees under said Revocable Trust Agreement (collectively "Pledgor") and APA Enterprises, Inc. ("Secured Party").

IN CONSIDERATION of the mutual covenants and promises herein contained, the Secured Party and Pledgor agree:

1. Security Interest. For value received, Pledgor hereby grants Secured Party a security interest in 500,000 shares of common stock, par value \$.01 per share, of APA Enterprises, Inc. (the shares hereinafter referred to as the "Shares" and APA Enterprises, Inc. hereinafter referred to as the "Company"), together with all rights related thereto. Upon payment in full of the Indebtedness (defined below) without any Event of Default (defined below) all Shares shall be returned to Pledgor.

2. Obligation Secured. The Shares shall secure payment of (i) the indebtedness evidenced by that certain Note ("Note" or the "Indebtedness") of even date herewith between Photonics International, Inc. and the Secured Party which is issued pursuant to the terms of the Stock Purchase Agreement dated June 28, 2007 (the "Stock Purchase Agreement") and (ii) the Guaranty of the Note by Anil K. Jain.

3. Representations, Warranties and Agreements. Pledgor represent, warrant and agree that:

- a. Pledgor has delivered to Secured Party certificates representing the Shares, along with duly executed stock powers, in blank.
 - b. Pledgor is the owner of the Shares free and clear of all liens, encumbrances, security interests, restrictions on transfer and other restrictions, except this security interest.
 - c. Pledgor will keep the Shares free and clear of all liens, encumbrances, security interests and restrictions, except this security interest, will defend the Shares against all claims and demands of anyone other than Secured Party, and will not sell or otherwise dispose of the Shares or any interest therein.
 - d. Pledgor will pay when due all taxes and other governmental charges levied or assessed upon or against any Shares.
 - e. The Shares are fully paid and non-assessable.
-

- f. Pledgor will deliver to Secured Party in pledge as additional security any securities distributed on account of the Shares such as stock dividends or securities arising from stock splits, reorganizations or recapitalizations. This subparagraph shall not be construed to authorize distributions if such distributions are prohibited by any other agreement between the parties.

4. Events of Default. The occurrence of any of the following events shall constitute an Event of Default:

- a. Failure by Pledgor or Photonics International, Inc. to honor or perform any of the terms and conditions of the Note.
- b. Default by Photonics International, Inc. in the payment when due of the principal of any Indebtedness, any installment thereto, or any interest thereon, whether at maturity, by acceleration, or otherwise.

5. Remedies in Event of Default. Upon the occurrence of an Event of Default and at any time thereafter, Secured Party may give notice of Event of Default to Pledgor. If said Event of Default is not cured within thirty (30) days after said notice is given, the entire Indebtedness shall, at Secured Party's option, become immediately due and payable without notice, presentment, demand, protest or notice of protest of any kind, all of which are expressly waived by Pledgor; and Secured Party may exercise and enforce with respect to the Shares any or all rights and remedies available upon default to a secured party under the Uniform Commercial Code, including the right to offer and sell the Shares privately to purchasers who will agree to take the Shares for investment and not with a view to distribution and who will agree to the imposition of restrictive legends on the certificates representing the Shares, and the right to arrange for a sale which would otherwise qualify as exempt from registration under the Securities Act of 1933. If notice to Pledgor of any intended disposition of the Shares or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given at least ten (10) calendar days prior to the date of intended disposition or other action. Upon satisfaction of the Indebtedness and all costs of collection and enforcement of this Agreement and the Guaranty, any Shares remaining shall be returned to Pledgor. Nothing in this Agreement shall abridge Secured Party's right to exercise or enforce any or all other rights or remedies available to Secured Party by law or agreement against the Shares, against Pledgor or against any other person or property.

