SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended May 1, 1999
OR

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

Commission file number 0-23246
DAKTRONICS, INC.
(Exact name of registrant as specified in its charter)

South Dakota	41-0306862
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
331 32nd Avenue, Brookings, SD	57006
(Address of principal executive offices)	(Zip code)

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

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

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

Common Stock, No Par Value
(Title of Class)

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

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

As of July 26, 1999, 4,369,941 shares of the registrant's Common Stock were issued and outstanding, and the aggregate market value of voting stock held by non-affiliates of the registrant as of July 26, 1999 was approximately $37,600,000 based on the closing price of $12 per share of July 26, 1999 on the NASDAQ/NMS).

Documents Incorporated By Reference

Selected portions of the Definitive Proxy Statement Incorporated into Part III Statement for the Annual Meeting of Shareholders to be held August 18, 1999

DAKTRONICS, INC.

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PART I

Item 1. Business.

THIS REPORT CONTAINS STATEMENTS WHICH CONSTITUTE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS APPEAR IN A NUMBER OF PLACES IN THIS REPORT AND INCLUDE ALL STATEMENTS THAT ARE NOT HISTORICAL STATEMENTS OF FACT REGARDING THE INTENT, BELIEF OR CURRENT EXPECTATIONS OF THE COMPANY, ITS DIRECTORS OR ITS OFFICERS WITH RESPECT TO, AMONG OTHER THINGS: (i) THE COMPANY'S FINANCING PLANS; (ii) TRENDS AFFECTING THE COMPANY'S FINANCIAL CONDITION OR RESULTS OF OPERATIONS; (iii) THE COMPANY'S GROWTH STRATEGY AND OPERATING STRATEGY; AND (iv) THE DECLARATION AND PAYMENT OF DIVIDENDS. THE WORDS "MAY," "WOULD," "COULD," "WILL," "EXPECT," "ESTIMATE," "ANTICIPATE," "BELIEVE," "INTEND," "PLANS" AND SIMILAR EXPRESSIONS AND VARIATIONS THEREOF ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT ANY SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE COMPANY'S ABILITY TO CONTROL, AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS DISCUSSED HEREIN AND THOSE FACTORS DISCUSSED IN DETAIL IN THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION.

GENERAL

Daktronics is a leading supplier of electronic scoreboards, computer programmable display systems, and large video displays for sport, business and government applications. The Company offers the most complete line of large display products of any single manufacturer, from smaller indoor scoreboards and displays to multi-million dollar outdoor video display systems. The Company is recognized worldwide as a technical leader with the capabilities to design, manufacture, install and service complete integrated systems that display real-time data, graphics, animation and video. Thousands of Daktronics displays communicate with millions of viewers every day in more than 65 countries worldwide.

The Company has sold display systems ranging from small standard scoreboards priced under $1,000 to large complex display systems priced in excess of $13 million. In fiscal 1999, sales of products and services under $50,000 represented approximately 28% of net sales.

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

INDUSTRY

The Company's products fit into a growing niche which is part of the broad visual communications business which includes printing, photography, television, signage, etc. In particular, the Company's products fit within the signage sub-category of the broad visual communications businesses. Signage includes various niches commonly identified as painted signs, architectural signage, electric signs, programmable signs and large video displays (LVD).

Daktronics is an established leader in the niche of computer programmable signs. Growth of this product category was stimulated by the invention of the microprocessor and the continued development and acceptance in society of the personal computer. In many applications, the sign is another peripheral that is attached to a personal or desk top computer. The growth of computer programmable signage is related to the growth of the personal computer industry.

Programmable displays either emit or reflect light depending on the specific display technology that is utilized. Two years ago another technology breakthrough of the blue light emitting diode visible outdoors provided the basis for significant future growth in the industry. This allowed Daktronics to enter the large video display segment of the signage business. Previously the large video display business was dominated by the small cathode ray tube based product, and the suppliers were generally the same companies that were in the television set business.

With the availability of high quality blue and green light emitting diodes, it has been possible for Daktronics to broaden its scope and provide not only computer programmable signage but also large video displays for both outdoor and indoor usage.

Currently with the exception of Daktronics, the manufacturers of computer programmable displays are not manufacturing large video displays and conversely the large video manufacturers are not manufacturing computer programmable displays. This places Daktronics in a uniquely beneficial position to serve venues that have both requirements such as the typical large sports venue. Daktronics, through the use of its proprietary Venus(R) 7000 software, also has the unique capability of time sharing a large screen such as in a large stadium or arena between the video display functions previously provided by the large video display and the information and animation display functions previously provided by computer programmable display. Having all these functions integrated into one ultra large display system gives the venue owner significant flexibility in managing his information and entertainment presentations that has not been available previously.

It is the Company's opinion that the advent of digital television will further stimulate the ease and value of combining these video and information presentations into a single display system.

COMPANY BACKGROUND

The Company was founded in 1968 by Drs. Aelred Kurtenbach and Duane Sander, while professors of electrical engineering at South Dakota State University in Brookings, South Dakota, in part to utilize the talents of university graduates. Daktronics produced and sold its first product in 1970, a voting display system for the Utah Legislature. Using the technology developed from voting display systems, Daktronics expanded its product line to scoreboards in 1971 and commercial displays in 1973. Beginning in the late 1970's, the Company incorporated microprocessor-based computers into its display controllers to process information provided by an operator and to formulate the information for presentation on a display. At that time, Daktronics also began building computer-programmable information display systems utilizing standard modules or sections in a variety of systems. The use of modular sections for both its smaller and larger display systems has allowed the Company to offer customers a broad range of both standard and custom products. These innovations helped the Company to obtain a scoreboard contract for the 1980 Winter Olympic Games and several large college installations. In the early to mid-1980's, Daktronics continued to enhance its controller and display technology, acquired the Glow Cube(R) display technology and a manufacturer of printed circuit boards, and installed its first scoreboard in a major league facility.

During the 1990's, the Company has continued to expand its product lines, increase market share in its existing markets and develop new markets for its products. Daktronics has enhanced its Starburst(R) display technology by developing new lens and reflector designs to capture viewer attention and reduce energy consumption. The Company has display control circuitry capability to display 16 million possible color combinations at 30 frames per second. The Company has utilized this circuiting to develop technology for LED video displays. Examples of the Company's continued market penetration include (i) scoreboards and/or LED video displays for Seattle Mariners, Indianapolis Motor Speedway, University of Georgia, Ohio State University, (ii) commercial displays in Times Square, New York; Las Vegas, Nevada and Branson, Missouri; and (iii) variable message systems for highway and mass transit use in California, Washington, Delaware, Illinois and Pennsylvania.

Daktronics has received several awards, including being named the South Dakota Business of the Year in 1987, 1989 and 1993 by the South Dakota Industry and Commerce Association.

PRODUCTS

The Company offers its customers a wide range of computer-programmable information display systems consisting of related products, or families of products, that have similar functions and varying degrees of capabilities. Products within each family use displays and controllers that are built with many of the same modular components to reduce the cost of production and provide flexibility for standard and custom installations. The use of modular components also enhances the reliability and serviceability of the display systems. For example, the basketball scoreboard family includes products that use many of the same display modules and range from a small, single-faced scoreboard to a large, four-sided display with player statistics. The sizes of displays range from 2 inches by 20 inches for small indoor displays to 30 feet by 100 feet or more for large outdoor displays.

The two principal components of the Company's systems are the display and the display controller. The display controller uses computer hardware and software to process the information provided from the operator and to formulate the information, graphics or animation to be presented on the display. The display controller then controls each of the picture elements or "pixels" on the display to present the message or image.

Data is transferred between the display controller and the displays for both local and remote display sites. Local connections use twisted pair cables, fiber optic cables, infrared links or radio frequency. Both standard and cellular telephone connections are used to connect remote display locations. These connections are generally purchased from third parties.

Within each product family, Daktronics produces both standard and custom displays that vary in complexity, size and resolution. For example, a large color animation display is significantly more complex than a time and temperature display. The physical dimensions of a display depend on the size of the viewing area, the distance from the viewer to the display and the amount of information to be displayed at any one time. Generally, larger pixels spaced farther apart are used for longer distance viewing. The resolution of a display is determined by the size and spacing of each pixel, with smaller more densely packed pixels for higher resolution. The type of the display may depend on the shape of the viewing area. For example, arena scoreboards may have a viewing angle as wide as 180 degrees, compared with a roadside display which can been viewed from a passing vehicle only within a narrow angle from the display.

DISPLAY TECHNOLOGIES

Each of the Company's display systems uses one or more of the following display technologies: (i) Starburst(R) four-color incandescent lamps, (ii) SunSpot(R) monochrome incandescent lamps, (iii) Glow Cube and other reflective elements or (iv) LEDs. The selection of a display technology depends on a variety of factors, including price, location, power consumption and operating cost, and complexity of the information, graphics or animation to be displayed. The outdoor displays are designed to withstand the elements and to be visible in both bright sunlight and at night.

STARBURST(R) COLOR INCANDESCENT LAMP DISPLAYS. Starburst(R) displays use four colors (red, green, blue and clear) to display many shades of color when different combinations of lights are illuminated. The most popular Starburst(R) displays use reflectors with colored lenses over clear lamps. Each of the display lamps is turned on and off at different intervals and rates determined by the software in the controller to change what is presented on the display. The Company-designed reflector and lens system consumes less energy than a traditional incandescent lamp display while maintaining the brightness of the display to the viewing audience. The Starburst(R) color displays are used both indoors and outdoors and provide customers the flexibility of displaying text, numbers, graphics, animation and other types of information. Among the thousands of the Company's Starburst(R) installations are displays at Caesars Palace, Penn State University, Tacoma Dome and the Marine Midland Arena, and various indoor and outdoor sports facilities.

SUNSPOT(R) MONOCHROME INCANDESCENT LAMP DISPLAYS. SunSpot(R) displays use monochrome (one color) incandescent lamps which turn on and off at intervals and rates similar to a Starburst(R) four color display. SunSpot(R) displays are used both indoors and outdoors typically for time and temperature, messaging, graphics and other applications where color is not required. Daktronics has sold its SunSpot(R) displays for many small and large installations such as high school football stadiums, commercial businesses, and major league baseball parks.

REFLECTIVE DISPLAYS. The Company's Glow Cube(R) display technology uses three-dimensional pixels or "cubes." Each pixel is programmed to turn so that the viewing surface of the cube flips from a bright color to a dark contrasting color. Words and graphics form as each pixel flips from one color to the other. Glow Cube(R) displays are generally used outdoors, use less power and can be configured in a wide variety of sizes. Because a Glow Cube(R) display reflects sunlight during the day and fluorescent light at night, the display consumes relatively little power while operating. The Company's 7 x 18 foot Glow Cube(R) displays for the PGA TOUR each operate on a golf cart battery and are moved between tour sites throughout the season. Daktronics has also provided Glow Cube(R) displays for the 1996 Summer Olympic Games, the 1994 Winter Olympic Games and transportation departments in Connecticut, New Jersey and Virginia, and will be providing displays for the 2000 Sydney Olympics.

Another reflective product is the MagneView(TM) technology, with its two dimensional design, is a low cost alternative to the Glow Cube(R) technology. This technology, along with others, was incorporated into the displays at the 1996 Summer Olympics in Atlanta, and will also be used for the 2000 Summer Olympics in Sydney.

LED (LIGHT EMITTING DIODE) DISPLAYS. The Company's LED displays use programmable light emitting diodes as the light source for each display pixel. LED technology uses individual indicator elements that are commonly found in applications such as automobile dashboards, small appliances and digital clocks. The LEDs turn on and off at different intervals and rates to form the display images. One line LED displays are used for text, and larger LED displays are used for text, graphics, animation and video. LED displays can be one or multiple colors. The LED technology is advantageous because of the long life of LEDs and their low power consumption. Daktronics manufactures both indoor and outdoor LED displays (including its own pixels). Displays range from small character-based DataTrac(TM) signs to 16 million color ProStar(R) video displays.

PRODUCT FAMILIES

Daktronics product offering is comprised of three primary product groups:

1) Sports Products
2) Large Matrix Products
3) Business Products

SPORTS PRODUCTS

The Sports Products group includes the following products:

Sports Product Displays. The Company offers a full line of indoor scoreboards ranging from 2-digit shot clocks to high school basketball scoreboards to large center hung scoreboards incorporating message centers and ad panels. The Company offers a number of indoor scoreboard models using LED technology or incandescent models. Approximately 50% of the popular indoor models sold are now the LED type.

The Company also offers outdoor scoreboards which use mostly incandescent lamp technology. The outdoor scoreboards likewise range from 2-digit game timers to high school football scoreboards to large scoring systems incorporating message centers and ad panels.

In 1996 the Company began standardizing many of the large scoring systems, both indoor and outdoor, suitable especially for colleges and municipal arenas. Previously, many of these systems were designed individually from the ground up. This standardization of the large scoring systems has improved Daktronics ability to deliver a quality system in minimal time, with improved and more consistent margins.

Sports Product Controllers. The Company offers a variety of internally developed controllers depending on the sport and complexity of the system. The following is a list of controllers for sports displays.

- All Sport(R) 2000 - low cost, entry level controller for scoreboards.
- All Sport(R) 4000 - controller with enhanced features and packaging over All Sport(R) 2000.
- Pro Sport(R) 6000 - controller for large multi-display, multi-sport scoring system for large college and professional levels.
- OmniSport(R) 1000 - entry level timer for aquatics, track, and other timed events.
- OmniSport(R) 6000 - timer with enhanced features and packaging for larger aquatics, track, or other timed events.

The Company also offers a variety of statistics and results software under the DakStats(R) trademark to compliment the controllers.

LARGE MATRIX PRODUCTS

The Large Matrix product group consist of displays having a large number of display pixels (dots or picture elements that make up an image). The pixels offered are incandescent, LED, or reflective Glow Cube(R) pixels.

