Dycom Industries, Inc. 2001 Annual Report Form 10-K

2001

Corporate Profile

Dycom Industries, Inc., headquartered in Palm Beach Gardens, Florida, provides engineering, construction and maintenance services to telecommunications and utility companies throughout the United States. Founded in 1969, the Company is composed of 26 independently operating subsidiaries based in Arizona, Florida, Georgia, Kentucky, Louisiana, Missouri, North Carolina, Oregon, Pennsylvania, South Carolina, Tennessee, Utah, Virginia and Washington. The Company currently serves over 100 different customers in 44 states, with a workforce of approximately 6,700 employees based in more than 200 locations.

Dycom's services include engineering, placement and maintenance of aerial, underground and buried cable systems owned by telephone companies and cable television providers. The Company also installs integrated voice, data and video networks within office buildings and similar structures, and installs direct broadcast satellite systems. In addition, Dycom provides locating services to map and mark underground utilities, and provides electrical utility power line contracting services including the installation, upgrade and maintenance of high voltage power grids.

Approximately 90 percent of Dycom's business is derived from companies that transmit information using video, voice, or data networks, including cable television multiple system operators and local and long distance telephone companies. Among these companies are a large number of "blue chip" telecommunications and utility firms, which typically engage Dycom's subsidiaries through multi-year master service agreements.

While growth in the telecommunications industry has slowed during the past year, the long-term climate remains positive for Dycom. Among the factors contributing to this view is the ongoing trend toward deregulation, as seen in the Telecommunications Reform Act of 1996, which helped spur increased competition among telephone and cable operators. Concurrently, telecommunications providers are relying increasingly on outsourcing arrangements to meet the need for engineering, construction and maintenance services. Such arrangements allow them to respond more quickly to the demand for greatly increased transmission capacity without incurring long-term payroll commitments or capital expenditures.

As a publicly traded company with exceptional financial strength, Dycom has the resources and expertise to respond to the continuing needs of its telecommunications customers on a national scale. In an industry that historically has been highly fragmented, the Company's growth strategy has been built upon a carefully planned program of selective acquisitions involving established, well-respected construction and service companies with proven track records and highly skilled, dedicated employees. In addition, Dycom continues to focus on strengthening its relationships with existing customers through long-term contractual commitments.

This combination of factors puts Dycom in an exceptional position to respond as demand renews for the sophisticated new infrastructure required by today's new technologies.

Financial Highlights

(In thousands, except per share and employee amounts)[1]

	2001	2000	1999	1998	1997	Percent Change 2001 vs. 2000
Total revenues	$826,746	$806,270	$501,155	$389,475	$332,882	2.5%
Net income	61,410	65,032	40,103	23,930	17,613	-5.6%
Earnings per share – diluted	1.44	1.54	1.06	0.68	0.56	-6.5%
Pro forma net income	N/A	N/A	N/A	22,555	15,728	N/A
Pro forma earnings per share – diluted	N/A	N/A	N/A	0.65	0.50	N/A
Weighted average number of shares and potential shares outstanding	42,770	42,315	37,911	34,950	31,411	1.1%
Total assets	575,696	514,000	399,672	178,580	124,513	12.0%
Long-term obligations	21,867	21,263	19,291	25,037	24,487	2.8%
Stockholders' equity	468,881	377,978	297,442	104,764	48,034	24.1%
Number of employees	6,700	7,260	5,951	4,013	3,822	-7.7%

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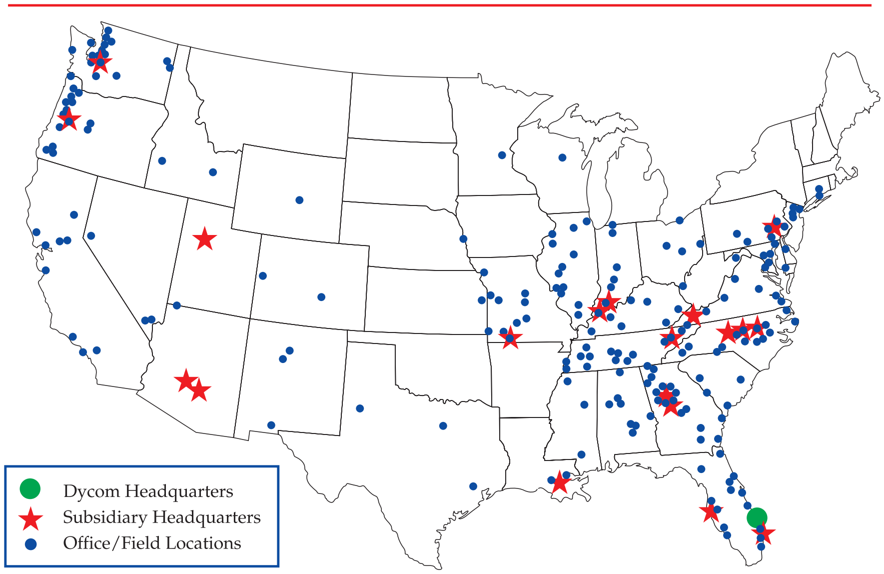
Dycom's Nationwide Presence



Dear Fellow Shareholders:

Fiscal year 2001 proved to be the most challenging year Dycom Industries, Inc. has encountered in the last five years. Nevertheless, Dycom continues to weather the challenge of a slowing economy well and is solidly positioned for the future, as a result of prudent financial management, a strong balance sheet, and the outstanding efforts of our employees and management team.

For the year ending July 28, 2001, Dycom reported total revenues of $826,746,000, compared to $806,270,000 for fiscal year 2000, an increase of 2.5 percent. Income before income taxes decreased by 3.9 percent to $104,983,000, compared to $109,233,000 for fiscal year 2000. These figures include the effect of a $2.4 million charge for merger-related expenses incurred in fiscal year 2000.

While revenue growth and income were down from the brisk pace we enjoyed over the last five years, Dycom continued to outperform other companies in our industry. This continued strength is due to several key factors:

- First, our exceptional cash reserves support the most robust balance sheet in the industry. In spite of the economic slowdown, cash reserves continued to grow during the last quarter of the year while receivables, measured as days' sales outstanding, were decreasing. This reflects a focused effort on ensuring that profits are turned into cash quickly.
- Second, our subsidiaries continue to perform well, given the opportunities that now exist. Dycom maintains strong customer relationships throughout all our markets, with a significant part of our business generated through multi-year master service agreements with large, "blue chip" companies. This customer base, coupled with a continuing solid backlog in excess of $1 billion, minimizes credit risk and enables us to better predict revenue over the near term.