6. Waiver. Pledgor waives any right that Pledgor may have to require Secured Party to proceed against any other person, to proceed against or exhaust collateral or any part thereof, or to pursue any other remedy that Secured Party may have. Pledgor consents to any and all extensions of time, renewals, waivers or modifications of any of the terms and conditions of any Indebtedness that may be granted by Secured Party, to release the security or any part thereof with or without substitution, and to the release, substitution, or addition of any parties primarily or secondarily liable on any Indebtedness. Notice of any of the above is hereby waived by Pledgor

7. Miscellaneous. Any disposition of the Shares in the manner provided in Paragraph 5 shall be deemed commercially reasonable. This Agreement can be waived, modified, amended, terminated or discharged, and this security interest released, only explicitly in a writing signed by Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Pledgor shall be deemed sufficiently given if delivered or mailed by registered or certified mail, postage prepaid, to Pledgor at the most recent address shown on Secured Party's records. Secured Party's duty of care with respect to the Shares in its possession (as imposed by law) shall be deemed fulfilled if Secured Party exercises reasonable care in physically safekeeping the Shares or exercising reasonable care in the selection of the bailee or other third person as custodian of the Shares, and Secured Party need not otherwise preserve, protect, insure or care for the Shares. Secured Party is not obligated to preserve any rights Pledgor may have against prior parties, to realize on the Shares at all or in any particular manner or order, or to apply any cash proceeds of the Shares in any particular order of application. Pledgor will reimburse Secured Party for all expenses incurred in disposing of the Shares or otherwise enforcing this security interest (including reasonable attorneys' fees and legal expenses). This Agreement shall be binding upon and inure to the benefit of Pledgor and Secured Party and their respective successors and assigns. Except to the extent otherwise required by law, this Agreement shall be governed by the internal laws of the State of Minnesota and, unless the context otherwise requires, all terms used herein which are defined in Articles 1 and 9 of the Uniform Commercial Code, as in effect in said State, shall have the meanings therein stated. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Indebtedness.

8. Additional Agreement. That certain Agreement to Provide Additional Collateral, of even date herewith, is deemed to be a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

Secured Party:

APA Enterprises, Inc.

By: /s/ Ronald G. Roth
Its Chairman

Pledgor:

/s/ Anil K. Jain
Anil K. Jain, Co-Trustee and Grantor under
Revocable Trust Agreement dated
December 19, 1989

/s/ Sandhya Jain
Sandhya Jain, Co-Trustee under Revocable
Trust Agreement dated December 19, 1989

SEPARATION PAYMENTS PLEDGE AGREEMENT

THIS SEPARATION PAYMENTS PLEDGE AGREEMENT, made as of this 28th day of June, 2007, by and between Anil K. Jain ("Pledgor") and APA Enterprises, Inc. ("Secured Party").

IN CONSIDERATION of the mutual covenants and promises herein contained, the Secured Party and Pledgor agrees:

1. Security Interest. For value received, Pledgor hereby grants Secured Party a security interest in all payments ("Payments") to be received by him under that certain Amended and Restated Agreement Regarding Employment/Compensation Upon Change in Control, dated September 15, 2005, as supplemented by Supplemental Separation Agreement dated June 28, 2007 (collectively the "Separation Agreement").

2. Obligation Secured. The Pledge secures payment of the indebtedness evidenced by that certain promissory note ("Note" or the "Indebtedness") of even date herewith between Photonics International, Inc. and the Secured Party and the Guaranty by Pledgor of said Note. The Note represents the payment due under that certain Stock Purchase Agreement dated of even date herewith between Photonics International, Inc., as Buyer, and Secured Party, as Seller.

3. Representations, Warranties and Agreements. Pledgor represents, warrants and agrees that:

- a. The Payments are free and clear of all liens, encumbrances, security interests, restrictions on transfer and other restrictions, except this security interest.
- b. Pledgor will keep the Payments free and clear of all liens, encumbrances, security interests and restrictions, except this security interest, will defend the Payments against all claims and demands of anyone other than Secured Party, and will not sell or otherwise dispose of the Payments or any interest therein.

4. Events of Default. The occurrence of any of the following events shall constitute an Event of Default:

- a. Failure by Pledgor to honor or perform any of the terms and conditions of this Agreement, the Guaranty, the Note, the Stock Pledge Agreement, the Agreement to Provide Additional Collateral, the Non-Compete Agreement, or any other agreement between any of the parties hereto or evidencing or securing the Indebtedness.
 - b. Default by Photonics International, Inc. in the payment when due of the principal or interest of the Note, any installment thereto, or any interest thereon, whether at maturity, by acceleration, or otherwise.
-

5. Remedies in Event of Default. Upon the occurrence of an Event of Default and at any time thereafter, Secured Party may give notice of Event of Default to Pledgor. If said Event of Default is not cured within thirty (30) days after said notice is given then Secured Party may withhold Payments from Pledgor and apply the same to cure the Event of Default. Nothing in this Agreement shall abridge Secured Party's right to exercise or enforce any or all other rights or remedies available to Secured Party by law or agreement against Pledgor or against any other person or property.