In recent years, the electronic sign industry has grown more and more sophisticated with the increased capability of the desktop PC.

Large Matrix Displays. Previously, conventional matrix displays formed images by simply turning a pixel on or off, displays today have the ability to vary the intensity of each pixel to allow the generation of multiple colors. These displays have the capability to display up to 16 million colors at speeds that allow the display of video information.

The large matrix product offering spans from a basic 24 pixel high display with on/off pixel control up to a full large-screen video at the high end.

Daktronics ProStar(R) LED technology, which uses red, green, and blue (RGB) LEDs at brightness levels adequate for outdoor, is well suited to display video because of its very quick response times. The 16 million color RGB LED displays offer state-of-the-art video and animation capability at a price significantly less than traditional large screen videos used in sports stadiums. The first ProStar(R) installations were installed in the fall of 1997. Through fiscal year 1999, 45 ProStar(R) displays have been installed.

The 16 million color Starburst(R) technology offers a lower cost alternative, approximately one-half the price per square foot of the RGB LED technology display for customers with tighter budgets. Although the Starburst(R) technology has lower resolution than the RGB LED product, it still provides an effective video and animation display.

Large Matrix Controllers. Daktronics Venus(R) 7000 controller uses the Windows(R) operating system. This is a PC based, high end controller which provides advanced capability for control of large animation/video displays.

The Venus(R) 4600 controller continues to be a viable product as a lower cost but very capable controller. The Company has also developed applications software that supports its Venus(R) display controllers. The Company's DakStats(R) software allows score keepers and statisticians to enter and display sports statistics and other information on certain of the Company's scoreboards. The user is responsible for updating the statistics after the software has been installed. The DakStats(R) baseball software was first used in 1988 by the AAA minor league Buffalo Bisons and has now been installed at several major league facilities, including Oriole Park at Camden Yards, Jacobs Field, Ballpark in Arlington and Coors Field. The Company has developed proprietary statistics and results software for several other sports such as golf, football, swimming, diving, auto racing, track and skiing. In addition to providing these software products, the Company develops customized hardware circuit boards and software for customers who have special information display requirements.

The Company designs interfaces between its display systems and other computer systems allowing its large scoreboard systems to receive and display information from computers used for statistics, timing or scoring. These interfaces allow the display controller to send information back to a statistics system or customer computer. These interface products automatically report continually updated sports scores and information from national wire services.

BUSINESS PRODUCTS

The Business Products develops the Company's DataTrac(TM) and InfoNet(TM) product lines intended primarily as text-base message displays. They cost less than a large matrix display which are designed for full graphics and animation.

DataTrac(TM) / InfoNet(TM) Displays. The DataTrac(TM) product line consists of a family of indoor LED displays comprised of discrete 5x7 (pixel) characters. Each character is spaced horizontally and vertically from the adjacent character. This provides the least expensive display per character for display of text messages only. Daktronics offers products with .7", 1.2", 2.1" & 4.2" characters in a wide range of overall display sizes. Some models are available in either monochrome or tri-color.

InfoNet(TM) product line includes line oriented displays, with character heights of 2" and 4" on indoor models, and 9" for outdoor. The outdoor model, the G1000 series, has wide application as a low cost marquee display applicable to many of the markets Daktronics serves, especially the High School and Commercial markets. InfoNet(TM) products are available as single or multi-line units. Indoor InfoNet(TM) models find applications in the majority of markets served by Daktronics.

Controllers for DataTrac(TM) and InfoNet(TM) Displays. All DataTrac(TM) and InfoNet(TM) products have a controller in the display which is capable of receiving a downloaded display program, and then operating independently displaying that program until a new program is downloaded to it. This controller, called an MDC (Multi-purpose Display Controller), is a key building block for future product growth and expansion of the Company character and line oriented display product offering.

The Venus(R) 1500 is the software used on a PC that allows creation of messages and simple graphic sequences for downloading to a DataTrac(TM), InfoNet(TM), Galaxy(TM) or SunSpot(R) display, or future display models containing an MDC. The Venus(R) 1500 software is designed to be useable without any special training, and is applicable to all general advertising or message presentation applications.

The protocol for transferring data into the MDC is called the Venus(R) 1500 protocol. For applications not addressed by the Venus(R) 1500, OEM's can purchase the Company displays and write their own software using the Venus(R) 1500 protocol to communicate to the displays. The Company also offers a software module the OEM's can incorporate into a Windows(R) based program to reduce the time it takes to write this interface. Several OEM's have implemented the Venus(R) 1500 protocol into these applications, resulting in display sales in both the aviation market and the automatic call distribution (ACD) market (ie. Credit card processing centers).

OTHER PRODUCTS. Other products outside the three primary product groups include time and temperature displays, lottery billboard displays and price displays.

MARKETING AND SALES

There are many manufacturers and sellers of signs and displays throughout the world. The design and manufacture of computer-programmable signs and displays that allow a customer to readily change the information displayed is a smaller and more specialized segment of the larger sign and display industry. Many makers of computer-programmable signs and displays serve only one or a few specialized markets. Daktronics strives to distinguish itself by providing a broad range of technologically advanced information display products to a number of strategic markets.

The Company's display systems have been sold throughout the United States and in more than 65 countries worldwide. Daktronics markets and sells its products worldwide by direct sales and through independent resellers. The Company's sales personnel learn the needs of the Company's markets and customers by establishing relationships with existing and prospective customers, attending trade shows, conventions and seminars, and participating with customers in the installation of the Company's products.

When the Company targets a potential customer for a display system, the prospect is contacted either directly or through a reseller. Daktronics sells custom display systems for larger projects on a direct basis and frequently uses a team of Company personnel to ensure that the proposed system meets the customer's needs in the most cost effective manner. Engineers, technicians and direct sales personnel participate in site visits to assess site conditions and to evaluate the customer's requirements. The Company's sales staff submits proposals to prospective customers, often followed by a business and technical presentation. The Company also regularly hosts prospective customers at its manufacturing facility to demonstrate product quality and delivery capability.

The Company's direct sales staff, who are grouped by end user market, are also responsible for international sales in their respective markets. During fiscal 1999, 1998 and 1997, 11.4%, 9.3% and 14.9% of the Company's net sales, respectively, were derived from international sales. The typical terms for international sales is letter of credit or payment in advance in United States dollars. Daktronics intends to expand its international sales. The Company has a strategic business alliance with Omega Electronics, S.A. of Bienne, Switzerland, that makes use of each other's complementary core business positions. Omega Electronics, a leading timing systems manufacturer, is now a distributor of the Company's scoreboards and matrix displays for use in sports applications around the world. The Company started to receive orders in fiscal 1996 from Omega Electronics. The Company has added Omega Electronics sports timing and photo finish products to its product offering for sale in the United States and Canada.

Resellers are used most prevalently in the areas of standard or "catalog" sports scoreboards and commercial applications where systems must be installed in accordance with local zoning ordinances. The Company offers, primarily through its resellers, a broad selection of scoreboard and display models that are moderately priced and relatively easy to install. The most popular models are built to inventory and available for next-day shipment. The remaining models are built to order and quoted for shipment in 30 to 90 days after order acceptance. The Company supports its resellers through national and regional direct mail advertising and trade show exhibitions. Regional sales managers support resellers in the field, and the Company's sales staff provides daily telephone support. Daktronics believes that it can expand market share by increasing the productivity of existing resellers and adding additional resellers in new geographic areas. The primary markets served by the Company, along with types of customers, are shown below.

MARKETS	TYPES OF CUSTOMERS
SPORTS	Elementary and Secondary Schools, Colleges and Universities, Recreation Centers, YMCAs, Major and Minor League Sports, Olympic Games and Other Sports Federations, Civic Arenas and Convention Centers, Parimutuel Gaming and Motor Racing
BUSINESS	Banks, Auto Dealers, Shopping Malls, Casinos and other businesses
GOVERNMENT	Legislatures and Assemblies, Departments of Transportation, Financial Exchanges, Airlines, Transit

During fiscal 1999, the Company's net sales to the sports market were approximately 70% of net sales, while the business and government markets accounted for approximately 20% and 5%, respectively, of net sales.

CUSTOMER SERVICE AND SUPPORT

Daktronics believes that its prompt and reliable customer service distinguishes it from many of its competitors. The Company provides a limited warranty for most of its products against failure due to defective parts or workmanship for periods generally ranging from 90 days to 5 years after first sale or installation, depending on the product or type of customer. Under the limited warranty, the customer returns the failed component to the Company for replacement or repair. The Company also provides customer service and support, including "Help Desk" access, parts repair and replacement, and programming support for animation and other display information. The Company staffs its Help Desk with experienced technicians who are available at the desk or on call for the extended hours required to support evening and weekend sports events. A comprehensive database of customers provides the Company with immediate access to each customer's equipment and service history. A repair center is staffed with trained technicians who promptly repair and return components that require service, and offers a component exchange program for same day shipment of replacement parts. The Company's modular approach to the design and production of products enhances its ability to provide effective customer service. Customers can obtain periodic training and maintenance seminars at the Company's principal offices and also contract for on-site training and maintenance for certain types of installations such as high profile sports events.

The Company's animation and display programming support department (i) designs custom animation sequences and answers display operator questions through its Help Desk, (ii) publishes regular newsletters for operators, (iii) conducts regularly-scheduled display operator workshops throughout the year and (iv) provides on-site display operator training. Daktronics believes that its extensive customer support program is essential to continued market penetration.

To enhance the level of service available to its customers, the Company has established 17 service centers in 15 states and plans to open other service centers in the future. Scoreboard and message display sales to schools and recreation departments are also made through these offices. The Company uses a network of authorized service dealers in other domestic locations and in a number of other countries.

ENGINEERING AND PRODUCT DEVELOPMENT

The computer-programmable information display industry is characterized by ongoing product innovations and developments in display and controller technology. To remain competitive, the Company must continue to anticipate and respond to these changes and developments. Daktronics intends to continue its tradition of applying engineering resources throughout its business to help achieve more effective product development, manufacturing, sales and customer support.

The Company employs engineers and engineering technicians in the areas of mechanical design, electronics design, applications engineering, and customer and product support. Unlike some of its competitors who depend on contract engineering from outside vendors, the Company uses in-house engineering staff to anticipate and respond rapidly to the product development needs of customers and the marketplace. The Company assigns product managers from its engineering staff to each product or product family to assist its sales staff in customer training, to implement product improvements requested by customers, and to ensure that each product is designed for maximum reliability and serviceability. The Company's product development personnel also modify existing products and develop new products to comply with rule changes for particular sports.

Daktronics engineering department, consists of three design groups, each aligned with one of the three primary product families, namely:

* Sports Products
* Large Matrix
* Business Products (See "Product Families" Section)

Each of these design groups is autonomous to allow it to focus on the respective product family. This organizational structure, plus a concentrated focus on standardization, which reduces the amount of engineering time allocated to one-time custom design, positions the company for even more effective product development in the future.

Daktronics believes its engineering capability and experience are unparalleled among its competitors and its product development capability will continue to be a very important factor in its market position.

Product development expenses for fiscal 1999, 1998, and 1997 were approximately $3,809,000, $2,409,000 and $2,208,000 respectively.

MANUFACTURING AND TECHNICAL CONTRACTING

As a vertically-integrated manufacturer of display systems, the Company performs most sub-assembly and substantially all final assembly of its products. The Company also serves as a technical contractor for customers who desire custom hardware design, custom software development or specific site support.

MANUFACTURING OPERATIONS

The Company's manufacturing operations include component manufacturing (printed circuit boards and Glow Cube(R) pixel assembly) and system manufacturing (metal fabrication, electronic assembly, sub-assembly and final assembly). Star Circuits, Inc., a wholly owned subsidiary, manufactures printed circuit boards for the Company and other customers at its separate production facility located in Brookings, South Dakota. The Company augments its production capacity with the use of outside subcontractors, primarily for metal fabrication and loading printed circuit boards.

Daktronics uses a modular approach for manufacturing its displays. Standard product modules are designed and built to be used in a variety of different products. This modular approach reduces parts inventory and improves manufacturing efficiency. The Company inventories finished goods of smaller, standard products and builds to order larger, seasonal and custom products. Daktronics designs its product modules so that a custom product may include a significant percentage of standard products to maximize reliability and ease of service. Certain components used in the Company's products are currently available from a limited number of sources. To reduce its inventories and enhance product quality, the Company elects to purchase certain components from a limited number of suppliers who are willing to provide components on an "as needed" basis. From time to time, the Company enters into pricing agreements or purchasing contracts under which it agrees to purchase a minimum amount of product in exchange for guaranteed price terms over the course of the contract, which generally do not exceed one year. Through the Company's "total quality management" and "just-in-time" methods of scheduling and manufacturing, production employees work as teams to ensure quality and timely delivery while minimizing excess inventories. The Company's order entry, production and customer service functions are also computerized to facilitate communication throughout the entire sales, design, production and delivery process.

TECHNICAL CONTRACTING

Daktronics serves as a technical contractor for larger display system installations that require custom designs and innovative product solutions. The purchase of scoreboards and other state of the art display systems for Olympic venues and other large installations typically involves competitive proposals by the Company and its competitors. As a part of its response to a proposal request, the Company may suggest additional products or features to assist the prospective customer in analyzing the optimal type of computer-programmable information display system. If requested by a customer or if necessary to help secure a bid, the Company will include as a part of its contract proposal the work necessary to prepare the site and install the display system. In such cases, Daktronics may serve as the general contractor and retain subcontractors. With each custom order, the Company forms a project team to assure that the project is completed to the customer's satisfaction. Key members of a project team include a project manager, sales person, mechanical design team, electronics and software team, manufacturing team, animation programmer, installation supervisor and an executive officer.

BACKLOG

The Company's backlog consists of customer sales agreements or purchase orders that the Company expects to fill within the next 12 months and was approximately $34 million as of June 30, 1999 and $22.2 million as of June 30, 1998. Because sales agreements and purchase orders are typically subject to cancellation or delay by customers with limited or no penalty, the Company's backlog is not necessarily indicative of future net sales or net income. While orders for certain products may be shipped within 90 days, other orders may take longer depending on the size and complexity of the display.