- Third, our experienced management team successfully implemented proven cost controls and productivity improvements while maintaining appropriate staffing and capital equipment levels. This enabled us to reduce our workforce as necessary without a negative impact on gross margins. We have taken special care to retain our most skilled and desirable personnel, recognizing that their abilities will be crucial when we resume our long-term expansion.

We are also proud that Dycom has maintained excellent credibility with our shareholders and with the larger investment community throughout the current economic trend. Dycom's openness and straightforward approach in connection with its financial expectations have served us well in the market, and will continue to benefit our shareholders in the years to come.

Our long-term outlook remains optimistic, regardless of short-term budgetary constraints that are forcing some customers to reduce or postpone expenditures. Any uncertainty we feel about our industry is not over its ultimate direction, but simply over the timeframe when growth will resume. Moreover, while the terrorist attacks of September 11 have already had an obvious and measurable impact on the economy, we harbor no doubts that lower short-term interest rates and other stimulus efforts will ultimately have a strong positive impact.

Our current industry view is reflected in the pace of our acquisitions, which have slowed somewhat during the past six months. Nevertheless, we were able to complete five acquisitions during fiscal year 2001. The largest acquisition of the year was Point to Point Communications, Inc., which was acquired in December 2000. Based in Broussard, Louisiana, Point to Point provides central office equipment, engineering, installation, testing and maintenance services for the optical networks of telecommunication providers throughout the United States. Other fiscal year 2001 acquisitions include Cable Connectors, Inc., acquired in October 2000; Schaumburg Enterprises, Inc., acquired in December 2000; Stevens Communications, Inc., acquired in January 2001; and Nichols Holding, Inc., acquired in April 2001.

Two other events of the past year merit specific mention:

- In April 2001 our Board of Directors adopted a new shareholder rights plan, to replace a previous plan that became outdated. The new plan provides our shareholders with valuable protections against partial tender offers and other coercive takeover tactics that might be used in an attempt to gain control of the Company without paying all shareholders a fair price.
- Finally, on June 4, 2001, our Board of Directors authorized the repurchase of up to $25 million of Dycom Industries' common stock. The stock repurchases may be made over an 18-month period in either open market or private transactions.

Once again, we owe a debt of gratitude to our Board of Directors, our customers and our employees for their stalwart performance during a challenging period. We firmly believe that Dycom's superior financial health and the ongoing strong performance of our subsidiaries will continue to differentiate us from our competitors, and will give us powerful leverage to take advantage of new opportunities as our industry resumes its long-term growth.

Sincerely,

Steven Nielsen

Steven E. Nielsen
President and Chief Executive Officer

Like all Americans – and like people of good will everywhere – all of us at Dycom Industries, Inc. share a profound sense of sorrow and shock at the terror that was recently unleashed on our country. Our thoughts and prayers go out to those whose families were directly affected by the attacks, and to those who are now being called into service to defend our communities and our country. We are determined to continue our lives and our endeavors, undeterred by the horrors of that day, convinced that our country's economic and emotional recovery will be the ultimate expression of our victory over terrorism.

Positioned to Lead in a Reemerging Industry

As the telecommunications industry works its way through the current economic slowdown, Dycom Industries, Inc. is uniquely positioned to emerge from the current business cycle in an even stronger strategic and competitive position. This is due to the convergence of a series of economic and strategic drivers that are remarkably similar to those that spurred Dycom's exceptional growth over the past decade. Indeed, the conditions are favorable for Dycom to replicate its previous performance on an even larger scale.

External Factors Contributing to Dycom's Past Growth

During the 1990s, Dycom's growth was aided by a series of factors, which the Company was able to capitalize on as it enjoyed unprecedented success in its industry segment. These contributing factors to Dycom's success included:

1) ***Economic Growth:*** The economy in general, and the telecommunications industry in particular, enjoyed solid growth throughout the mid to late 1990s. This growth was seen across all regions of the United States.
2) ***Regulatory Changes:*** The Telecommunications Reform Act of 1996 was particularly significant to Dycom, producing a changing regulatory environment that increased competition within its customers' industry segments.
3) ***Technological Advances:*** Both the cable and telephone industries saw important advances during this time. In particular, advances in fiber optics led to more rapid network deployment and a push to complete construction of the "last mile," which brings fiber optic connectivity to the individual business or residential customer.
4) ***Increased Competition:*** As a result of deregulation, cable television companies were pitted against satellite providers; telephone companies against cable providers; RBOCs (regional Bell operating companies) against CLECs (competitive local exchange carriers); and traditional long distance providers against new, emerging carriers. This highly competitive environment generated strong demand for Dycom's construction and engineering services.
5) ***Strong Capital Markets***: Relatively low interest rates and a generally supportive investment environment enabled continuing growth and expansion among Dycom's customer base.

Of course, while these factors contributed to an overall beneficial economic environment in the mid to late 1990s, Dycom's success was not automatically assured. Throughout the economic expansion, Dycom demonstrated a critical ability to capitalize on these favorable circumstances, responding with a combination of foresight and prudent management.

Dycom's Successful Response

Dycom's tactical response to the strategic opportunities of the 1990s included a series of accretive acquisitions. As a result, Dycom's sales grew strongly throughout the mid to late 1990s, but profits grew even faster, as the acquired companies helped Dycom outperform the industry as a whole and expand its market share. Specifically, from 1995 to 2000, Dycom revenues grew fivefold, but profits grew more than tenfold.

Moreover, the acquired companies helped achieve a high level of synergy, as other Dycom subsidiaries absorbed new management and technical tools. The acquired companies, coupled with the prior base subsidiaries' continued strong financial performance, enabled Dycom to build an exceptionally strong balance sheet, along with a diverse and stable customer base.

Today, that customer base continues to grow more diverse. Over the past five years, Dycom's five largest customers have contributed a steadily decreasing share of the Company's total revenues, making the Company less dependent on a few large clients. While the customer roster consists primarily of large, blue chip telecommunications and cable TV providers, no single customer dominates the list. Moreover, Dycom's multi-year master service agreements provide a measure of insulation from short-term cyclical variations.