6. Waiver. Pledgor waives any right that Pledgor may have to require Secured Party to proceed against any other person, to proceed against or exhaust collateral or any part thereof, or to pursue any other remedy that Secured Party may have. Pledgor consents to any and all extensions of time, renewals, waivers or modifications of any of the terms and conditions of any Indebtedness that may be granted by Secured Party, to release the security or any part thereof with or without substitution, and to the release, substitution, or addition of any parties primarily or secondarily liable on any Indebtedness. Notice of any of the above is hereby waived by Pledgor.

7. Miscellaneous. The remedies provided in Paragraph 5 shall be deemed commercially reasonable. This Agreement can be waived, modified, amended, terminated or discharged, and this security interest released, only explicitly in a writing signed by Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Pledgor shall be deemed sufficiently given if delivered or mailed by registered or certified mail, postage prepaid, to Pledgor at the most recent address shown on Secured Party's records. Secured Party is not obligated to preserve any rights Pledgor may have against other parties, to realize on the Payments at all or in any particular manner or order, or to apply the Payments in any particular order. Pledgor will reimburse Secured Party for all expenses incurred in enforcing this security interest (including reasonable attorneys' fees and legal expenses). This Agreement shall be binding upon and inure to the benefit of Pledgor and Secured Party and their respective successors and assigns. Except to the extent otherwise required by law, this Agreement shall be governed by the internal laws of the State of Minnesota and, unless the context otherwise requires, all terms used herein which are defined in Articles 1 and 9 of the Uniform Commercial Code, as in effect in said State, shall have the meanings therein stated. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Indebtedness.

8. Additional Agreement. That certain Agreement to Provide Additional Collateral, of even date herewith is deemed to be a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

Secured Party:

APA ENTERPRISES, INC.

By: /s/ Ronald G. Roth
Its Chairman

Pledgor:

/s/ Anil K. Jain
Anil K. Jain

AGREEMENT TO PROVIDE ADDITIONAL COLLATERAL

This Agreement is made as of June 28, 2007, by and between Anil K. Jain ("Jain"), Photonics International, Inc., an entity wholly owned by Jain ("Buyer"), APA Optronics (India) Private Limited, and APA Enterprises, Inc. ("APA").

Background

1. Photonics International, Inc. ("Buyer"), an entity wholly owned by Jain has entered into a Stock Purchase Agreement with APA for purchase from APA of all of APA's interest in APA Optronics (India) Private Limited.
2. Buyer's payment obligations under the Stock Purchase Agreement are evidenced by a Promissory Note dated June 28, 2007 (the "Note").
3. The Note is secured by the following agreements:

Guaranty by Jain
 Stock Pledge Agreement from Jain (as grantor and co-trustee under
 Revocable Trust dated 12/19/89)
 Separation Payments Agreement Pledge from Jain

Agreements

1. Jain, Buyer, and APA Optronics (India) Private Limited hereby agree that if the value of the APA stock pledged under the Stock Pledge Agreement listed in Background Item 3 is less than \$1/share for more than five trading days in any 30 day period, each of them will pledge additional collateral, acceptable in form and amount acceptable to APA in its sole discretion, to secure the obligations of Buyer to APA under the Stock Purchase Agreement and Note and to secure the obligations of Jain under his Guaranty.
2. Jain, Buyer, and APA Optronics (India) Private Limited agree that failure to provide such additional collateral within five business days after demand by APA shall constitute a default under the Note, the Guaranty from Jain, and the Stock Pledge Agreement and Separation Payments Pledge Agreement. This Agreement is deemed by the parties to be a part of the Note, the Guaranty, the Stock Pledge Agreement, and the Separation Payments Pledge Agreement.