COMPETITION

The computer-programmable information display industry is highly fragmented and characterized by intense competition in certain markets. There are a number of established manufacturers of competing products who may have greater market penetration in certain market niches or greater financial, marketing and other resources than the Company. Because a customer's budget for the purchase of a computer-programmable information display is often part of that customer's advertising budget, the Company may also compete with other forms of advertising, such as television, print media or fixed display signs. Competitors might also attempt to copy the Company's products or product features.

Many of the Company's competitors compete in only one or a few of the market niches served by the Company. There are generally more competitors in markets that require less complicated information display systems, such as the high school scoreboard market and the commercial market for time and temperature or message displays used by banks and small retail stores. As the needs of a customer increase and the display systems become more complex, there are fewer competitors. Nevertheless, competition may be intense even within markets which require more complex display systems. Some of the Company's primary competitors are White Way Sign and Maintenance Company, Chicago, Illinois; Display Solutions, Inc., Atlanta, Georgia; Nevco, Inc., Greenville, Illinois; Trans-Lux Corporation, Norwalk, Connecticut; and Display Technologies, Inc., Orlando, Florida.

Daktronics competes based on its broad range of products and features, advanced technology, prompt delivery, and reliable and readily available customer service. The Company also strives to provide cost effective products and solutions for its customers. Contrary to the Company's focus on technologically advanced products and customer support, certain companies compete in some markets by providing lower cost display systems which, in the Company's belief, are of a lesser quality with lower product performance or customer support. If a customer focuses principally on price, the Company is less likely to obtain the sale. To remain competitive, Daktronics must continue to enhance its existing products, introduce new products and product features, and provide customers cost effective solutions to their scoring or display needs.

GOVERNMENT AND OTHER REGULATION

In the United States and other countries, various laws and regulations restrict the installation of outdoor signs and computer-programmable information displays. These regulations may impose greater restrictions on computer-programmable information displays due to alleged concerns over aesthetics or driver safety if a "moving" display is located near a road or highway. These factors may prevent the Company from selling products to some prospective customers.

Some of the Company's products are tested to safety standards developed by Underwriters Laboratories(R) in the United States as well as similar standards in other countries. Daktronics designs and produces these products in accordance with these standards. The Company's printed circuit board manufacturing operations use certain chemical processes that are subject to various environmental rules and regulations. The Company's manufacturing operations must also meet various safety related rules and regulations. The Company believes it is in material compliance with all applicable governmental laws and regulations.

INTELLECTUAL PROPERTY

Daktronics currently owns one United States patent. The patent pertains to the lens display technology and expires in 2011. The Company relies principally on trademarks, rather than patents, to help establish and preserve limited proprietary protection for its products. The Company has 22 trademarks registered in the United States. Daktronics uses these trademarks to establish brand recognition and distinction in its various markets. The Company's product drawings, controller software and other works of authorship are also subject to applicable copyright laws. The Company typically provides software to its customers in only machine readable form to help preserve trade secret protection which may be applicable to the text versions of the software code. The Company also relies on nondisclosure agreements with its employees. Despite these intellectual property protections, there can be no assurance that a competitor will not copy the functions or features of the Company's products.

EMPLOYEES

At June 30, 1999, Daktronics employed approximately 638 full time employees and 363 part time and temporary employees. Of these employees, approximately 529 were in manufacturing, 238 in sales, marketing and customer service, 185 in engineering, and 49 in administration. None of the Company's employees are represented by a collective bargaining agreement. The Company believes its employee relations are good.

EXECUTIVE OFFICERS OF THE COMPANY

AELRED J. KURTENBACH, PH.D. (65) is a co-founder of the Company and has served as a director and as President of the Company since its incorporation. Dr. Kurtenbach also served as Treasurer until 1993. Dr. Kurtenbach has 42 years of experience in the fields of communication engineering and control system design, technical services, computer systems, electrical engineering education and small business management. Dr. Kurtenbach has B.S., M.S. and Ph.D. degrees in Electrical Engineering from South Dakota School of Mines and Technology, the University of Nebraska and Purdue University, respectively.

DUANE E. SANDER, PH.D. (61) is a co-founder of the Company and has served as a director and as Secretary of the Company since its incorporation. Dr. Sander has recently retired as Dean of Engineering at South Dakota State University where he has taught electrical engineering courses and directed biomedical research projects since 1967.

JAMES B. MORGAN (52) joined the Company in 1969 as a part-time engineer while earning his M.S. degree in Electrical Engineering from South Dakota State University. Since 1970, he has been employed by the Company as its Engineering Manager and since 1975 as its Vice President, Engineering, with responsibility for product development, contract design, project management for customer contracts, and corporate information and scheduling systems. Mr. Morgan has served as a director since 1984.

FRANK J. KURTENBACH (61) joined the Company in 1979 as Sales Manager of the Standard Scoreboard Division, which was expanded to include other products in 1981. He has served as Sales Manager for the Company since 1982, as a director since 1984 and as Vice President, Sales since November 1993. Mr. Kurtenbach has a M.S. degree from South Dakota State University. Aelred Kurtenbach and Frank Kurtenbach are brothers.

PAUL J. WEINAND (43) joined the Company in August 1990 as its Chief Financial Officer and has been Treasurer since November 1993. From 1985 to August 1990, he was employed by American Western Corporation, a publicly held manufacturer of plastic packaging products, as its controller. From 1980 to 1985, he was an accountant with McGladrey & Pullen, LLP. Mr. Weinand has a M.S. degree in Accounting from the University of North Dakota and is a Certified Public Accountant.

Item 2. Properties.

The Company currently owns and occupies approximately 180,000 square feet in adjoining facilities located on a Company-owned 40-acre site in Brookings, South Dakota. The Company has recently started construction on a 50,000 square foot expansion to its manufacturing facility, with scheduled completion for late fall of 1999. The Company's circuit board manufacturing subsidiary and reflective pixel assembly operation are located at a separate site in Brookings and currently occupy 20,000 square feet in a facility owned by that subsidiary.

Item 3. Legal Proceedings.

On February 17, 1999, Daktronics was sued in the circuit court of Hillsborough County, Florida by the Buccaneers Football Stadium Limited Partnership, an affiliated company of the Tampa Bay Buccaneers football team. The lawsuit alleges that the quality of the video displays installed at Raymond James Stadium in Tampa, Florida does not meet the contract requirements. The lawsuit seeks either to rescind the contract under which Daktronics furnished the scoring and display equipment for the Stadium and obtain the return of all funds paid or to obtain damages for breach of contract. The Tampa Sports Authority owns Raymond James Stadium and is not a plaintiff in the action.

The contract, valued at approximately $7.9 million, included two large end zone scoreboards with video displays, sideline auxiliary scoreboards, advertising panels and installation. Daktronics has received approximately $3.1 million in payments under the contract and has unpaid invoices outstanding in the amount of approximately 2.9 million. In addition, the plaintiff is in default on a payment in the amount of $257,347 under a promissory note to Daktronics as part of the contract. Daktronics believes these payments have been unreasonably withheld and has filed a counterclaim for these payments, related interest and acceleration of remaining payments under the promissory note.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of stockholders through a solicitation of proxies or otherwise, during the fourth quarter of fiscal 1999.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholders Matters.

Daktronics common stock currently trades on the NASDAQ National Market System under the symbol "DAKT". As of May 1, 1999 the Company had 435 shareholders of record. Following are the high and low sale prices for the Company's common stock:

	FY 1999		FY 1998	
	High	Low	High	Low
1st Quarter	12 7/8	7 1/4	6 3/8	3 5/8
2nd Quarter	11 15/32	7 3/8	6 1/8	5 1/8
3rd Quarter	16 1/2	10	6 3/4	5 1/4
4th Quarter	12 1/4	8 1/4	8 7/8	5 3/4

The Company has not paid any cash dividends on its common stock and does not intend to pay cash dividends in the foreseeable future. Earnings will be retained for use in the operation and expansion of the Company's business. Provisions of the Company's bank credit agreement limit the Company's ability to pay cash dividends.

Item 6. Selected Financial Data.
(In Thousands, Except Per Share Data)

	1999	1998	1997	1996	1995
Statement of Operations Data:					
Net Sales	$ 95,851	$ 69,884	$ 62,640	$ 52,507	$ 41,947
Operating Income (Loss)	6,816	5,028	2,501	(319)	1,210
Net Income (Loss)	4,220	3,392	1,508	(215)	967
Diluted earnings (Loss) per Share	.94	.78	.35	(.05)	.23
Weighted Average Shares Outstanding ...	4,475	4,336	4,266	4,191	4,228
Balance Sheet Data:					
Working Capital	$ 20,592	$ 12,229	$ 10,923	$ 9,504	$ 12,169
Total Assets	62,619	43,488	37,136	37,767	28,262
Long-term Liabilities	9,503	1,659	2,640	2,568	2,292
Shareholders' Equity	29,501	25,184	21,750	19,861	20,076

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

GENERAL

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

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

The Company operates on a 52-53 week fiscal year, with fiscal years ending on the Saturday closest to April 30 of each year. The Company's 1999 fiscal year contained 52 weeks.

RESULTS OF OPERATIONS

The following table sets forth the percentage of net sales represented by items included in the Company's Consolidated Statements of Operations for the fiscal years ended 1999, 1998, 1997:

	YEAR ENDED		
	1999	1998	1997
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	73.0	71.8	74.7
Gross profit	27.0	28.2	25.3
Operating expenses	19.9	21.0	21.3
Operating income	7.1	7.2	4.0
Interest income	0.6	0.9	0.9
Interest expense	(1.0)	(0.6)	(1.2)
Other income	0.2	0.2	0.3
Income before income taxes	6.9	7.7	4.0
Income tax expense	2.5	2.8	1.6
Net income	4.4%	4.9%	2.4%

NET SALES

Net sales for fiscal 1999 were $95.9 million representing a 37% increase over fiscal 1998 sales of $69.9 million. The increase was primarily the result of increased sales in all sports market niches. The government niches also experienced a net increase in sales.

Net sales for fiscal 1998 were $69.9 million representing a 12% increase over fiscal 1997 sales of $62.6 million. The increase in sales was due to increased sales in almost all of the Company's market niches, especially the sports market niches.

The Company occasionally sells products in exchange for advertising revenues from the scoreboard or display. These sales represented less than 10% of net sales for fiscal 1999, 1998 and 1997. The gross profit margin on these net sales has been comparable to the gross profit margin on other net sales.

GROSS PROFIT

Gross profit increased from $19.7 million in fiscal 1998 to $25.9 million in fiscal 1999. The increase was due to increased sales while gross profit as a percentage of net sales decreased from 28.2% in fiscal 1998 to 27.0% in fiscal 1999. The decrease in gross profit as a percentage of net sales was primarily the result of introductory pricing of its higher resolution ProStar(R) product in the second quarter of fiscal 1999.

Gross profit increased from $15.9 million in fiscal 1997 to $19.7 million in fiscal 1998. The increase was due to increased sales and continued improvement in gross profit percentage of sales as the Company continued its cost improvement programs, including product standardization. Gross profit as a percentage of net sales was 25.3% in fiscal 1997 and 28.2% in fiscal 1998.

OPERATING EXPENSES

Selling expenses have increased 27% and 22% for fiscal years 1999 and 1998, respectively over the previous fiscal year. The increases were primarily attributable to the expansion of sales staff and higher travel expenses as the Company continues to expand its marketing efforts.

General and administrative expenses increased 17% and 4% for fiscal years 1999 and 1998, respectively over the previous fiscal year. The increase in fiscal 1999 over fiscal 1998 is more reflective of the increased administrative support to sustain the Company's sales growth. The modest increase in fiscal 1998 was due to a large increase in fiscal 1997 which was the result of incurred and accrued legal fees in 1997. In fiscal 1997, the Company established an accrual to defend itself in various lawsuits and continued to maintain this accrual in fiscal 1998 as it awaited the outcome of several appeals.

Product design and development expenses increased 58% and 9% for fiscal years 1999 and 1998, respectively over the previous fiscal year. The increases were due to the Company's commitment to develop new products and continue to improve existing products to maintain a competitive advantage. The increase in fiscal 1999 was primarily the result of the Company aggressively developing its family of ProStar(R) VideoPlus displays, and adapting other products to LED technology.

INTEREST INCOME

The Company occasionally sells products on an installment basis or in exchange for advertising revenues from the scoreboard or display, both of which result in long-term receivables. Interest income was $.6 million, $.7 million and $.5 million for fiscal years 1999, 1998 and 1997 respectively. Factors affecting the increases and decreases include the average balance of long-term receivables resulting from new receivables, principal repayments and the sale of long-term receivables to third parties, average interest rate and excess cash balances invested in interest bearing accounts.

INTEREST EXPENSE

Interest expense was $.9 million, $.4 million and $.7 million for the fiscal years 1999, 1998, and 1997. The increase in interest expense from fiscal 1998 to fiscal 1999 was the result of increased average loan balances as the Company utilized its line of credit and long-term debt to fund increased operating activities. The decrease in interest expense from fiscal 1997 to fiscal 1998 was the result of lower average loan balances during fiscal 1998.

INCOME TAXES

The effective tax rates were 37%, 37% and 40% for fiscal years 1999, 1998 and 1997, respectively.

NET INCOME

Net income was $4.2 million, $3.4 million and $1.5 million for fiscal years 1999, 1998 and 1997, respectively. The increases in net income were primarily the result of increased sales which was partially offset by lower gross profit margins and increased operating expenses.

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

Liquidity and Capital Resources

Working capital was $20.6 million at May 1, 1999 compared to $12.2 million at May 2, 1998. The increase was primarily the result of $10.0 million in borrowings in long-term debt and an increase in net income which was offset by the purchase of property and equipment.