Today's Business Environment

The strategic environment for Dycom today bears striking similarities to the conditions that enabled Dycom's previous successes. In fact, variations of the same five contributing factors are still seen:

1) ***Economic Growth:*** Federal Reserve rate cuts have helped increase the money supply, which will ultimately spur economic growth. While the effects of such Fed actions are typically seen six to nine months after the fact, the events of September 11 will obviously impact the timeframe for recovery. Nevertheless, it is reasonable to expect that the recent cycle of interest rate reductions will ultimately restore economic growth.
2) ***Regulatory Changes:*** Congress is already considering some revisions to the Telecommunications Reform Act of 1996, and a number of technology companies are lobbying for additional changes, all of which will increase the demand for infrastructure.
3) ***Technological Advances:*** Increasing bandwidth is now driving further advances in so-called "killer" applications, which perform functions that were unavailable even a few years ago. Inevitably, each of these advances generates demand for even more bandwidth.
4) ***Increased Competition:*** Telecom equipment manufacturers are under pressure to lower prices, which will lead to more installations and still more demand for bandwidth. At the same time, the telecommunications industry is seeing increased competition, as new technologies and lower costs attract new players.
5) ***Strong Capital Markets:*** Although they were set back by the September 11 attacks, capital markets will continue to improve as interest rates decline, following patterns we have seen many times in the past.

The overall demand for data and telecommunications systems has grown dramatically in the past few years, and is expected to continue increasing over the years to come. One leading analyst foresees an overall 33 percent cumulative annual growth rate in network traffic between 1999 and 2005, including a 55 percent cumulative annual growth rate in Internet traffic. The physical limitations of existing facilities will continue to spur demand for experienced, specialized companies such as Dycom, which has demonstrated expertise in the construction and maintenance of highly challenging "local loop" connections to "long haul" networks.

Responding to Today's Environment

Dycom's tactical response to today's strategic situation is to anticipate which industry sectors will generate the most demand first, and then position its subsidiaries to meet that demand. Dycom is committed to remaining open to innovation and the adoption of "best practices" developed by its various subsidiaries. In this sense, Dycom's subsidiaries are far more than sources of revenue; they are also sources of creativity and strength as individual companies pioneer new tools and techniques such as IT workforce management systems and entrepreneurial management approaches.

These innovations, coupled with excellent long-term customer relationships and financial strength, place Dycom in a strong position of leadership in an industry that is preparing for a resurgence.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 July 28, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission File Number 0-5423

DYCOM INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Florida	59-1277135
(State of incorporation)	(I.R.S. Employer Identification No.)
4440 PGA Boulevard, Suite 500, Palm Beach Gardens, Florida	33410
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (561) 627-7171
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.33⅓ per share	New York Stock Exchange

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

None
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __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. [ ]

The aggregate market value of the common stock, par value $.33⅓ per share, held by non-affiliates of the registrant, computed by reference to the closing price of such stock on September 28, 2001 was $497,933,398.

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

Class	Outstanding as of September 28, 2001
Common Stock, $.33⅓	42,925,293

PART I

Item 1. Business

Overview

Dycom is a leading provider of specialty contracting services, including engineering, construction, installation, and maintenance services to telecommunications providers throughout the United States. The Company's comprehensive range of telecommunications infrastructure services include the engineering, placement and maintenance of aerial, underground, and buried fiber-optic, coaxial and copper cable systems owned by local and long distance communications carriers and cable television multiple system operators. Additionally, the Company provides similar services related to the installation of integrated voice, data, and video local and wide area networks within office buildings and similar structures. The Company also provides underground locating services to various utilities and provides construction and maintenance services to electrical utilities. For the fiscal year ended July 28, 2001, specialty contracting services related to the telecommunications industry, underground utility locating, and electrical construction and maintenance contributed approximately 92.4%, 5.8%, and 1.8%, respectively, to the Company's total contract revenues.

Through its 22 wholly-owned subsidiaries, Dycom has established relationships with many leading local exchange carriers, long distance providers, cable television multiple system operators and electric utilities. Such key customers include BellSouth Corporation, Comcast Corporation, Qwest Communications, Inc., Charter Communications, Inc., Sprint Corporation, Williams Communications, Inc., AT&T Corporation, DIRECTV, Inc., Adelphia Communications Corporation, Verizon Communications, Inc., Worldcom, Inc., SBC Communications, Inc., Cablevision Systems Corporation, and Cox Communications, Inc. During fiscal 2001, approximately 81% of the Company's total contract revenues came from multi-year master service agreements and other long-term agreements with large telecommunications providers and electric utilities.

Recent Acquisitions

During fiscal 2001, Dycom continued to make acquisitions to supplement its existing businesses. The acquisitions made during the fiscal year ended July 28, 2001 included:

Cable Connectors, Inc. ("CAB") acquired in October 2000 for $3.2 million in cash and 13,286 shares of Dycom's common stock for an aggregate purchase price of $3.8 million before various transaction costs. Located in Greenwood, South Carolina, CAB's primary business is the construction and maintenance of telecommunications systems under master service agreements.

Schaumburg Enterprises, Inc. ("SEI") acquired in December 2000 for $3.1 million in cash and 15,518 shares of Dycom's common stock for an aggregate purchase price of $3.8 million before various transaction costs. Located in Coburg, Oregon, SEI's primary business is the construction and maintenance of telecommunications systems under master service agreements.

Point to Point Communications, Inc. ("PTP") acquired in December 2000 for $52.2 million in cash and 312,312 shares of Dycom common stock for an aggregate purchase price of $65.3 million before various transaction costs. Located in Broussard, Louisiana, PTP's primary business is providing telecommunication construction services throughout the United States.

Stevens Communications, Inc. ("SCI") acquired in January 2001 for $9.9 million in cash and 76,471 shares of Dycom common stock for an aggregate purchase price of $12.5 million before various transaction costs. Located in Lawrenceville, Georgia, SCI's primary business is the construction and maintenance of telecommunication systems under master service agreements.

Nichols Holding, Inc. ("NCI") acquired in April 2001 for $11.5 million in cash and 437,016 shares of Dycom common stock for an aggregate purchase price of $17.7 million before various transaction costs. Located in Vansant, Virginia, NCI's primary business is the construction and maintenance of telecommunication systems under master service agreements.

In connection with each of the acquisitions referred to above, the Company entered into employment contracts with certain executive officers of each of the acquired companies varying in length from three to six years. See “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information regarding these acquisitions.

Specialty Contracting Services

Telecommunications Services

Engineering. Dycom provides outside plant engineers and drafters to local exchange carriers. The Company designs aerial, underground and buried fiber optic and copper cable systems from the telephone central office to the consumer’s home or business. Engineering services provided to local exchange carriers include the design of service area concept boxes, terminals, buried and aerial drops, transmission and central office equipment design and the proper administration of feeder and distribution cable pairs. For competitive access providers, Dycom designs building entrance laterals, fiber rings and conduit systems. The Company obtains rights of way and permits in support of engineering activities, and provides construction management and inspection personnel in conjunction with engineering services or on a stand alone basis. Also, for cable television multiple system operators, Dycom performs make ready studies, strand mapping, field walk out, computer-aided radio frequency design and drafting, and fiber cable routing and design.