/s/ Anil K. Jain
 Anil K. Jain, PhD

APA Optronics (INDIA) PRIVATE LIMITED
 By: /s/ Anil K. Jain
 Anil K. Jain
 Its: President

APA ENTERPRISES, INC.
 By: /s/ Ronald G. Roth
 Ronald G. Roth
 Its: Chairman

PHOTONICS INTERNATIONAL, INC.
 By: /s/ Anil K. Jain
 Anil K. Jain
 Its: President

NON-COMPETE AGREEMENT

THIS AGREEMENT dated as June 28, 2007 by and among PHOTONICS INTERNATIONAL, INC., a Minnesota corporation ("Purchaser"), ANIL K. JAIN ("Jain"), APA OPTRONICS (INDIA) PRIVATE LIMITED ("APA India"), APA ENTERPRISES, INC., a Minnesota corporation ("Seller"), and APA CABLES & NETWORKS, INC., a Minnesota corporation ("APACN"). Seller and APACN and their subsidiaries, collectively, are referred to herein as "APA".

WITNESSETH:

WHEREAS, Seller and Purchaser are parties to that certain Stock Purchase Agreement dated June 28, 2007, pursuant to which Purchaser will acquire all of the stock of APA India owned by Seller (the "Purchase Agreement"); and

WHEREAS, Jain is the sole owner of Purchaser and has guaranteed the performance of Purchaser's obligations to Seller; and

WHEREAS, Jain, Purchaser and APA India, directly and indirectly, will be financially benefited by the Purchase Agreement; and

WHEREAS, as a condition to closing the Purchase Agreement and in order to satisfy a requirement set forth therein, Seller is entitled to receive a covenant not to compete and other agreements set forth herein from Jain, Purchaser and APA India.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, Purchaser, Seller, Jain, and APA India agree as follows:

ARTICLE I
NON-COMPETE COVENANTS

1.1 In order to satisfy a condition of the Purchase Agreement, during the two (2) year period commencing with the date of this Agreement, Jain, Purchaser, and APA India shall not, directly or indirectly, sell or offer to sell any telecommunications products, materials or components of a type offered by APACN, as described on Schedule A, to any person or entity who will utilize or deploy such products, materials, or components in the United States; provided, however, that Jain, Purchaser and APA India may offer and sell such products, materials, or components to APACN.

1.2 Within five (5) business days after the date of execution of this Agreement, Jain and Purchaser shall (a) change the website address of APA India from "apaoptronics.com" to "apaoptronics.in.com"; or (b) shall prominently state on said website that the principal executive office of APA India is in India.

1.3 During the two-year restricted period referenced in Section 1.1 above, APA and APACN shall not direct any selling efforts to India or engage in any selling activity in India.

ARTICLE II
NON-DISCLOSURE COVENANT

During and after the term of this Agreement, Purchaser, Jain and APA India shall not communicate, divulge or use, any secret, confidential information, confidential customer list, or trade secrets of APACN or Seller. This obligation shall apply with respect to any such item until such item ceases to be secret or confidential, as determined by APACN and Seller in their sole discretion.

ARTICLE III
REMEDIES

In the event of any actual or threatened breach of the provisions of Articles I or II hereof, the injured party shall be entitled to all rights and remedies available at law or in equity, including without limitation the right to obtain damages for such breach or non-adherence and the right to enjoin the party in breach or any person or entity in or threatening breach or non-adherence from commencing or continuing, and to remedy, the activities which constitute such breach or non-adherence. Should Jain, Purchaser or APA India breach any of the provisions contained in the Purchase Agreement or related documents, Seller shall be entitled to offset its damages against amounts due to Jain from Seller as separation payment in connection with his termination as president/chief executive officer of Seller.

ARTICLE IV
CONSIDERATION

Jain, Purchaser, APA India, Seller, and APACN each acknowledge that it will be benefited by the Purchase Agreement and has received adequate consideration for its covenants contained herein.

ARTICLE V
MISCELLANEOUS

5.1 Entire Agreement; Use of Terms. This Agreement, together with the Purchase Agreement and the other agreements referenced in the Purchase Agreement, contains the entire agreement among the parties, superseding in all respects any and all prior oral or written agreements or understandings pertaining to the subject matter hereof and transactions contemplated hereby, and shall be amended or modified only by a written instrument signed by all of the parties hereto; provided, however, that this Agreement does not supercede or replace the Nondisclosure and Noncompete Agreement dated May 5, 1999 between Seller and Jain.

5.2 Waiver. No waiver by any party of any condition, or of the breach of any term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further and continuing waiver of any such condition or breach or a waiver of any other condition or breach of any other term, covenant, representation, or warranty of this Agreement, or the agreements and documents executed in connection herewith.