Cash used in operations for fiscal 1999 was $.6 million. Net income of $4.2 million plus depreciation and amortization of $2.3 million and an increase of $4.8 million in accounts payable and accrued expenses were offset by an increase in receivables of $9.2 million and an increase in inventories of $2.9 million. The increase in receivables was attributable to the increase in net sales. The increase in inventories was a result of the Company's current backlog of orders.

Cash used in investing activities for fiscal 1999 was $4.6 million which principally consisted of equipment acquisitions and plant expansion.

Cash provided by financing activities was $6.2 million which consisted primarily of $10.0 million in borrowings in long-term debt less net payments under the Company's line of credit and principal payments on long-term debt.

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

The Company's product development activities include the enhancement of existing products and the development of new products from existing technologies. Product development expenses for fiscal years 1999, 1998 and 1997 were $3.8 million, $2.4 million, and $2.2 million, respectively. The Company intends to continue to incur these expenditures to develop new display products using various display technologies to offer higher resolution, more cost-effective and energy-efficient displays. The

Company also intends to continue developing software applications for its display controllers to enable these products to continue to meet the needs and expectations of the marketplace.

The Company has a credit agreement with a bank. The credit agreement provides for a $15.0 million line of credit which includes up to $2.0 million for standby letters of credit. The line of credit is at LIBOR rate plus 1.55% (6.45% at May 1, 1999) and is due on October 1, 2001. As of May 1, 1999, $2.6 million had been drawn on the line of credit and no standby letters of credit had been issued by the bank. The credit agreement is unsecured and requires the Company to meet certain covenants. Financial covenants include the maintenance of tangible net worth of at least $23 million, a minimum liquidity ratio, a limit on dividends and distributions, and a minimum adjusted fixed charge coverage ratio.

The Company is sometimes required to obtain performance bonds for display installations. The Company currently has a bonding line available through an insurance company that provides for an aggregate of $50.0 million in bonded work outstanding. At May 1, 1999, the Company had $16.6 million of bonded work outstanding against this line.

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

BUSINESS RISKS AND UNCERTAINTIES

A number of risks and uncertainties exist which could impact the Company's future operating results. These uncertainties include, but are not limited to, general economic conditions, competition, the Company's success in developing new products and technologies, market acceptance of new products, and other factors, including those set forth in the Company's SEC filings, including its current report on Form 10-K for the year ended May 1, 1999.

YEAR 2000 ISSUES

Many existing computer programs use only two digits to identify a year in the date field, with the result that data referring to the Year 2000 and subsequent years may be misinterpreted by these programs. If present in the computer applications of the Company or its suppliers and not corrected, this problem could cause computer applications to fail or to create erroneous results and could cause a disruption in operations and have an adverse effect on the Company's business and results of operations. The Company evaluated its principal computer systems and implemented a new enterprise resource planning software which was fully operational in fiscal 1999 and has been represented by the vendor to be Year 2000 compliant. The Company has tested the software for Year 2000 compliance. The cost of the new software was capitalized. The Company has assurances from a majority of its key suppliers indicating that they are Year 2000 compliant. The Company has not incurred any material expenses to date in connection with this evaluation, and does not anticipate material expenses in the future. The Company has reviewed its computer programs which it includes in its display systems and has substantially completed the implementation changes to be Year 2000 compliant. Based on the Company's review, management does not believe the remaining remediation costs to be incurred will be material to the Company's financial position and results of operations.

The Company has identified alternative suppliers in the event that its key suppliers fail to adequately address the Year 2000 issue.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board and the Accounting Standards Executive Committee have issued certain Statements of Financial Accounting Standards and Statements of Position, respectively, which have required effective dates occurring after the Company's May 1, 1999 year end. The Company's financial statements, including the disclosures therein, are not expected to be materially affected by those accounting pronouncements.

Item 8. Financial Statements and Supplementary Data

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Daktronics, Inc.
Brookings, South Dakota

We have audited the accompanying consolidated balance sheets of Daktronics, Inc. and subsidiary as of May 1, 1999 and May 2, 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended May 1, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Daktronics, Inc. and subsidiary as of May 1, 1999 and May 2, 1998, and the results of their operations and their cash flows for each of the three years in the period ended May 1, 1999, in conformity with generally accepted accounting principles.

McGLADREY & PULLEN, LLP

Sioux Falls, South Dakota
June 28, 1999

DAKTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
MAY 1, 1999 AND MAY 2, 1998
(DOLLARS IN THOUSANDS)

ASSETS	1999	1998
Current Assets		
Cash and cash equivalents	$ 1,050	$ 148
Accounts receivable (Note 4)	19,832	13,632
Current maturities of long-term receivables (Note 4)	2,300	990
Inventories (Note 2)	13,864	10,994
Costs and estimated earnings in excess of billings (Note 3)	5,374	1,523
Prepaid expenses and other	311	448
Deferred income taxes (Note 9)	1,476	1,139
TOTAL CURRENT ASSETS	44,207	28,874
Property and equipment, net (Note 2)	11,743	9,225
Long-term receivables (Note 4)	6,048	4,575
Intangible assets	621	814
	$ 62,619	$ 43,488

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
Current Liabilities		
Note payable, bank (Note 5)	$ 2,659	$ 5,594
Current maturities of long-term debt (Note 5)	1,951	455
Accounts payable	8,815	5,480
Customer deposits	1,292	250
Accrued expenses (Note 2)	5,293	3,752
Billings in excess of costs and estimated earnings (Note 3)	2,970	645
Income taxes payable	635	469
TOTAL CURRENT LIABILITIES	23,615	16,645
Long-Term Debt, less current maturities (Note 5)	8,275	783
Deferred Income	602	361
Deferred Income Taxes (Note 9)	626	515
Contingencies (Notes 4, 10, 11 and 12)		
Shareholders' Equity (Notes 6 and 7)		
Common stock, no par value; authorized 30,000,000 shares, issued 1999 4,374,861 shares, 1998 4,324,210 shares	11,819	11,722
Retained earnings	17,691	13,471
Less cost of treasury stock 4,920 shares 1999 and 1998	(9)	(9)
	29,501	25,184
	$ 62,619	$ 43,488

See Notes to Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND SHAREHOLDERS' EQUITY
YEARS ENDED MAY 1, 1999, MAY 2, 1998 AND MAY 3, 1997
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

OPERATIONS	1999	1998	1997
Net sales	$ 95,851	$ 69,884	$ 62,640
Cost of goods sold	69,970	50,187	46,768
GROSS PROFIT	25,881	19,697	15,872
Operating expenses:			
Selling	11,565	9,094	8,108
General and administrative	3,691	3,166	3,055
Product design and development	3,809	2,409	2,208
	19,065	14,669	13,371
OPERATING INCOME	6,816	5,028	2,501
Nonoperating income (expense):			
Interest income	603	654	534
Interest expense	(934)	(414)	(748)
Other income, net	162	110	206
INCOME BEFORE INCOME TAXES	6,647	5,378	2,493
Income tax expense (Note 9)	2,427	1,986	985
NET INCOME	$ 4,220	$ 3,392	$ 1,508
Earnings per share:			
Basic	$ 0.97	$ 0.79	$ 0.35
Diluted	$ 0.94	$ 0.78	$ 0.35

SHAREHOLDERS' EQUITY	Common Stock	Retained Earnings	Treasury Stock	Total
Balance, April 27, 1996	$ 11,299	$ 8,571	$ (9)	$ 19,861
Exercise of stock options (Note 6)	381	--	--	381
Net income	--	1,508	--	1,508
Balance, May 3, 1997	11,680	10,079	(9)	21,750
Exercise of stock options (Note 6)	42	--	--	42
Net income	--	3,392	--	3,392
Balance, May 2, 1998	11,722	13,471	(9)	25,184
Exercise of stock options (Note 6)	97	--	--	97
Net income	--	4,220	--	4,220
Balance, May 1, 1999	$ 11,819	$ 17,691	$ (9)	$ 29,501

See Notes to Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 1, 1999, MAY 2, 1998 AND MAY 3, 1997
(DOLLARS IN THOUSANDS)

	1999	1998	1997
Cash Flows From Operating Activities			
Net income	$ 4,220	$ 3,392	$ 1,508
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	1,913	1,471	1,255
Amortization	353	634	823
Loss on sale of property and equipment	129	--	--
Provision for impairment loss on advertising rights	--	--	600
Provision for loss on uncompleted contracts	--	--	225
Provision for doubtful accounts	182	179	130
Deferred income taxes (credits)	(226)	108	(514)
Other	--	5	(10)
Change in operating assets and liabilities (Note 13)	(7,204)	(4,968)	924
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(633)	821	4,941
Cash Flows From Investing Activities			
Proceeds from sale of property and equipment	387	11	--
Purchase of property and equipment	(4,842)	(3,265)	(2,208)
Proceeds from sale of real estate held for sale	--	--	1,126
Purchase of intangible assets	(160)	--	--
Other	--	33	39
NET CASH (USED IN) INVESTING ACTIVITIES	(4,615)	(3,221)	(1,043)
Cash Flows From Financing Activities			
Net borrowings (payments) on note payable	(2,935)	2,919	(3,015)
Proceeds from exercise of stock options	97	42	381
Principal payments on long-term debt	(1,012)	(531)	(1,364)
Borrowings on long-term debt	10,000	--	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	6,150	2,430	(3,998)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	902	30	(100)
Cash and Cash Equivalents			
Beginning	148	118	218
Ending	$ 1,050	$ 148	$ 118
Supplemental Cash Flow Disclosures			
Interest paid	$ 891	$ 456	$ 725
Net income tax payments	2,488	2,298	532

See Notes to Consolidated Financial Statements.

DAKTRONICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business: Daktronics, Inc. and its subsidiary design, manufacture, and sell a wide range of computer-programmable information display systems to customers in a variety of markets throughout the world.

Fiscal year: The Company operates on a 52 - 53 week fiscal year end with fiscal years ending on the Saturday closest to April 30 of each year. The years ended May 1, 1999 and May 2, 1998 each included 52 weeks and the year ended May 3, 1997 included 53 weeks.

A summary of the Company's significant accounting policies follows:

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

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates which are particularly susceptible to significant change in the near-term relate to the determination of the estimated total costs on long-term contracts and estimated costs to be incurred for litigation and product warranty.

Cash and cash equivalents: For purposes of reporting cash flows, the Company considers all money market mutual funds to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market.

Revenue and cost recognition on long-term contracts: Earnings on long-term contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. Operating expenses are charged to operations as incurred and are not allocated to contract costs. Provisions for estimated losses (which were $0 in 1999 and 1998, and $225 in 1997) on uncompleted contracts are made in the period in which such losses are estimable.

Advertising rights: The Company occasionally installs scoreboards and message display systems at facilities in exchange for the rights to future advertising revenues. The Company recognizes revenue at the time the advertising is sold for the amount of the present value of the future advertising revenue on the portion of the scoreboard or message display system advertising which is sold for the entire term. The cost assigned to the portion sold is based upon the relative value of the portion of the scoreboard or message display center sold.

Advertising rights on the portion of the advertising which have not been sold to term are stated at cost and are amortized on a straight-line method over the term of the advertising rights. The cost of advertising rights was $0 as of May 1, 1999 and May 2, 1998. On advertising rights which are not sold to term, revenue is recognized when it becomes receivable under the provisions of the advertising contract. Advance collections of advertising revenues are recorded as deferred income.

During the fourth quarter of 1997, the Company committed to a plan to dispose of certain advertising rights with a carrying amount of $1,514. The advertising rights had an estimated sales value of $914. Accordingly, the Company recorded an impairment loss of $600 in 1997 on this long-lived asset, which was included in cost of sales.

Property and equipment: Property and equipment is stated at cost. Depreciation of property and equipment is computed principally on the straight-line method over the following estimated useful lives:

	Years
Buildings	7 - 40
Machinery and equipment	5 - 7
Office furniture and equipment	3 - 7
Transportation equipment	5 - 7

Intangible assets: Intangible assets consist of consulting and noncompete agreements and goodwill. Consulting and noncompete agreements are stated at cost and are amortized on a straight-line method over their remaining terms which range from one to five years. Goodwill is amortized on the straight-line method over 5 years. Accumulated amortization on intangible assets was $1,176 and

$1,363 as of May 1, 1999 and May 2, 1998, respectively.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Product warranty: Current operations are charged for the estimated cost of future claims under the terms of various customer warranty programs provided by the Company. Customers have the option of purchasing long-term warranty contracts. The amounts received for long-term warranties are included in deferred income and are amortized over the lives of the warranties.

Product design and development: All expenditures related to product design and development are charged to operations as incurred.

Income taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Stock-based compensation: In fiscal year 1997, the Company adopted FASB Statement No. 123, "Accounting for Stock-Based Compensation". The Statement established standards for accounting for stock-based compensation but also allows companies to continue to account for stock-based compensation under the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and make certain additional disclosures in the notes to the financial statements. The Company continues to account for stock-based compensation in accordance with APB Opinion No. 25.

Earnings per share: A reconciliation of the income and common stock share amounts used in the calculation of basic and diluted earnings per share for the years ended May 1, 1999, May 2, 1998 and May 3, 1997 follows.

	Net Income	Shares	Per Share Amount
For the year ended May 1, 1999:			
Basic EPS	$ 4,220	4,345,229	$ 0.97
Effect of dilutive securities:			
Exercise of stock options	--	129,282	0.03
	$ 4,220	4,474,511	$ 0.94

	Net Income	Shares	Per Share Amount
For the year ended May 2, 1998:			
Basic EPS	$ 3,392	4,312,414	$ 0.79
Effect of dilutive securities:			
Exercise of stock options	--	24,046	0.01
Diluted EPS	$ 3,392	4,336,460	$ 0.78
For the year ended May 3, 1997:			
Basic EPS	$ 1,508	4,250,445	$ 0.35
Effect of dilutive securities:			
Exercise of stock options	--	15,797	--
Diluted EPS	$ 1,508	4,266,242	$ 0.35

Options outstanding of 25,000, 97,200 and 261,450 shares of common stock at weighted average share prices of $11.83, $7.72 and $6.48 during the years ended May 1, 1999, May 2, 1998 and May 3, 1997, respectively, and the warrant discussed in Note 7 were not included in the computation of diluted earnings per share because the exercise price of those options and the warrant exceeded the average market price of the common shares during the respective year.