Construction, Installation, and Maintenance. The services provided by the Company include the placing and splicing of cable, excavation of trenches in which to place the cable, placement of related structures such as poles, anchors, conduits, manholes, cabinets and closures, placement of drop lines from the main distribution lines to the customer’s home or business, and maintenance and removal of these facilities. In addition, the Company installs and maintains transmission and central office equipment. The Company has the capability to directionally bore the placement of cables, a highly specialized and increasingly necessary method of placing buried cable networks in congested urban and suburban markets where trenching is impractical.

Premise Wiring. The Company provides premise wiring services to a variety of large corporations and certain governmental agencies. These services, unlike the engineering, construction, installation, and maintenance services provided to telecommunications companies, are predominantly limited to the installation, repair and maintenance of telecommunications infrastructure within improved structures. Projects include the placement and removal of various types of cable within buildings and individual offices. These services generally include the development of communication networks within a company or government agency related primarily to the establishment and maintenance of computer operations, telephone systems, Internet access and communications monitoring systems established for purposes of monitoring environmental controls or security procedures.

Underground Utility Locating Services

The Company is a provider of underground utility locating services, primarily to telecommunications providers. Under a variety of state laws, excavators are required to locate underground utilities prior to excavating. Utilities located include telephone, cable television, power and gas. These services are offered throughout the United States. During fiscal year 2001, the Company provided services to customers in 13 states.

Electrical Construction and Maintenance Services

The Company performs electrical construction and maintenance services for electric companies. This construction is performed primarily as a stand alone service, although at times it is performed in conjunction with services for telecommunications providers. These services include installing and maintaining electrical transmission and distribution lines, setting utility poles and stringing electrical lines, principally above ground. The work performed may involve high voltage splicing and, on occasion, the installation of underground high voltage distribution systems. The Company also repairs and replaces lines which are damaged or destroyed as a result of weather conditions.

Revenues by Customer

For the fiscal years ended July 28, 2001, July 29, 2000 and July 31, 1999, the percentages of the Company's total contract revenues earned were derived from specialty contracting services related to the telecommunications industry, underground utility locating, and electrical construction and maintenance as set forth below:

	Year ended		
	July 28, 2001	**July 29, 2000**	**July 31, 1999**
Telecommunications	92%	92%	90%
Electrical utilities	2	3	4
Utility line locating	6	5	6
Total	100%	100%	100%

Customer Relationships

Dycom's current customers include local exchange carriers such as BellSouth Corporation, Qwest Communications, Inc., Sprint Corporation, SBC Communications, Inc., Alltel Corporation, and Verizon Communications. Dycom also currently provides telecommunications engineering, construction, installation, and maintenance services to a number of cable television multiple system operators including Comcast Corporation, Charter Communications, Inc., AT&T Corporation, Cablevision Systems Corporation, Mediacom Communications Corporation, Cox Communications, Inc., Adelphia Communications Corporation, and Time Warner, Inc. Dycom also provides its services to other telecommunication companies such as Williams Communications, Inc. and Worldcom, Inc. Premise wiring services have been provided to, among others, Lucent Technologies, Inc., Duke University, International Business Machines Corporation, and various state and local governments. The Company also provides construction and maintenance support to Lee County Electrical Cooperative and Florida Power Corporation.

While the Company's customer base has broadened in recent years, the Company's customer base remains highly concentrated, with its top five customers in fiscal years 2001, 2000, and 1999 accounting in the aggregate for approximately 52%, 53%, and 60%, respectively, of the Company's total revenues. During fiscal 2001, approximately 17.9% of the Company's total revenues were derived from BellSouth Corporation, 15.9% from Comcast Corporation, and 6.9% from Qwest Communications, Inc. The Company believes that a substantial portion of its total revenues and operating income will continue to be derived from a concentrated group of customers. The loss of any of such customers could have a material adverse effect on the Company's business, financial condition, results of operations or cash flow.

A significant amount of the Company's business is performed under master service agreements. These agreements with telecommunications providers are generally exclusive requirement contracts, with certain exceptions, including the customer's option to perform the services with its own regularly employed personnel. The agreements are typically three to five years in duration, although the terms typically permit the customer to terminate the agreement upon 90 days prior written notice. Each agreement contemplates hundreds of individual construction and maintenance projects valued generally at less than $10,000 each. Other jobs are bid by the Company on a nonrecurring basis.

Although historically master service agreements have been awarded through a competitive bidding process, recent trends have been toward securing or extending such contracts on negotiated terms.

Sales and marketing efforts of the Company are the responsibility of the management of Dycom and its operating subsidiaries.

Backlog

The Company's backlog is comprised of the uncompleted portion of services to be performed under job-specific contracts and the estimated value of future services that the Company expects to provide under long-term requirements contracts. The Company's backlog at July 28, 2001 and July 29, 2000 was $1.013 and $1.156 billion, respectively. As of July 28, 2001, the Company expected to complete approximately 48.5% of this backlog within the next fiscal year. Due to the nature of its contractual commitments, in many instances the Company's customers are not committed to the specific volumes of services to be purchased under a contract, but rather the Company is committed to perform these services if requested by the customer. However, the customer is obligated to obtain these services from the Company if they are not performed by the customer's employees. Many of these contracts are multi-year agreements, and the Company includes in its backlog the full amount of services projected to be performed over the term of the contract based on its historical relationships with its customers and experience in procurement of this nature. Historically, the Company has not experienced a material variance between the amount of services it expects to perform under a contract and the amount actually performed for a specified period. There can be no assurance, however, as to the customer's requirements during a particular period or that such estimates at any point in time are accurate.

Safety and Risk Management

The Company is committed to ensuring that its employees perform their work in the safest possible manner. The Company regularly communicates with its employees to promote safety and to instill safe work habits. Dycom's safety director, a holding company employee, reviews all accidents and claims throughout the operating subsidiaries, examines trends and implements changes in procedures or communications to address any safety issues.

The primary claims arising in the Company's business are workers' compensation and other personal injuries, various general liabilities, and vehicle liability (personal injury and property damage). For losses occurring during fiscal year ended July 2001, the Company retains the risk, on a per occurrence basis for automobile liability to $250,000, for general liability to $250,000, and for workers' compensation, in states where the Company elects to do so, to $500,000. The Company had aggregate stop loss coverage, for fiscal year 2001 for the above exposures at the stated retentions, of $17.8 million adjusted for certain exposures, in addition to umbrella liability coverage to a policy limit of $100.0 million. For losses occurring during the upcoming fiscal year ending July 2002, the Company retains the risk, on a per occurrence basis for automobile liability to $500,000, for general liability to $250,000 and for workers' compensation, in states where the Company elects to do so, to $500,000. For fiscal year 2002, the Company will have aggregate stop loss coverage for the above exposures at the stated retentions, of $20.0 million adjusted for certain exposures, in addition to umbrella coverage to a policy limit of $75.0 million. Within the umbrella coverage, the Company has retained the risk of loss between $2.0 and $5.0 million with an aggregate stop loss for this layer of $10.0 million.