5.3 Binding Effect; Assignment. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by, the parties hereto and their respective heirs, successors and assigns.

5.4 General. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. This Agreement shall be governed, enforced and construed under the laws of the State of Minnesota, USA.

5 . 5 Joint and Several Liability. All agreements, covenants, representations, and warranties of Jain, Purchaser and APA India hereunder shall be joint and several obligations of Jain, Purchaser and APA India.

SELLER:

APA ENTERPRISES, INC.

By: /s/ Ronald G. Roth
Its: Chairman

PURCHASER:

PHOTONICS INTERNATIONAL, INC.

By: /s/ Anil K. Jain
Anil K. Jain
Chief Executive Officer

**APA OPTRONICS (INDIA)
PRIVATE LIMITED**

By: /s/ Anil K. Jain
Anil K. Jain
President

/s/ Anil K. Jain
Anil K. Jain, as an individual

APA CABLES & NETWORKS, INC

By: /s/ Cheri B. Podzimek
Its: President

SCHEDULE A

1. The following "passive" products:
 - OSP optical fiber cabinets
 - Optical fiber frames
 - Optical fiber panels
 - Optical fiber cable, connectors, assemblies and attenuators
 - Copper cable, connectors and assemblies

2. Optical branching components, as illustrated on the APACN website (www.apacn.com) under "optical products"

APA ENTERPRISES, INC. REPORTS CHANGES IN MANAGEMENT AND OPERATIONS

MINNEAPOLIS, MN, June 29 2007 -- APA Enterprises, Inc. (NASDAQ: APAT) announced today that Dr. Anil K. Jain has resigned as Chairman of the Board, President/Chief Executive Officer, and Chief Financial Officer of the Company, effective immediately. Dr. Anil K. Jain, founder of APA, served as President of the Company since its inception in 1979.

Mr. Ronald G. Roth, a major shareholder and board member since 2002, was elected Chairman of the Board. Ms. Cheryl Beranek Podzimek the President of APACN, a subsidiary of the Company, has assumed the additional role of President and CEO of the Company.

Following Dr. Jain's resignation, he purchased the Company's India subsidiary, APA Optronics (India) Pvt. Ltd., on terms deemed by the independent directors to be fair and reasonable to the Company. In brief, the purchase price of \$500,000 is payable over 5 years and is secured by pledges of stock and Dr. Jain's payments under his separation agreement with the Company, as well as a personal guaranty from Dr. Jain.

Concurrently, the Company made additional staff reductions. The total expense of these reductions and the effect of Dr. Jain's severance agreement is approximately \$458,000. These amounts will be expensed in the first quarter of fiscal year 2008. Dr. Jain's severance agreement will be paid out over a two year period.

These changes will result in a more focused application of resources to APACN, the Company's principal business unit, including expansion of APACN's global sourcing, reduction of overall cost of its products, and enhancement of its marketing. APACN continues to strive to capture market share with Broadband Service Providers, Fiber to the Premise marketplace and in contract manufacturing environments.

MORE

Forward-looking statements contained herein are made pursuant to the safe harbor provisions of the Private Litigation Reform Act of 1995. These statements are based upon the Company's current expectations and judgments about future developments in the Company's business. Certain important factors could have a material impact on the Company's performance, including, without limitation, delays in or increased costs of production, delays in or lower than anticipated revenues of the Company's new products, the Company's ability to sell such products at a profitable price, the Company's ability to fund operations, and other factors discussed from time to time in the Company's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements. The Company undertakes no obligation to update such statements to reflect actual events.

APA Enterprises, Inc., consists of APA Cables and Networks Inc., a wholly owned subsidiary, (APACN) and an Optronics division. APACN designs, manufactures and markets a variety of fiber optic and copper components to the data communication and telecommunication industries. The Optronics business includes the development, design, manufacture and marketing of ultraviolet (UV) detection and measurement devices for consumers and industrial customers, and Gallium Nitride (GaN) based transistors for power amplifiers and other commercial applications. Additional information about APA Enterprises is available at <http://www.apaenterprises.com>.

APA Enterprises, Inc. Contact Information:

Cheryl Beranek Podzimek
President and CEO
investor-relations@apaenterprises.com
763-476-6866