New accounting standards: Effective May 3, 1998, the Company adopted FASB Statement No. 130, which establishes new rules for the reporting and display of comprehensive income and its components, but has no effect on the Company's net income or total stockholders' equity. The Company currently has no items which are required to be reported in comprehensive income.

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an

Enterprise and Related Information", ("SFAS No. 131"). FASB Statement No. 131 establishes standards for the way that public companies report selected information about operating segments in annual financial statements and requires that those companies report selected information about segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers.

The Company is engaged principally in one line of business, the design and manufacture of a wide range of computer-programmable information display systems, which represents more than 90% of the total revenue of the Company.

DAKTRONICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements: The Financial Accounting Standards Board and the Accounting Standards Executive Committee have issued certain Statements of Financial Accounting Standards and Statements of Position, respectively, which have required effective dates occurring after the Company's May 1, 1999 year end. The Company's financial statements, including the disclosures therein, are not expected to be materially affected by those accounting pronouncements.

NOTE 2. SELECTED FINANCIAL STATEMENT DATA

	1999	1998
Inventories:		
Raw materials	$ 8,465	$ 8,657
Work-in-process	1,596	790
Finished goods	3,803	1,547
	$ 13,864	$ 10,994
Property and equipment:		
Land	$ 532	$ 492
Buildings	5,459	5,069
Machinery and equipment	14,036	12,177
Office furniture and equipment	1,997	403
Transportation equipment	744	590
	22,768	18,731
Less accumulated depreciation	11,025	9,506
	$ 11,743	$ 9,225
Accrued expenses:		
Product warranty	$ 2,161	$ 1,551
Compensation	1,817	1,382
Taxes, other than income taxes	791	469
Other	524	350
	$ 5,293	$ 3,752

NOTE 3. UNCOMPLETED CONTRACTS

Uncompleted contracts consist of the following:

	1999	1998
Costs incurred	$ 21,204	$ 3,325
Estimated earnings	6,622	1,241
	27,826	4,566
Less billings to date	25,422	3,688
	$ 2,404	$ 878

Uncompleted contracts are included in the accompanying consolidated balance sheets as follows:

	1999	1998
Costs and estimated earnings in excess of billings	$ 5,374	$ 1,523
Billings in excess of costs and estimated earnings	2,970	645
	$ 2,404	$ 878

NOTE 4. RECEIVABLES

The Company sells its products throughout the United States and certain foreign countries on credit terms that the Company establishes for each customer. On the sale of certain scoreboards and message display centers, the Company has the ability to file a contractor's lien against the product installed as collateral. Foreign sales are generally secured by irrevocable letters of credit. During the fiscal years ended 1999, 1998 and 1997, foreign sales were approximately $10,953, $6,528 and $9,356, respectively. Foreign sales by individual geographical area vary from year to year.

Accounts receivable include unbilled receivables of $1,698 and $1,553 as of May 1, 1999 and May 2, 1998, respectively. Unbilled receivables are generally invoiced within thirty days. Accounts receivable are reported net of an allowance for doubtful accounts of $212 and $208 at May 1, 1999 and May 2, 1998, respectively.

In connection with the sale of certain scoreboards and message display centers, the Company has entered into long-term sales contracts and sales type leases. The present value of the contract or lease is recorded as a receivable upon the installation and acceptance of the scoreboard or message display, and profit is recognized to the extent that the present value is in excess of cost. The Company generally retains a security interest in the scoreboard, message display or advertising rights until the contract is paid. Long-term contract and lease receivables, including accrued interest and current maturities, were $8,348 and $5,565 as of May 1, 1999 and May 2, 1998, respectively. Contract and lease receivables bear interest at rates of 8.5% to 23.6% and are due in varying annual installments through January of 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 4. RECEIVABLES (CONTINUED)

During the year ended May 3, 1997, the Company sold contracts receivable with recourse in the amount of $1,156, resulting in a gain of $38.

At May 1, 1999 and May 2, 1998, the Company was contingently liable for contracts sold with recourse of $517 and $782, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 5. FINANCING AGREEMENTS

Long-term debt:

	1999	1998
6.77% - 7.09% Notes payable due to bank, due in monthly installments of $98,470 and $99,219, including interest, through November 2003 and April 2004, subject to credit agreement financial covenants discussed below, unsecured	$ 9,444	$ --
9.7% - 12.5% Contracts payable, primarily related to advertising rights, due in annual installments, including interest, from January 2001 to August 2005	575	675
8.05% and 10.0% Notes payable to a university, due in annual installments, including interest, through January 2000 collateralized by advertising rights	147	309
9.7% - 12.3% Unsecured contracts payable, paid in full	--	139
Other notes payable, installment obligations secured by equipment	60	115
	10,226	1,238
Less current maturities	1,951	455
	$ 8,275	$ 783

Maturities of long-term debt are as follows at May 1, 1999:
2000 $1,951; 2001 $1,994; 2002 $2,084; 2003 $2,227;
2004 $1,833; and thereafter $137.

Credit agreement: The Company has a credit agreement with a bank. The credit agreement provides for a $15,000 line of credit which includes up to $2,000 for standby letters of credit. The line of credit is at the LIBOR rate of interest plus 1.55% (6.45% at May 1, 1999) and is due on October 1, 2002. As of May 1, 1999, $2,659 had been drawn on the line of credit and no standby letters of credit had been issued by the bank. The credit agreement is unsecured and requires the Company to meet certain covenants. Financial covenants include the maintenance of tangible net worth of at least $23,000, a minimum liquidity ratio, a limit on dividends and distributions, and a minimum adjusted fixed charge coverage ratio.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 6. STOCK-BASED COMPENSATION

The Company has stock-based compensation plans which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for grants under the fixed stock option plans. Had compensation cost for the Company's stock-based compensation plans been determined based on the grant date fair values of awards (the method described in FASB Statement No. 123), reported net income and earnings per common share would have been reduced to the pro forma amounts shown below:

	1999	1998	1997
Net income: (loss):			
As reported	$ 4,220	$ 3,392	$ 1,508
Pro forma	4,149	3,350	1,469
Earnings per share:			
As reported:			
Basic	0.97	0.79	0.35
Diluted	0.94	0.78	0.35
Pro forma:			
Basic	0.95	0.78	0.35
Diluted	0.93	0.77	0.34

The pro forma effects of applying Statement No. 123 are not indicative of future amounts since, among other reasons, the pro forma requirements of the Statement have been applied only to options granted after April 29, 1995.

Fixed stock option plans: The Company has reserved 760,000 shares of its common stock for issuance under two fixed stock option plans under which it may grant options to purchase common stock. These options may have a maximum term of 10 years at the market price or 110% of market price on the date of grant. During 1999 the options were amended from 300,000 shares to 600,000 shares which may be granted to employees under the 1993 Stock Option Plan (1993 Option Plan). The options which may be granted to outside directors under the 1993 Outside Directors Stock Option Plan (Outside Directors Plan) were amended during 1999 from 60,000 shares to 160,000 shares. Options in the 1993 Option Plan vest at 20% per year and options in the Outside Directors Plan vest at 1,000 options annually.

The fair value of each grant is estimated at the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions for grants in 1999, 1998 and 1997, respectively: no dividend rate for all years; price volatility of 32% for 1999, 28% for 1998 and 25% for 1997; risk-free interest rates of 4.8%, 6.5% and 6.2% for the 1993 Option Plan and 5.0%, 6.5% and 6.9% for the Outside Directors Plan; and expected lives of five to seven years for the 1993 Option Plan and seven years for the Outside Directors Plan for all years.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 6. STOCK-BASED COMPENSATION (CONTINUED)

A summary of the status of the plans at May 1, 1999, May 2, 1998 and May 3, 1997 and changes during the years ended on those dates follows:

	1999		1998		1997	
Fixed Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	327,510	$ 6.26	274,280	$ 6.34	357,010	$ 5.62
Granted	116,900	11.68	67,850	5.40	47,000	4.31
Forfeited	(15,950)	8.19	(1,750)	6.25	(14,200)	6.46
Exercised	(14,600)	6.57	(12,870)	3.30	(115,530)	3.30
Outstanding at end of year	413,860	7.71	327,510	6.26	274,280	6.34

Options for 189,810, 147,842 and 112,240 shares were exercisable at May 1, 1999, May 2, 1998 and May 3, 1997, respectively. The weighted average fair value of options granted were $3.11, $2.59 and $1.83 for the years ended May 1, 1999, May 2, 1998 and May 3, 1997, respectively.

A further summary about fixed options outstanding at May 1, 1999 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$4.18 to $4.88	42,090	.8 years	$ 4.31	17,836	$ 4.34
$5.31 to $6.56	171,670	3.7	5.91	88,774	6.12
$7.22 to $7.63	83,200	1.5	7.56	83,200	7.56
$10.38 to $10.73	45,000	5.8	10.49	--	--
$12.25 to $13.48	71,900	6.3	12.42	--	--
$4.18 to $13.48	413,860	3.6	7.71	189,810	6.58

DAKTRONICS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 7. SHAREHOLDERS' EQUITY

Common stock: The Company amended its Articles of Incorporation in 1999 to increase its authorized shares from 15,000,000 shares to 30,000,000 shares of no par value stock. The authorized shares include 25,000,000 shares of common stock and 5,000,000 shares of "undesignated stock". The Company's board of directors has the power to issue any or all of the shares of undesignated stock including the authority to establish the rights and preferences of the undesignated stock, without shareholder approval.

During 1999, the Company declared a dividend of one preferred share purchase right (Right) for each outstanding share of common stock of the Company. The dividend was paid on December 9, 1998 to the stockholders of record on such date. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock at a price of $80 per one-hundredth of a preferred share, subject to the complete terms as stated in the Rights Agreement. The Rights become exercisable immediately after the earlier of (i) ten business days following a public announcement that a person or group has acquired beneficial ownership of 20% or more of the outstanding common shares of the Company (subject to certain exclusions), (ii) ten business days following the commencement or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 20% or more of such outstanding common shares. The Rights expire on November 19, 2008, which date may be extended subject to certain additional conditions.

Common stock warrants: The Company, in connection with its public offering, issued the underwriter five year warrants to purchase up to 113,312 shares of the Company's common stock. The warrants were exercised at $9.15 per share in 1999 in a cashless exercise. The result was to increase common stock outstanding by 36,051 shares.

NOTE 8. EMPLOYEE BENEFIT PLANS

The Company has an Employee Stock Ownership Plan (ESOP) and a related trust for the benefit of its employees. Employees are eligible to participate in the plan upon completion of one year of service if they have attained the age of 21 and have worked at least 1,000 hours during such plan year. Contributions to the plan are recognized as compensation expense and are made at the discretion of the Board of Directors. The contributions to the plan were $45, $13 and $5 during the fiscal years ended 1999, 1998 and 1997, respectively. The plan holds 267,799 shares and 270,778 shares as of May 1, 1999 and May 2, 1998, respectively, all of which have been allocated to plan participants. No dividends were paid on plan shares in 1999, 1998 or 1997 and all outstanding plan shares are included for purposes of earnings per share computations.

The Company has an employee savings plan which provides for voluntary contributions by eligible employees into designated investment funds with a matching contribution by the Company of 25% of the employee's qualifying contribution up to 6% of such employee's compensation. Employees are eligible to participate upon completion of one year of service if they have attained the age of 21 and have worked more than 1,000 hours during such plan year. The Company contributed $185, $115 and $110 to the plan for the fiscal years ended 1999, 1998 and 1997, respectively.

NOTE 9. INCOME TAXES

Income tax expense consists of the following:

Current:	1999	1998	1997
Federal	$ 2,433	$ 1,757	$ 1,448
State	220	121	51
Deferred (credits)	(226)	108	(514)
	$ 2,427	$ 1,986	$ 985

The components of the net deferred tax asset as of 1999 and 1998 are as follows:

Deferred tax assets:	1999	1998
Product warranty accruals	$ 772	$ 596
Legal fees accrual	216	180
Vacation accruals	286	217
Inventories	151	123
Allowance for doubtful accounts	76	75
Other accruals	32	22
Amortization of intangibles	246	173
Other, net	21	11
	1,800	1,397
Less valuation allowance	--	--

1,800	1,397

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 9. INCOME TAXES (CONTINUED)

Deferred tax liabilities:		
Property and equipment	950	773
	$ 850	$ 624

Reflected on the accompanying consolidated balance sheets as follows:

	1999	1998
Current assets	$ 1,476	$ 1,139
Noncurrent liabilities	626	515
	$ 850	$ 624

A reconciliation of the provision for income taxes and the amount computed by applying the federal statutory rate to income before income tax expense is as follows:

	1999	1998	1997
Computed income tax expense at federal statutory rate	$ 2,327	$ 1,882	$ 873
State taxes, net of federal benefit	145	80	34
Meals and entertainment	105	75	67
Other, net	(150)	(51)	11
	$ 2,427	$ 1,986	$ 985

NOTE 10. YEAR 2000 ISSUE

The Year 2000 issue is whether computer systems will properly recognize date-sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail. The Company is dependent on computer processing in its business activities and the Year 2000 issue creates risk for the Company from unforeseen problems in the Company's computer system and from third parties with whom the Company conducts business. Such failures of the Company's computer system and/or third parties' computer systems could have a material impact on the Company's ability to conduct its business.

In accordance with its remediation plan to resolve the Year 2000 issue, the Company has completed a review of its computer systems and products to identify systems and products that could be affected by the Year 2000 issue. Based on the Company's review, management does not believe the remaining remediation costs to be incurred will be material to the Company's financial position and results of operations.