The Company carefully monitors claims and participates actively in claims estimates and adjustments. The estimated costs of self-insured claims, which include estimates for incurred but not reported claims, are accrued as liabilities on the Company's balance sheet. Due to fluctuations in the Company's loss experience in recent years, insurance accruals have varied from year to year and have had an effect on operating margins. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 1 of Notes to Consolidated Financial Statements.

Competition

The telecommunications engineering, construction, installation, and maintenance services industry, electrical contracting industry, and utility locating industry in which the Company operates are highly competitive. The Company competes with other independent contractors in most of the markets in which it operates, several of which are large domestic companies, some of which may have greater financial, technical, and marketing resources than the Company. In addition, there are relatively few, if any, barriers to entry into the markets in which the Company operates and, as a result, any organization that has adequate financial resources and access to technical expertise may become a competitor. A significant portion of the Company's revenues are currently derived from master service agreements and price is often an important factor in the award of such agreements. Accordingly, the Company could be outbid by its competitors in an effort to procure such business. There can be no assurance that the Company's competitors will not develop the expertise, experience and resources to provide services that are equal or superior in both price and quality to the Company's services, or that the Company will be able to maintain or enhance its competitive position. The Company may also face competition from the in-house service organizations of its existing or prospective customers, including telecommunications providers, which employ personnel who perform some of the same types of services as those provided by the Company. Although a significant portion of these services is currently outsourced, there can be no assurance that existing or prospective customers of the Company will continue to outsource telecommunications engineering, construction, installation, and maintenance services in the future.

The Company believes that the principal competitive factors in the market for telecommunications engineering, construction and maintenance services, electrical contracting services, and utility locating services include technical expertise, reputation, price, quality of service, availability of skilled technical personnel, geographic presence, breadth of service offerings, adherence to industry standards, and financial stability. The Company believes that it competes favorably with its competitors on the basis of these factors.

Employees

As of July 28, 2001, the Company employed approximately 6,700 persons. The number of employees of the Company and its subsidiaries varies according to the work in progress. As a matter of course, the Company maintains a nucleus of technical and managerial personnel from which it draws to supervise all projects. Additional employees are added as needed to complete specific projects.

Materials

Generally, the Company's customers supply most or all of the materials required for a particular contract; and the Company provides the personnel, tools, and equipment to perform the installation services. However, with respect to a portion of its contracts, the Company may supply part or all of the materials required. In these instances, the Company is not dependent upon any one source for the products which it customarily utilizes to complete the job. The Company is not presently experiencing, nor does it anticipate experiencing, any difficulties in procuring an adequate supply of materials.

Item 2. PROPERTIES

The Company leases its executive offices located in Palm Beach Gardens, Florida. The Company's subsidiaries operate from owned or leased administrative offices, district field offices, equipment yards, shop facilities, and temporary storage locations. The Company owns facilities in Phoenix, Arizona; Durham, North Carolina; Knoxville, Tennessee; Sturgis, Kentucky; Pinellas Park, Florida; Broussard, Louisiana; and West Palm Beach, Florida. The Company also leases, subject to long-term noncancelable leases, facilities in West Chester, Pennsylvania; Kimberling City, Missouri; Lithonia, Georgia; Issaquah, Washington; Greensboro, North Carolina; Rocky Mount, North Carolina; Nicholasville, Kentucky; Coburg, Oregon; Gold Hill, Oregon; Pleasant Grove, Utah; Daytona Beach, Florida; Jupiter, Florida; Greenwood, South Carolina; Vansant, Virginia; and Lawrenceville, Georgia. The Company also leases and owns other smaller properties as necessary to enable it to effectively perform its obligations under master service agreements and other specific contracts. The Company believes that its facilities are adequate for its current operations.

Item 3. LEGAL PROCEEDINGS

The federal employment tax returns for one of the Company's subsidiaries are currently being audited by the Internal Revenue Service ("IRS"). As a result of the audit, the Company received an examination report from the IRS in October 1999 proposing a $6.1 million tax deficiency. At issue, according to the examination report, is the taxpayer's payment of certain employee allowances for the years 1995 through 1997 without reporting such payment as wages on its employees' W-2 forms. The Company intends to vigorously defend its position in this matter and believes it has a number of legal defenses available to it, which could reduce the proposed tax deficiency, although there can be no assurance in this regard. The Company believes that the ultimate disposition of this matter will not have a material adverse effect on its consolidated financial statements.

In the normal course of business, the Company and certain subsidiaries have pending and unasserted claims. It is the opinion of the Company's management, based on information available at this time, that these claims will not have a material adverse impact on the Company's consolidated financial statements.

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

During the fourth quarter of the year covered by this report, no matters were submitted to a vote of the Company's security holders whether through the solicitation of proxies or otherwise.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "DY". The following table sets forth the range of the high and low closing sales prices for each quarter within the last two fiscal years as reported on the NYSE. The table has been adjusted to reflect a 3-for-2 stock split effected in the form of a stock dividend and paid in February 2000.

	Fiscal 2001		Fiscal 2000	
	High	Low	High	Low
First Quarter	$ 56	$ 36 3/4	$ 31 1/16	$ 20 11/16
Second Quarter	49 3/8	20 1/2	34 15/16	22 11/16
Third Quarter	23 10/27	10 1/2	56 1/4	28 11/16
Fourth Quarter	23 4/7	15 9/10	56 13/16	40 1/2

As of September 28, 2001, there were approximately 673 holders of record of the Company's $. 33 1/3 par value common stock. The common stock closed at a high of $21.89 and a low of $10.90 during the period July 29, 2001 through September 28, 2001.

The Company currently intends to retain future earnings, and since 1982, no cash dividends have been paid by the Company. The Board of Directors will determine any future change in dividend policies based on financial conditions, profitability, cash flow, capital requirements, and business outlook, as well as other factors relevant at the time. The Company's credit agreement expressly limits the payment of cash dividends to fifty percent (50%) of each fiscal year's after-tax profits. The credit agreement's covenants regarding the Company's debt-to-net worth, quick and current ratios also restrict the Company's ability to pay dividends.