NOTE 11. LITIGATION

On February 17, 1999, Daktronics was sued in the circuit court of Hillsborough County, Florida by the Buccaneers Football Stadium Limited Partnership, an affiliated company of the Tampa Bay Buccaneers football team. The lawsuit alleges that the video displays installed at Raymond James Stadium in Tampa, Florida do not meet the contract requirements. The lawsuit seeks either to rescind the contract under which Daktronics furnished the scoring and display equipment for the Stadium and obtain the return of all funds paid or to obtain damages for breach of contract. The Tampa Sports Authority owns Raymond James Stadium and is not a plaintiff in the action.

The contract, valued at approximately $7.9 million, included two large end zone scoreboards with video displays, sideline auxiliary scoreboards, advertising panels and installation. Daktronics has received approximately $3.1 million in payments under the contract and has unpaid invoices outstanding in the amount of approximately $2.9 million. In addition, the plaintiff is in default on a payment in the amount of $257 under a promissory note to Daktronics as part of the contract. Daktronics believes these payments have been unreasonably withheld and has filed a counterclaim for these payments, related interest and acceleration of remaining payments under the promissory note.

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

NOTE 12. COMMITMENT

The Company has a commitment for approximately $1.3 million for a building expansion at its Brookings manufacturing facility.

NOTE 13. CASH FLOW INFORMATION

Noncash investing and financing activities consist of the purchase of fixed assets through accounts payable of $105 in 1999; sale of advertising rights through reduction of long-term debt of $231 and issuance of a long-term receivable of $683 in 1998; reduction of long-term receivable of $419 to offset and reduce long-term debt by the corresponding amount in 1998; purchase of advertising rights through issuance of long-term debt of $675 in 1997; purchase of advertising rights through incurrence of accounts payable of $160 in 1997; property and equipment transferred to inventory of $10 in 1997; sale of property and equipment of $193 included in long-term receivables in 1997; and purchase of property and equipment through issuance of long-term debt of $182 in 1997.

Change in operating assets and liabilities consist of the following:

	1999	1998	1997
(Increase) decrease:			
Trade receivables	$ (6,382)	$ (1,922)	$ (3,389)
Installment receivables	(2,783)	(1,191)	169
Inventories	(2,870)	(2,969)	1,785
Costs and estimated earnings in excess of billings	(3,851)	(272)	1,433
Advertising rights	--	587	97
Prepaids and other	137	(319)	180
Increase (decrease):			
Accounts payable and accrued expenses	4,771	2,501	196
Customer deposits	1,042	--	--
Billings in excess of costs and estimated earnings	2,325	(430)	74
Accrued loss on uncompleted contracts	--	(399)	(466)
Deferred income	241	(120)	(58)
Income taxes payable	166	(434)	903
	$ (7,204)	$ (4,968)	$ 924

NOTE 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported on the balance sheets for cash and cash equivalents approximate their fair values due to the highly liquid nature of the instruments. The fair values for fixed-rate contracts receivable are estimated using discounted cash flow analyses, using interest rates currently being offered for contracts with similar terms to customers with similar credit quality. The carrying amounts reported on the balance sheets for contracts receivable approximate fair value. Fair values for the Company's off-balance-sheet instruments (contingent liability for contracts sold with recourse) are not significant. The note payable, bank is a variable rate note that reprices frequently. The fair value on this note approximates its carrying value. The carrying amounts reported for variable rate long-term debt approximate fair value. Fair values for fixed-rate long-term debt are estimated using a discounted cash flow calculation that applies interest rates currently being offered for debt with similar terms and underlying collateral. The total carrying value of long-term debt reported on the balance sheets approximates fair value.

NOTE 15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents summarized quarterly financial data.

1999	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 22,236	$ 24,233	$ 17,681	$ 31,701
Gross profit	6,297	6,169	4,960	8,455
Net income	1,113	843	356	1,908
Basic earnings per share	0.26	0.19	0.08	0.44
Diluted earnings per share	0.25	0.19	0.08	0.43

1998	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$ 15,768	$ 16,936	$ 17,168	$ 20,012
Gross profit	4,008	4,887	4,643	6,159
Net income	269	829	693	1,601
Basic and diluted earnings per share	0.06	0.19	0.16	0.37

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

NONE.

PART III.

Item 10. Directors and Executive Officers of the Registrant.

The information regarding the directors of the Company is incorporated by reference from pages 3 to 4 of the Company's Proxy Statement dated July 22, 1999.

The information concerning executive officers is included in Part I, Item 1 of this Form 10-K.

Item 11. Executive Compensation.

This information is incorporated by reference from pages 5 to 7 of the Company's Proxy Statement dated July 22, 1999. The "Performance Graph" and the "Report of the Compensation Committee" on pages 8 to 10 are specifically not incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

This information is incorporated by reference from pages 11 to 12 of the Company's Proxy Statement dated July 22, 1999.

Item 13. Certain Relationships and Related Transactions.

NONE

PART IV.

Item 14. Exhibits, Financial Statements Schedules, and Reports on Form 8-K.

2. Financial Statement Schedules.
   Schedule II - Valuation and Qualifying Accounts.

3. Exhibits
   - 3.1 Reserved
   - 3.2 Amended and Restated Articles of Incorporation of the Company. (1)
   - 3.3 Amendment to Articles of Incorporation (6)
   - 3.4 Amended and Restated Bylaws of the Company. (1)
   - 4.1 Form of Stock Certificate evidencing Common Stock, without par value, of the Company. (2)
   - 4.2 Shareholders Rights Agreement (4)
   - 10.1 Amended Daktronics, Inc. 1993 Stock Option Plan. (6)
   - 10.2 Amended Daktronics, Inc. 1993 Outside Directors Stock Option Plan. (6)
   - 10.3 Daktronics, Inc. Employee Stock Ownership Plan and Trust. (3)
   - 10.4 Daktronics, Inc. 401(k) Profit Sharing Plan and Trust. (2)
   - 10.5 Form of Indemnification Agreement between the Company and each of its officers and directors.(1)

10.6 Loan Agreement dated October 14, 1998 between U.S. Bank National Association and Daktronics, Inc.(4)
10.7 Term Note date February 4, 1999 between U.S. Bank National Association and Daktronics, Inc. (6)
10.8 Reserved
10.9 Reserved
10.10 Form of Stock Option Agreements effective May 25, 1993 between Daktronics, Inc. and Dr. Aelred Kurtenbach, Dr. Duane Sander and James Morgan, granted in consideration of their personal guarantee of performance bonds issued to the Company.(1)
10.11 Reserved
10.12 Reserved
21.1 Subsidiaries of the Company (6)
23.1 Consent of McGladrey & Pullen, LLP (6)
27.1 Financial Data Schedule (6)

(1) Incorporated by reference under the same exhibit number to the exhibits filed with the Registration Statement on Form S-1 on December 3, 1993 as Commission File No. 33-72466.
(2) Incorporated by reference under the same exhibit number to the exhibits filed with Amendment No. 1 to the Registration Statement on Form S-1 on January 12, 1994 as Commission File No. 33-72466.
(3) Incorporated by reference under same exhibit number to the exhibits filed with form 10K on April 29, 1995 as Commission File No. 0-23246.
(4) Incorporated by reference under same exhibit number to the exhibits filed with Form 10Q on October 31, 1998 as Commission File No. 0-23246.
(5) Incorporated by reference under same exhibit number to the exhibits filed with form 8-K on November 30, 1998 as Commission File No. 0-23246.
(6) Filed herewith

(b) 1. Reports on Form 8-K.
None

All Sport(R), OmniSport(R), DakStats(R), Venus(R), Glow Cube(R), Starburst(R), SunSpot(R), ProStar(R), DataTime(R), MagneView(TM), DataTrac(TM), InfoNet(TM), ProSport(R) are trademarks of Daktronics, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized on July 28, 1999.

DAKTRONICS, INC.

By: /s/ Aelred J. Kurtenbach

Aelred J. Kurtenbach, President
(principal executive officer)

By: /s/ Paul J. Weinand

Paul J. Weinand, Treasurer and Chief
Financial Officer (principal financial
and accounting officer)

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

SIGNATURE	TITLE	DATE
By /s/ Roland J. Jensen Roland J. Jensen	Director	July 28, 1999
By /s/ Aelred J. Kurtenbach Aelred J. Kurtenbach	Director	July 28, 1999
By /s/ Frank J. Kurtenbach Frank J. Kurtenbach	Director	July 28, 1999
By /s/ James B. Morgan James B. Morgan	Director	July 28, 1999
By /s/ John L. Mulligan John L. Mulligan	Director	July 28, 1999
By /s/ Charles S. Roberts Charles S. Roberts	Director	July 28, 1999
By /s/ Duane E. Sander Duane E. Sander	Director	July 28, 1999
By /s/ James A. Vellenga James A. Vellenga	Director	July 28, 1999

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors
Daktronics, Inc.
Brookings, South Dakota

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidated supplemental schedule II is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a part of the basic consolidated financial statements. The schedule has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McGLADREY & PULLEN, LLP

Sioux Falls, South Dakota
June 28, 1999

DAKTRONICS, INC. AND SUBSIDIARY SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED MAY 1, 1999, MAY 2, 1998 AND MAY 3, 1997
(DOLLARS IN THOUSANDS)

Allowance for Doubtful Accounts	Balance at Beginning of Year	Additions/ Provisions (Charged to Expense)	Deductions (1)	Balance at End of Year
1999	$ 208	$ 182	$ 178	$ 212
1998	194	179	(165)	208
1997	129	130	(65)	194

(1) Write off of uncollectable accounts

INDEX OF EXHIBITS

3. Exhibits

3.1	Reserved
3.2	Amended and Restated Articles of Incorporation of the Company. (1)
3.3	Amendment to Articles of Incorporation (6)
3.4	Amended and Restated Bylaws of the Company. (1)
4.1	Form of Stock Certificate evidencing Common Stock, without par value, of the Company. (2)
4.2	Shareholders Rights Agreement (4)
10.1	Amended Daktronics, Inc. 1993 Stock Option Plan. (6)
10.2	Amended Daktronics, Inc. 1993 Outside Directors Stock Option Plan. (6)
10.3	Daktronics, Inc. Employee Stock Ownership Plan and Trust. (3)
10.4	Daktronics, Inc. 401(k) Profit Sharing Plan and Trust. (2)
10.5	Form of Indemnification Agreement between the Company and each of its officers and directors.(1)
10.6	Loan Agreement dated October 14, 1998 between U.S. Bank National Association and Daktronics, Inc.(4)
10.7	Term Note date February 4, 1999 between U.S. Bank National Association and Daktronics, Inc. (6)
10.8	Reserved
10.9	Reserved
10.10	Form of Stock Option Agreements effective May 25, 1993 between Daktronics, Inc. and Dr. Aelred Kurtenbach, Dr. Duane Sander and James Morgan, granted in consideration of their personal guarantee of performance bonds issued to the Company.(1)
10.11	Reserved
10.12	Reserved
21.1	Subsidiaries of the Company (6)
23.1	Consent of McGladrey & Pullen, LLP (6)
27.1	Financial Data Schedule (6)

(1) Incorporated by reference under the same exhibit number to the exhibits filed with the Registration Statement on Form S-1 on December 3, 1993 as Commission File No. 33-72466.

(2) Incorporated by reference under the same exhibit number to the exhibits filed with Amendment No. 1 to the Registration Statement on Form S-1 on January 12, 1994 as Commission File No. 33-72466.

(3) Incorporated by reference under same exhibit number to the exhibits filed with form 10K on April 29, 1995 as Commission File No. 0-23246.

(4) Incorporated by reference under same exhibit number to the exhibits filed with Form 10Q on October 31, 1998 as Commission File No. 0-23246.

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

(6) Filed herewith

AMENDMENT TO ARTICLES OF INCORPORATION
(Effective August 19, 1998)

ARTICLE 4 - STOCK

4.1) The aggregate number of shares of stock which the corporation shall have the authority to issue shall be thirty-five million shares (35,000,000), each without par value, and which shall consist of thirty million (30,000,000) shares of Common Stock and five million (5,000,000) shares of Undesignated Stock. The Board of Directors of the corporation is authorized to establish from the Undesignated Stock, by resolution adopted and filed in the manner provided by law, one or more classes or series of shares, to designate each such class or series (which may include but is not limited to designation as additional Common Stock), and to fix the relative rights and preferences of each such class or series.

Exhibit 10.1

DAKTRONICS, INC.
1993 STOCK OPTION PLAN
AS AMENDED

1. Purpose. The purpose of the 1993 Stock Option Plan is to induce certain designated persons to continue to provide valuable services to Daktronics, Inc. (the "Company") and to encourage such persons to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company believes the Plan is in the best interest of the Company and will promote the success of the Company. This success will be achieved by encouraging continuity of management and increased incentive and personal interest in the welfare of the Company by those who are primarily responsible for shaping and implementing the long-range plans of the Company.

Certain Options granted under this Plan are intended to be Incentive Stock Options qualified under Section 422 of the Code. The Plan also permits the grant of Nonqualified Stock Options.

2. Definitions. For purposes of this Plan, the following terms shall have the meanings indicated below:

(a) "Capital Stock" or "Common Stock": any of the Company's authorized but unissued shares of common stock, each without par value.

(b) "Code": the Internal Revenue Code of 1986, as amended from time to time.

(c) "Fair Market Value": (i) the average between the high and low reported sale prices for the Common Stock on the Option Date (or, if there were no such sales on that date, on the next most recent date on which there were such sales) as reported on the Composite Tape if the Common Stock is listed on the New York Stock Exchange ("NYSE") or on the National Association of Securities Dealers National Market System ("NMS"), (ii) if the Common Stock is not then listed on the NYSE or the NMS, the average between the closing bid and asked price quotations for the Common Stock on that date (or if none on that date, on the next most recent date on which there were such quotations) as reported by the National Association of Securities Dealers Automatic Quotation System or any successor thereto or (iii) if the Common Stock is not then listed as described above, such value as is reasonably determined by the Committee (see Section 4) based on the then current fair market value of the Common Stock at the time any Option is granted. Fair Market Value of Incentive Stock Options shall be determined consistent with the Code and regulations.

(d) "Incentive Stock Option": an option defined in Section 422 of the Code to purchase shares of the common stock of the Company.

(e) "Non-Qualified Stock Option": an option, not intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code, to purchase Common Stock of the Company.

(f) "Option": the term shall refer to a Stock Option granted under this Plan.

(g) "Option Agreement": a written agreement pursuant to which the Company grants an Option to an Optionee and sets the terms and conditions of the Option.

(h) "Option Date": the date upon which an Option Agreement for an option granted pursuant to this Plan is duly executed by or on behalf of the Company.

(i) "Option Stock": the Common Stock of the Company (subject to adjustment as described in Section 7) reserved for options pursuant to this Plan, or any other class of stock of the Company which may be substituted therefore by exchange, stock split or otherwise.

(j) "Optionee": a person who is eligible to receive an Option under Section 5 of the Plan and to whom an Option has been granted under the Plan.

(k) "Plan": this 1993 Stock Option Plan effective November 18, 1993, as amended effective February 26, 1998, and as amended hereafter from time to time.

(l) A "Subsidiary": any corporation in an unbroken chain of corporations beginning with the Company, if, at the time of granting the option, each of the corporations other than the last corporation in the chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. The term shall include any subsidiaries which become such after adoption of this Plan.

3. Options Available Under Plan. An aggregate of 600,000 shares of the Company's authorized but unissued shares of Common Stock (after giving effect to the 10-for-1 stock split authorized on the Common Stock on November 18, 1993) are hereby made available for grant, and shall be reserved for issuance, under this Plan. The aggregate number of shares available under this Plan shall be subject to adjustment on the occurrence of any of the events and in the manner set forth in Section 7. If an Option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares, shall (unless the Plan shall have been terminated) become available for other Options under the Plan.

4. Administration. The Plan shall be administered by the Board of Directors of the Company. At all times subject to the authority of the Board of Directors, the Board of Directors may from time to time delegate some or all of its authority under the Plan to a committee consisting of three (3) or more Directors (the "Committee"), and/or obtain assistance or recommendations from such Committee. If no separate committee is appointed, the Board shall constitute the Committee, and references to the Committee shall include the entire Board of Directors.

The Company shall grant Options pursuant to the Plan upon determinations of the Committee as to which of the eligible persons shall be granted Options, the number of shares to be Optioned and the term during which any such Options may be exercised. At all times, a majority of the members of the Committee making determinations about the grant of Options to employee-directors or employee-officers must be disinterested in the grant being made. The Committee may from time to time adopt rules and procedures for carrying out the Plan and interpretations and constructions of any provision of the Plan, which shall be final and conclusive.

5. Eligibility for Stock Options. Incentive Stock Options under the Plan may only be granted to such employees of the Company or any Subsidiary thereof, as selected by the Committee. Non-Qualified Stock Options may be granted to employees or other persons providing services to the Company, excluding nonemployee directors who are considered "disinterested directors" pursuant to Rule 16b-3 under the Securities Exchange Act.

In selecting the employees or other persons to whom Stock Options shall be granted, as well as determining the number of shares subject to each Option, the Committee shall take into consideration such factors as it deems relevant in connection with accomplishing the purpose of the Plan. For any calendar year, the aggregate Fair Market Value (determined at the Option Date) of the stock with respect to which any Incentive Stock Options are exercisable for the first time by any individual employee (under all Incentive Stock Option plans of the Company and all subsidiary corporations) shall not exceed $100,000. Subject to the provisions of Section 3, an optionee who has been granted an Option may, if he or she is otherwise eligible, be granted an additional Option or Options if the Committee shall so determine. Any Incentive Stock Option that becomes exercisable and exceeds the above limitation shall be treated as a Non-Qualified Option.

No Stock Option may be granted under this Plan later than the expiration of ten (10) years from the Effective Date.

6. Terms and Conditions of Options. Whenever the Committee shall designate an Optionee, it shall communicate to the Secretary of the Company the name of the Optionee, the number of shares to be Optioned and such other terms and conditions as it shall determine, not inconsistent with the provisions of this Plan. The President or other officer of the Company shall then enter into an Option Agreement with the Optionee, complying with and subject to the following terms and conditions and setting forth such other terms and conditions of the Option as determined by the Committee:

(a) Number of shares and option price. The Option Agreement shall state the total number of shares to which it pertains. The price of Incentive Stock Option Stock shall be not less than one hundred percent (100%) of the Fair Market Value of the Option Stock at the Option Date. In the event an Incentive Stock Option is granted to an employee, who, at the Option Date, owns more than ten percent (10%) of the voting power of all classes of the Company's stock then outstanding, the price of the shares of Option Stock which will be covered by such Option shall be not less than one hundred ten percent (110%) of the Fair Market Value of the Option Stock at the Option Date. Non-Qualified Options may be granted at a price equal to, greater than or less than Fair Market Value at the date of grant. The Option price shall be subject to adjustment as provided in Section 7 hereof.

(b) Period of options and right to exercise. Options granted under this Plan shall be subject to such terms and conditions, shall be exercisable at such times and shall be evidenced by such form of written Option Agreement as the Committee shall determine, provided that for Incentive Stock Options, such determinations are not inconsistent with Code Section 422 and the regulations thereunder. 'The Option Agreement may, at the discretion of the Committee, provide for the acceleration of vesting of Options upon a "Change in Control" of the Company, as defined in Section 6(h) below.

In addition, no Option granted, shall by its terms, be exercisable after the expiration of ten (10) years from the date such Option is granted. Except, however, Incentive Stock Options granted to any employee who at the Option Date owns more than ten percent (10%) of the voting power of all shares of the classes of Company's stock then outstanding, may not by its terms be exercisable after expiration of five (5) years from the Option Date. The period during which the Option may be exercised, once it is granted, shall not be reduced, except as provided in paragraphs (c), (d) and (e) below. The exercise of any Option will be contingent upon receipt by the Company of payment as provided in paragraph (f) below for the full purchase price of such shares. No Optionee or his or her legal representatives, legatees or distributees, as the case may be, will be, or will be deemed to be, a holder of any shares subject to an Option unless and until certificates for such shares are issued under the terms of the Plan.

(c) Termination of Employment or Service. In the event that an Optionee shall cease to be employed by or performing services for the Company for any reason other than death, subject to the condition that no Incentive Stock Option shall be exercisable after the expiration of ten (10) years from the date it is granted, and unless the Option Agreement provides otherwise, such Optionee shall have the right to exercise any outstanding Options at any time within three (3) months after the termination of employment or service.

(d) Death of Optionee. If the Optionee shall die (i) while in the employ of or while providing services to the Company or any Subsidiary, or (ii) within a period of three (3) months after the termination of his or her employment or as a corporate director with the Company or any subsidiary as provided in paragraph (c) of this section, and in either case shall not have fully exercised his or her Options, any Options granted pursuant to the Plan shall be exercisable until the earlier of the originally stated date of termination or one year from the date of death. Such Option shall be exercised pursuant to subparagraph (f) of this Section by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or by the laws of descent and distribution, and only to the extent that such Options were exercisable at the time of his or her death.

(e) Transfer of Option. Each Option granted hereunder shall, by its terms, not be transferable by the Optionee other than by will or by the laws of descent and distribution, and shall be, during the Optionee's lifetime, exercisable only by the Optionee. Except as permitted by the preceding sentence, each Option granted under the Plan and the rights and privileges thereby conferred shall not be transferred, assigned or pledged in any way (whether by operation of law or otherwise), and shall not be subject to execution, attachment or similar process. Upon any attempt to so transfer, assign, pledge, or otherwise dispose of the Option, or of any right or privilege conferred thereby, contrary to the provisions of the Option or the Plan, or upon levy of any attachment or similar process upon such rights and privileges, the Option, and such rights and privileges, shall immediately become null and void.

(f) Manner of Exercise of Options. An Option may be exercised, in whole or in part, at such time or times and with respect to such number of shares, as the Board of Directors, in its sole discretion, shall determine at the time that the Option is granted. The Option terms shall be set forth in the Option Agreement granting the Option. Such Option shall be exercisable only within the Option period and only by (i) written notice to the Company of intent to exercise the Option with respect to a specified number of shares of stock; (ii) tendering the original Option Agreement to the Company; and (iii) payment to the Company of the amount of the Option purchase price for the number of shares of stock with respect to which the Option is then exercised. Payment of the Option purchase price may be made in cash, by cashier's check (by personal check at the discretion of the Company) or by a "cashless exercise" procedure established between the Company and a stock brokerage firm, subject to compliance with applicable securities laws. When shares of stock are issued to the Optionee pursuant to the exercise of an Option, the fact of such issuance shall be noted on the Option Agreement by the Company before the Agreement is returned to the Optionee. When all shares of Optioned stock covered by the Option Agreement have been issued to the Optionee, or the Option shall expire, the Option Agreement shall be canceled and retained by the Company.

(g) Delivery of Certificate. As promptly as practicable after receipt of the written notice and payment specified above, the Company shall deliver to the Optionee certificates for the number of shares with respect to which the Option has been exercised, issued in the Optionee's name; provided, however, that such delivery shall be deemed effected for all purposes when the Company, or the stock transfer agent for the Company, shall have deposited such certificates in the United States mail, postage prepaid, addressed to the Optionee at the address specified in the written notice of exercise.

(h) Change in Control. A "Change in Control" shall, unless the Board otherwise directs by resolution adopted prior thereto, be deemed to occur if (i) any "person" (as that term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 as amended ("Exchange Act")) is or becomes the beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50% or more of the voting Capital Stock of the Company ("Voting Stock") or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's shareholders of each new director was approved by a vote of at least three-quarters of the directors then still in office who were directors at the beginning of the period. Any merger, consolidation or corporate reorganization in which the owners of the Company's capital stock entitled to vote in the election of directors prior to said combination, own 50% or more of the resulting entity's Voting Stock shall not, by itself, be considered a change in control for the purposes of this Plan.

(i) Other Provisions. The Option Agreements authorized under this Section may contain such other provisions as the Committee shall deem advisable.

7. Adjustment of Number of Shares. If, and to the extent that, the number of issued shares of the Capital Stock of the Company shall be increased or reduced by change in par value, recapitalization, reorganization, merger, consolidation, split up, distribution of a dividend payable in stock or the like, the number of shares subject to the Option and the Option price therefor shall be equitably adjusted by the Committee consistent with such change to prevent substantial dilution or enlargement of the rights granted to or available to Optionees.

Subject to the foregoing, the grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

8. No Rights as Stockholder. An Optionee shall not, by reason of any Option granted hereunder, have any right of a stockholder of the Company with respect to the shares covered by his or her Option until such shares shall have been issued to the Optionee.

9. No Obligation to Exercise Option. The granting of an Option shall impose no obligation upon the Optionee to exercise such Option. Neither shall the Plan confer upon the Optionee any rights respecting continued employment nor limit the Optionee's rights or the employer Company's rights to terminate such employment.

10. Withholding Taxes. Whenever under the Plan shares of Option Stock are to be issued upon exercise of a Non-Qualified Option granted hereunder and prior to the delivery of any certificates or certificates for said shares by the Company or if required by law, upon a disqualified disposition of an Incentive Stock Option, the Company shall have the right to require any Optionee that is or was an employee as of the Option Date, to remit to the Company an amount sufficient to satisfy any federal and state withholding or other employment taxes, if any, resulting from such option exercise or early disposition of Option Stock. Payment of such amount may be made in the same manner as payment of the exercise price or by tendering previously owned shares of the Company's Common Stock with a Fair Market Value on the date of exercise equal to such amount, subject to compliance with applicable securities laws.

11. Common Stock Acquired for Investment. Common Stock acquired by an Optionee under this Plan by exercise of any Option shall be acquired by the Optionee for investment and without intention of resale, unless, in the opinion of counsel of the Company, such common stock may be purchased without any investment representation. Where an investment representation is deemed necessary, the Committee may require a written representation to that effect by the Optionee as a condition of the Optionee exercising an Option under this Plan, and the Committee may place an appropriate legend on the common stock issued to the Optionee indicating that such common stock has not been registered under federal or state securities laws. Each Option shall be subject to the requirement that if, at any time, the Committee shall determine in its discretion that the listing, registration or qualification of the shares subject to such Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Option or the issuance or purchase of shares thereunder, then such Option shall not be granted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. Nothing contained herein shall require the Company to register the Options or the shares of voting common stock purchased upon the exercise of said Options.

12. Effective Date. This Plan shall be effective November 18, 1993 (the "Effective Date") as approved by the Board of Directors, subject to approval by the shareholders of the Company. The amendment increasing the number of shares available for grant under the Plan shall be effective February 26, 1998, subject to approval by the shareholders of the Company However, unless within 12 months before or 12 months after the Plan is adopted by the Board of Directors, or the Plan is amended to increase the number of shares available for grant, the Plan or such amendment is approved by the vote of the holders of a majority of the outstanding Capital Stock of the Company, the Plan or such amendment and options granted hereunder shall not qualify under Section 422 of the Code.

13. Liquidation. Upon the complete liquidation of the Company, any unexercised Options theretofore granted under this Plan shall be deemed canceled, except as otherwise provided in Section 7 in connection with a merger, consolidation or reorganization of the Company.

14. Termination and Amendment of the Plan. This Plan shall terminate ten (10) years after the Effective Date or at such earlier time as the Board of Directors shall determine. Any termination shall not affect any Options then outstanding under the Plan.