On October 2, 2000, the Company issued 13,286 shares of the Company's common stock for the acquisition of CAB. On December 18, 2000, the Company issued 15,518 shares of the Company's common stock for the acquisition of SEI. On December 18, 2000, the Company issued 312,312 shares of the Company's common stock for the acquisition of PTP. On January 8, 2001, the Company issued 76,471 shares of the Company's common stock for the acquisition of SCI. On April 9, 2001, the Company issued 437,016 shares of the Company's common stock for the acquisition of NCI.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected financial data of the Company for the years ended July 28, 2001, July 29, 2000 and July 31, 1999, 1998, and 1997. The Company acquired Communications Construction Group, Inc. ("CCG") in July 1997, Cable Com Inc. ("CCI") and Installation Technicians, Inc. ("ITI") in April 1998, and Niels Fugal Sons Company ("NFS") in March 2000. These acquisitions were accounted for as pooling of interests and accordingly, the consolidated financial statements for the periods presented include the accounts of CCG, CCI, ITI and NFS. The table has been adjusted to reflect the 3-for-2 stock split effected in the form of a stock dividend and paid on January 4, 1999 and the 3-for-2 stock split effected in the form of a stock dividend and paid on February 16, 2000. This data should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

	2001[6]	2000[5]	1999[4]	1998[1]	1997[1]
	In Thousands, Except Per Share Amounts				
Operating Data:					
Total revenues	$826,746	$806,270	$501,155	$389,475	$332,882
Income before income taxes	104,983	109,233	66,590	37,525	26,655
Net income	61,410	65,032	40,103	23,930	17,613
Per Common Share:					
Basic net income	$ 1.45	$ 1.56	$ 1.08	$ 0.69	$ 0.57
Diluted net income	$ 1.44	$ 1.54	$ 1.06	$ 0.68	$ 0.56
Pro Forma Earnings[2]:					
Income before income taxes				$ 37,525	$ 26,655
Pro forma provision for income taxes				14,970	10,927
Pro forma net income				22,555	15,728
Pro Forma Per Common Share:					
Basic pro forma net income				$ 0.65	$ 0.51
Diluted pro forma net income				$ 0.65	$ 0.50
Balance Sheet Data (at end of period):					
Total assets	$ 575,696	$514,000	$399,672	$178,580	$124,513
Long-term obligations [3]	$ 21,867	$ 21,263	$ 19,291	$ 25,037	$ 24,487
Stockholders' equity	$ 468,881	$377,978	$297,442	$104,764	$ 48,034
Cash dividends per share	—	—	—	—	—

(1) The results of operations for fiscal 1998 and 1997 include a $0.4 million and $0.3 million reduction in the deferred tax valuation allowance, respectively.

(2) The provision for income taxes has been adjusted to reflect a pro forma tax provision for pooled companies which were previously "S Corporations."

(3) For fiscal 1998, certain customer advances have been reclassified as current liabilities in order to present comparable periods.

(4) Amounts include the results and balances of Locating, Inc. ("LOC"), Ervin Cable Construction, Inc. ("ECC"), Apex Digital, Inc. ("APX"), and Triple D Communications, Inc. ("DDD") from their respective acquisition dates until July 31, 1999.

(5) Amounts include the results and balances of Lamberts' Cable Splicing Company ("LCS"), C-2 Utility Contractors, Inc. ("C-2"), Artoff Construction Co., Inc. ("ACC"), K.H. Smith Communications, Inc. ("KHS"), and Selzee Solutions, Inc. ("SSI") from their respective acquisition dates until July 29, 2000.

(6) Amounts include the results and balances of CAB, SEI, PTP, SCI, and NCI from their respective acquisition dates until July 28, 2001.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Dycom derives most of its contract revenues earned from specialty contracting services, including engineering, construction, installation, and maintenance services, to the telecommunications industry. Additionally, the Company provides similar services related to the installation of integrated voice, data and video, local and wide area networks, within office buildings and similar structures. In addition, contract revenues earned are derived from underground utility locating services and from maintenance and construction services provided to the electric utility industry. The Company currently performs work for local exchange carriers, cable television multiple system operators, long distance carriers, and electric utilities throughout the United States. Other revenues include interest income and net gain on sale of surplus equipment.

Dycom provides services to its customers pursuant to multi-year master service agreements and long- and short-term contracts for particular projects. Under master service agreements, Dycom agrees to provide, for a period of several years, all specified service requirements to its customer within a given geographical territory. Under the terms of such agreements, the customer can typically terminate the agreement with 90 days prior written notice. The customer, with certain exceptions, agrees to purchase such services from Dycom. Materials to be used in these jobs are generally provided by the customer. Master service agreements generally provide that Dycom will furnish a specified unit of service for a specified unit price (e.g., fiber optic cable will be installed underground for a specified rate of dollars per foot). The Company recognizes revenue under master service agreements as the related work is completed. Dycom is currently party to approximately 70 master service agreements which were obtained by either bid or negotiation. Master service agreements are typically bid initially and may be extended by negotiation. The remainder of Dycom's services are provided pursuant to contracts for particular jobs. Long-term contracts relating to specific projects have terms in excess of one year from the contract date. Short-term contracts are generally from three to four months in duration from the contract date, depending upon the size of the project. Contract revenues from multi-year master service agreements and other long-term agreements represented 81.2% and 74.7% of total contract revenues in fiscal 2001 and 2000, respectively, of which contract revenues from multi-year master service agreements represented 51.2% and 45.8% of total contract revenues, respectively.

Cost of earned revenues includes all direct costs of providing services under the Company's contracts, other than depreciation on fixed assets owned by the Company or utilized by the Company under capital leases, which is included in depreciation and amortization expense. Cost of earned revenues includes all costs of construction personnel, subcontractor costs, all costs associated with operation of equipment, excluding depreciation, materials not supplied by the customer and insurance. Because the Company retains the risk for automobile and general liability, worker's compensation, and employee group health claims; subject to certain limits; a change in experience or actuarial assumptions that did not affect the rate of claims payments could nonetheless materially affect results of operations in a particular period. General and administrative costs include all costs of the holding company and subsidiary management personnel and administrative overhead. The Company's management personnel, including subsidiary management, undertake all sales and marketing functions as part of their management responsibilities and, accordingly, the Company does not incur material selling expenses.