The Board may make such modifications of the Plan as it shall deem advisable, but may not, without further approval of the stockholders of the Company, except as provided in Section 7 hereof, (a) increase the number of shares reserved for Options under this Plan, (b) change the manner of determining the Option price for Incentive Stock Options, (c) increase the maximum term of the Options provided for herein or (d) change the class of persons eligible to receive Options under the Plan.

15. Governing law. The Plan shall be governed by and construed in accordance with the internal laws of the State of South Dakota without reference to the principles of conflicts of law thereof.

DAKTRONICS, INC.
1993 OUTSIDE DIRECTORS STOCK OPTION PLAN
AS AMENDED

I.
PURPOSE OF PLAN

1.1 The purpose of the Daktronics, Inc. 1993 Outside Directors Stock Option Plan (the "Plan") is to provide a means whereby Daktronics, Inc. (the "Company") may grant options to purchase common stock of the Company to those members of the Company's Board of Directors who are not employees of the Company or any of its subsidiaries ("Eligible Directors"). Options granted under the Plan are not intended to and do not qualify as incentive stock options as described in Section 422A of the Internal Revenue Code (the "Code").

II.
NUMBER OF SHARES AVAILABLE UNDER THE PLAN

2.1 Options will be granted by the Company at the times described below, to Eligible Directors to purchase an aggregate of up to 160,000 shares of common stock, without par value, of the Company (after giving effect to the 10-for-1 stock split authorized on the Common Stock on November 18, 1993) and 160,000 shares shall be reserved for options granted under the Plan (subject to adjustment as provided in Section 4.9 below). The shares issued upon exercise of options granted under the Plan may be authorized and unissued shares or reacquired shares held by the Company. If any option granted under the Plan shall terminate, expire or with the consent of the optionee, be canceled as to any shares, new options may thereafter be granted covering such shares without affecting the amount of the option reserve noted above.

III.
ADMINISTRATION

3.1 The Plan shall be administered by a Committee consisting of the President and Chief Financial Officer of the Company who are not eligible to participate in the Plan (the "Committee"). Committee members shall have no discretion concerning the grant of options, the price at which options are to be granted or times at which options may be exercised.

The Committee may interpret the Plan, amend and rescind any rules and regulations necessary or appropriate for the administration of the Plan and make other determinations and take such other action as it deems necessary or advisable. No such action will affect the rights of Eligible Directors who have been granted options prior to such action. Any interpretation or other action made or taken by the Committee shall be final, binding and conclusive.

IV.
TERMS AND CONDITIONS

4.1 Time of Grant and Form. Each option granted under the Plan shall be evidenced by an option agreement which shall be subject to the terms and conditions of the Plan, for the following respective grants of options:

(a) Each Eligible Director of record on November 18, 1993 whose term expires at the 1994 annual meeting of shareholders shall receive a grant of options for the purchase of 1,000 shares of common stock of the Company effective November 18, 1993.

(b) Each Eligible Director of record on November 18, 1993 whose term expires at the 1995 annual meeting of shareholders shall receive a grant of options for the purchase of 2,000 shares of common stock of the Company effective November 18, 1993.

(c) Each Eligible Director of record on November 18, 1993 whose term expires at the 1996 annual meeting of shareholders shall receive a grant of options for the purchase of 3,000 shares of common stock of the Company effective November 18, 1993.

(d) Each Eligible Director who is appointed, elected or re-elected to the Board of Directors on or after August 19, 1998, shall receive a grant of options for the purchase of shares of common stock of the Company, effective on the date of appointment, election or re-election to the Board in an amount equal to 3,000 options for each year of the term of that person's directorship (i.e., 3,000 options for a one year term, or lesser period; 3,000 options for a two year term, or lesser period exceeding one year; or 9,000 options for a three year term, or lesser period exceeding two years).

The foregoing respective dates of grant are referred to herein as the "Grant Date." Notwithstanding the foregoing, if on the scheduled Grant Date, the President determines, in his discretion, that the Company is in possession of material, undisclosed information that would prevent the Company from issuing securities, then the grant of options to Eligible Directors pursuant to this Section 4.1 will be suspended until the third day after public dissemination of such information. The President may only suspend the grant; the amount and other terms of the grant will remain as set forth in the Plan, with the exercise price of the option to be determined in accordance with the Plan on the date the option is finally granted.

4.2 Exercisability. Subject to Sections 4.6 and 4.7 below, each option agreement dated prior to August 19, 1998 shall provide that the option will vest and become first exercisable annually in increments of 1,000 shares of Common Stock commencing on the first anniversary of the Grant Date. Subject to Sections 4.6 and 4.7 below, each option agreement date on or after August 19, 1998, shall provide that the option will vest and become first exercisable annually in increments of 3,000 shares of Common Stock commencing on the first anniversary of the grant date. If the Plan is not approved by the shareholders, all options granted under the Plan shall thereupon lapse.

4.3 Option Period. Subject to Sections 4.6 and 4.7 below, each option agreement shall provide that the option shall expire at the end of seven (7) years from the date granted or upon dissolution of the Company, if earlier.

4.4 Option Price. The exercise price per share for options granted under the Plan shall be the "Fair Market Value" (as defined herein) as of the Common Stock on the Grant Date. As used herein, "Fair Market Value" shall mean: (a) the average between the high and low reported sale prices for the Common Stock on the date of determination (or, if there were no such sales on that date, on the next most recent date on which there were such sales) as reported on the Composite Tape if the Common Stock is listed on the New York Stock Exchange ("NYSE") or on the National Association of Securities Dealers National Market System ("NMS"), (b) if the Common Stock is not then listed on the NYSE or the NMS, the average between the closing bid and asked price quotations for the Common Stock on that date (or if none on that date, on the next most recent date on which there were such quotations) as reported by the National Association of Securities Dealers Automatic Quotation System or any successor thereto or (c) if the Common Stock is not then listed as described above, such value as is reasonably determined by the Committee based on the then current fair market value of the Common Stock.

4.5 Payment of Option Price. The purchase price of the shares as to which an option shall be exercised shall be paid in cash, check, bank draft or money order made payable to the Company, or by a "cashless exercise" procedure established between the Company and a stock brokerage firm, subject to compliance with applicable securities laws.

4.6 Exercise in the Event of Death or Ceasing to be a Board Member. Each option agreement shall be subject to the following:

(a) If an optionee ceases to be a director of the Company (other than by death or a "Change in Control" (as defined herein)), the options which are then exercisable (vested) may be exercised until seven (7) years from the date of grant, and shall thereafter lapse.

(b) If an optionee ceases to be a director of the Company because of death or a "Change in Control," all outstanding options, whether or not vested, shall immediately become exercisable until seven (7) years from the date of grant, and shall thereafter lapse.

Options that are not exercisable (not vested) as of the date an optionee ceases to be a director of the Company (other than by death or due to a Change in Control) shall immediately lapse on that date.

4.7 Change in Control. A "Change in Control" shall, unless the Board otherwise directs by resolution adopted prior thereto, be deemed to occur if (i) any "person" (as that term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 as amended ("Exchange Act")) is or becomes the beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50% or more of the voting capital stock of the Company ("Voting Stock") or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's shareholders of each new director was approved by a vote of at least three-quarters of the directors then still in office who were directors at the beginning of the period. Any merger, consolidation or corporate reorganization in which the owners of the Company's capital stock entitled to vote in the election of directors prior to said combination, own 50% or more of the resulting entity's Voting Stock shall not, by itself, be considered a change in control for the purposes of this Plan.

4.8 Adjustment of Number of Shares. If, and to the extent that, the number of issued shares of the Capital Stock of the Company shall be increased or reduced by change in par value, recapitalization, reorganization, merger, consolidation, split up, distribution of a dividend payable in stock or the like, the number of shares subject to the option and the option price therefor shall be equitably adjusted by the Committee consistent with such change to prevent substantial dilution or enlargement of the rights granted to or available to optionees.

Subject to the foregoing, the grant of an option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

4.9 No Rights as Stockholder. An optionee shall not, by reason of any option granted hereunder, have any right of a stockholder of the Company with respect to the shares covered by his or her option until such shares shall have been issued to the optionee.

4.10 No Obligation to Exercise Option. The granting of an option shall impose no obligation upon the optionee to exercise such option. Neither shall the Plan confer upon the optionee any rights respecting continued directorship.

4.11 Withholding Taxes. Prior to the delivery of any certificates or certificates for shares issuable upon exercise of an option, the Company shall have the right to require any optionee to remit to the Company an amount sufficient to satisfy any federal and state withholding or other taxes, if any, resulting from such option exercise. Payment of such amount may be made in the same manner as payment of the exercise price or by tendering previously owned shares of the Company's Common Stock with a Fair Market Value (as defined herein) on the date of exercise equal to such amount, subject to compliance with applicable securities laws.

4.12 Common Stock Acquired for Investment. Common Stock acquired by an optionee under this Plan by exercise of any option shall be acquired by the optionee for investment and without intention of resale, unless, in the opinion of counsel of the Company, such common stock may be purchased without any investment representation. Where an investment representation is deemed necessary, the Committee may require a written representation to that effect by the optionee as a condition of the optionee exercising an option under this Plan, and the Committee may place an appropriate legend on the common stock issued to the optionee indicating that such common stock has not been registered under federal or state securities laws. Each option shall be subject to the requirement that if, at any time, the Committee shall determine in its discretion that the listing, registration or qualification of the shares subject to such option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such option or the issuance or purchase of shares thereunder, then such option shall not be granted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. Nothing contained herein shall require the Company to register the options or the shares of voting common stock purchased upon the exercise of said options.

4.13 Liquidation. Upon the complete liquidation of the Company, any unexercised options theretofore granted under this Plan shall be deemed canceled, except as otherwise provided in the Plan in connection with a merger, consolidation or reorganization of the Company.

4.14 Transfer of Option. Each option granted hereunder shall, by its terms, not be transferable by the optionee other than by will or by the laws of descent and distribution, and shall be, during the optionee's lifetime, exercisable only by the optionee. Except as permitted by the preceding sentence, each option granted under the Plan and the rights and privileges thereby conferred shall not be transferred, assigned or pledged in any way (whether by operation of law or otherwise), and shall not be subject to execution, attachment or similar process. Upon any attempt to so transfer, assign, pledge, or otherwise dispose of the option, or of any right or privilege conferred thereby, contrary to the provisions of the option or the Plan, or upon levy of any attachment or similar process upon such rights and privileges, the option, and such rights and privileges, shall immediately become null and void.

4.15 Governing law. The Plan shall be governed by and construed in accordance with the internal laws of the State of South Dakota without reference to the principles of conflicts of law thereof.

4.16 Expiration Date. The Plan shall terminate November 17, 2003, or on such earlier date determined by the Board. Any termination shall not affect any options then outstanding under the Plan. No options may be granted after termination.

V.
AMENDMENT AND TERMINATION

5.1 The Board may from time to time amend, suspend or discontinue the Plan provided that, subject to the provisions of Section 4.8 above, no action of the Board may permit the granting of any option at the option price less than that determined in accordance with Section 4.4 above; adjust or change the Grant Date determined under Section 4.1 above; or shorten the period provided for in Section 4.3 above. However, the Plan may not be amended more than once every six months other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules thereunder. Without the written consent of an optionee, no amendment or suspension of the Plan shall alter or impair any option previously granted to him or her under the Plan. The Board may, subject to limitations in the Plan, modify, extend or renew outstanding options granted under the Plan, or accept the surrender of outstanding options to the extent unexercised.

VI.
EFFECTIVE DATE

6.1 The Plan was adopted by the Board of Directors of the Company effective November 18, 1993, and its effectiveness is subject to approval by the shareholders of the Company. The plan was amended effective August 19, 1998, and the effectiveness of the amendment is subject to approval by the shareholders of the Company.

Exhibit 10.7

TERM NOTE

$5,000,000.00 Brookings, South Dakota
February 4, 1999

FOR VALUE RECEIVED, Daktronics, Inc., a South Dakota corporation ("Borrower"), hereby promises to pay to the order of U.S. Bank National Association, a national banking association, 141 North Main Avenue, Post Office Box 5308, Sioux Falls, South Dakota 57117 ("Lender", which term shall include any future holder hereof), at or at such other place as Lender may from time to time designate in writing, in lawful money of the United States of America, the principal sum of Five Million and No/100 Dollars ($5,000,000.00) or so much thereof as may be advanced hereunder and to pay interest on the outstanding principal balance hereof from time to time at the rate of seven and 09/100 percent (7.09%) per annum. Interest shall be computed on the basis of actual days elapsed and year of 360 days. Accrued interest from the date hereof shall be paid on the first day of March, 1999. Equal installments of principal and interest shall be paid in the sum of Ninety-nine Thousand Two Hundred Nineteen and No/100 Dollars ($99,219.00) commencing on the first day of April, 1999 and continuing on the first day of each month thereafter through April 1, 2004 (the "Term Maturity Date").

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

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

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

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

"Average Remaining Maturity Period" means the weighted average time to scheduled maturity of the amount prepaid. Average Remaining Maturity Period shall be computed by multiplying the dollar amount of each installment of principal prepaid by the number of days from the prepayment date

until the scheduled maturity of that installment, adding together the resulting products and dividing the resulting sum by the total dollar amount of principal being prepaid.

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

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

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

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

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

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

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

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

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

DAKTRONICS, INC.

By

Its President/Chief Executive Officer

Exhibit 21.1

SUBSIDIARIES OF COMPANY

Star Circuits, Inc.
MSC Technologies, Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements on Form S-8 for Daktronics, Inc. 1993 Stock Option Plan and Outside Directors Stock Option Plan and Daktronics, Inc. 401(k) Profit Sharing Plan and Trust and in the related Prospectuses of our report, dated June 28, 1999, with respect to the consolidated financial statements of Daktronics, Inc. and subsidiary and the schedule included in this Annual Report on Form 10-K for the year ended May 1, 1999.

McGLADREY & PULLEN, LLP

Sioux Falls, South Dakota
July 28, 1999

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YEAR
MAY-01-1999
MAY-03-1998
MAY-01-1999
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