Results of Operations

The following table sets forth, as a percentage of contract revenues earned, certain items in the Company's statement of operations for the periods indicated:

	Year Ended		
	July 28, 2001	July 29, 2000	July 31, 1999
Revenues:			
Contract revenues earned	100.0%	100.0%	100.0%
Expenses:			
Cost of earned revenue, excluding depreciation	74.4	74.5	72.9
General and administrative	8.9	8.1	9.8
Depreciation and amortization	4.8	3.9	4.3
Total expenses	88.1	86.5	87.0
Interest income, net	0.5	0.4	0.1
Merger-related expenses	–	(0.3)	–
Other income, net	0.3	–	0.2
Income before income taxes	12.7	13.6	13.3
Provision for income taxes	5.3	5.5	5.3
Net income	7.4%	8.1%	8.0%

Year Ended July 28, 2001 Compared to Year Ended July 29, 2000

Revenues. Contract revenues increased $20.4 million, or 2.5%, to $826.7 million in fiscal 2001 from $806.3 million in fiscal 2000. Of this increase, $20.0 million was attributable to specialty contracting services provided to telecommunications companies and $9.5 million was attributed to underground utility locating services provided to various utilities, offset by a decrease of $9.1 million in construction, installation, and maintenance services provided to electrical utilities. During fiscal 2001, the Company recognized $763.7 million of contract revenues from telecommunications services as compared to $743.7 million in fiscal 2000. The increase in the Company's telecommunications service revenues reflects an increased volume of projects and activity associated with cable television services, and an increase in services performed in the design and installation of broadband networks, telephone engineering services, telephony splicing services, premise wiring services, and revenues from services performed under master service agreements. The Company recognized contract revenues of $15.2 million from the electric construction and maintenance services group in fiscal 2001 as compared to $24.3 million in fiscal 2000, a decrease of 37.6%. The Company recognized contract revenues of $47.9 million from underground utility locating services in fiscal 2001 as compared to $38.3 million in fiscal 2000, an increase of 25.0%. The companies acquired in fiscal 2001 contributed $50.8 million of the increase in contract revenues.

Contract revenues from multi-year master service agreements and other long-term agreements represented 81.2% of total contract revenues in fiscal 2001 as compared to 74.7% in fiscal 2000, of which contract revenues from multi-year master service agreements represented 51.2% of total contract revenues in fiscal 2001 as compared to 45.8% in fiscal 2000.

Cost of Earned Revenues. Cost of earned revenues increased $14.7 million to $615.2 million in fiscal 2001 from $600.5 million in fiscal 2000, yet decreased slightly as a percentage of contract revenues to 74.4% from 74.5%. Direct labor and other direct costs increased as a percentage of contract revenues as a result of increased projects for which the Company supplied labor, while subcontractor costs and direct materials decreased as a percentage of contract revenues.

General and Administrative Expenses. General and administrative expenses increased $8.1 million to $73.6 million in fiscal 2001 from $65.5 million in fiscal 2000, and increased as a percentage of contract revenues to 8.9% in fiscal 2001 from 8.1% in fiscal 2000. The increase in general and administrative expenses was primarily attributable to an $8.7 million increase in administrative salaries, payroll taxes and employee benefits.

Depreciation and Amortization. Depreciation and amortization expense increased $8.3 million to $40.1 million in fiscal 2001 from $31.8 million in fiscal 2000, and increased as a percentage of contract revenues to 4.8% from 3.9%. The $8.3 million increase reflects the depreciation of additional capital expenditures incurred in the ordinary course of business and amortization of goodwill related to acquisitions made in 2001 and 2000, respectively.

Interest Income, net. Interest income, net increased $1.0 million to $4.5 million in fiscal 2001 from $3.5 million in fiscal 2000. The increase was due to increased cash and equivalents, offset by decreases in short term interest rates.

Income Taxes. The provision for income taxes was $43.6 million in fiscal 2001 as compared to $44.2 million in fiscal 2000. The Company's effective tax rate was 41.5% in fiscal 2001 as compared to 40.5% in fiscal 2000. The effective tax rate differs from the statutory tax rate due to state income taxes, the amortization of intangible assets that do not provide a tax benefit, and other non-deductible expenses for tax purposes. During fiscal 2000, the Company incurred $2.4 million of merger-related expenses for which no tax benefit was recorded.

Net Income. Net income decreased to $61.4 million in fiscal 2001 from $65.0 million in fiscal 2000, a 5.5% decrease.

Year Ended July 29, 2000 Compared to Year Ended July 31, 1999

Revenues. Contract revenues increased $305.1 million, or 60.9%, to $806.3 million in fiscal 2000 from $501.2 million in fiscal 1999. Of this increase, $292.5 million was attributable to specialty contracting services provided to telecommunications companies, $2.6 million was attributable to construction, installation, and maintenance services provided to electrical utilities and $10.0 million was attributable to underground utility locating services provided to various utilities, reflecting an increased overall market demand for the Company's services. During fiscal 2000, the Company recognized $743.7 million of contract revenues from telecommunications services as compared to $451.2 million in fiscal 1999. The increase in the Company's telecommunications service revenues reflects an increased volume of projects and activity associated with cable television services, and an increase in services performed in the design and installation of broadband networks, telephone engineering services, telephony splicing services, premise wiring services, and revenues from services performed under master service agreements. The Company recognized contract revenues of $24.3 million from the electric construction and maintenance services group in fiscal 2000 as compared to $21.7 million in fiscal 1999, an increase of 12.4%. The Company recognized contract revenues of $38.3 million from underground utility locating services in fiscal 2000 as compared to $28.3 million in fiscal 1999, an increase of 35.3%. The companies acquired in fiscal 2000 contributed $29.3 million of the increase in contract revenues.

Contract revenues from multi-year master service agreements and other long-term agreements represented 74.7% of total contract revenues in fiscal 2000 as compared to 83.9% in fiscal 1999, of which contract revenues from multi-year master service agreements represented 45.8% of total contract revenues in fiscal 2000 as compared to 49.7% in fiscal 1999.

Cost of Earned Revenues. Cost of earned revenues increased $235.0 million to $600.5 million in fiscal 2000 from $365.5 million in fiscal 1999, and increased as a percentage of contract revenues to 74.5% from 72.9%. Direct labor and equipment costs declined slightly as a percentage of contract revenues as a result of improved productivity and the utilization of more modern equipment. Direct materials increased as a percentage of contract revenues as a result of increased projects for which the Company supplied materials.

General and Administrative Expenses. General and administrative expenses increased $16.6 million to $65.5 million in fiscal 2000 from $48.9 million in fiscal 1999, but decreased as a percentage of contract revenues to 8.1% in fiscal 2000 from 9.8% in fiscal 1999. The increase in general and administrative expenses was primarily attributable to a $10.1 million increase in administrative salaries, bonuses, employee benefits and payroll taxes.

Depreciation and Amortization. Depreciation and amortization expense increased $10.2 million to $31.8 million in fiscal 2000 from $21.6 million in fiscal 1999, but decreased as a percentage of contract revenues to 3.9% from 4.3%. The $10.2 million increase reflects the depreciation of additional capital expenditures incurred in the ordinary course of business and amortization of goodwill related to acquisitions made in 2000 and 1999, respectively.

Merger-Related Expenses. During the year ended July 29, 2000, the Company incurred merger-related expenses of $2.4 million in connection with the NFS merger. The expenses consisted primarily of legal, accounting, and other professional fees related to the transaction.

Interest Income, net. Interest income, net increased $3.1 million to $3.5 million in fiscal 2000 from $0.4 million in fiscal 1999. The increase was due to increased cash and equivalents and favorable interest rates.

Other Income, net. During the fourth quarter of fiscal 2000, the Company determined its investment in Witten Technologies, Inc. ("Witten") was impaired. Therefore, the Company recognized an impairment loss of approximately $1.8 million during the quarter reducing the carrying value of the Witten investment to $750,000 as compared to a carrying value of $2.8 million at July 31, 1999.

Income Taxes. The provision for income taxes was $44.2 million in fiscal 2000 as compared to $26.5 million in fiscal 1999. The Company's effective tax rate was 40.5% in fiscal 2000 as compared to 39.8% in fiscal 1999. The effective tax rate differs from the statutory tax rate due to state income taxes, the amortization of intangible assets that do not provide a tax benefit, and other non-deductible expenses for tax purposes. During fiscal 2000, the Company incurred $2.4 million of merger-related expenses for which no tax benefit was recorded.

Net Income. Net income increased to $65.0 million in fiscal 2000 from $40.1 million in fiscal 1999, a 62.2% increase.

Liquidity and Capital Resources

The Company's needs for capital are attributable primarily to its needs for equipment to support its contractual commitments to customers and its needs for working capital sufficient for general corporate purposes. Capital expenditures have been financed by operating and capital leases, bank borrowings, and internal cash flows. The Company's sources of cash have historically been from operating activities, equity offerings, bank borrowings, and from proceeds arising from the sale of idle and surplus equipment and real property.

To the extent that the Company seeks to grow by acquisitions that involve consideration other than Company stock, the Company's capital requirements may increase, although the Company is not currently subject to any commitments or obligations with respect to any acquisitions.

For fiscal 2001, net cash provided by operating activities was $133.2 million compared to $76.0 million for fiscal 2000 and $38.6 million for fiscal 1999. Working capital items generated $32.4 million of operating cash flow for fiscal 2001, principally through decreases in net accounts receivable and net unbilled revenues offset by a decrease in accounts payable and other accrued liabilities.

For fiscal 2001, net cash used in financing activities was $3.1 million, which was primarily attributed to principal payments on long-term notes net of proceeds from the exercise of stock options.

For fiscal 2001, net cash used in investing activities was $105.3 million, as compared to $69.2 million in 2000 and $84.1 million in 1999. The increase in fiscal 2001 was due primarily to acquisitions occurring during fiscal 2001. Net cash used for capital expenditures were for the normal replacement of equipment.

In August 1998, the Company purchased a 13.0% equity interest in Witten for $3.0 million. Witten is developing and is the owner of, various proprietary technologies and materials relating to ground-penetrating radar and the use of other electromagnetic frequencies. During the fourth quarter of fiscal 2000, the Company recognized a $1.8 million impairment loss on its investment in Witten.

During fiscal 2001, 2000, and 1999, the Company used $79.8 million, $32.7 million, and $33.5 million of cash, respectively, and issued 854,603, 3,082,586, and 1,198,635 shares of common stock respectively, in connection with acquisitions of other businesses.

On April 27, 1999, the Company signed an amendment to its bank credit agreement increasing the total facility to $175.3 million and extending the facility's maturity to April 2002. The agreement was amended on December 12, 2000 to reduce the interest rates, eliminate the collateral requirement, and streamline certain administrative covenants. The agreement was further amended on June 13, 2001 to authorize the Company's stock repurchase. The bank credit agreement provides for (i) a $17.5 million standby letter of credit facility, (ii) a $50.0 million revolving working capital facility, (iii) a $12.8 million five-year term loan, and (iv) a $95.0 million equipment acquisition and small business purchase facility. The Company is required to pay an annual non-utilization fee equal to 0.15% of the unused portion of the revolving working capital and the equipment acquisition and small business purchase facilities. In addition, the Company pays annual agent and facility commitment fees of $15,000 and $135,000, respectively.

The Company had outstanding standby letters of credit of $14.0 million at July 28, 2001, all of which are letters of credit issued to the Company's insurance administrators as part of its self-insurance program.

The revolving working capital facility bears interest, at the option of the Company, at the bank's prime interest rate minus 1.25% or LIBOR plus 1.125%. As of July 28, 2001, there was no outstanding balance on this facility resulting in an available borrowing capacity of $50.0 million.

The outstanding loans under the equipment acquisition and small business purchase facility bear interest, at the option of the Company, at the bank's prime interest rate minus 0.875% or LIBOR plus 1.375%. The advances under the equipment acquisition and small business purchase facility are converted to term loans with maturities not to exceed 48 months. The outstanding principal on the equipment term loans is payable in monthly installments through May 2003. There were no amounts outstanding on the equipment acquisition and small business purchase facility at July 28, 2001, resulting in available borrowing capacity of $71.1 million. The available borrowing capacity on this nonrevolving facility has been reduced due to prior borrowings which have been repaid in full.

The term loan bears interest, at the option of the Company, at the bank's prime interest rate minus 0.625% or LIBOR plus 1.625%. Principal and interest is payable in semiannual installments through April 2004. The amount outstanding on the term loan was $8.8 million at July 28, 2001 and bore interest at the rate of 6.06%.

The bank credit agreement requires the Company to maintain certain financial covenants and conditions, as well as restricts the encumbrances of assets and the creation of indebtedness, and limits the payment of cash dividends. No cash dividends were paid during the periods presented. At July 28, 2001, the Company was in compliance with all covenants and conditions under the credit agreement.

In April 1999, the Company filed a registration statement for an offering of 3.75 million shares and 300,000 shares of common stock, to be sold by the Company and certain selling stockbrokers, respectively. The closing of the offering, at $32.33 per share, was consummated on May 19, 1999. On that date, the Company received $115.3 million in proceeds from the offering, which was net of an underwriting discount of $1.60 per share. The Company incurred legal fees and other expenses for this transaction of approximately $510,000.
In addition to the shares sold above, the Company and the selling stockholders granted the underwriters an option to purchase within 30 days after the offering an additional 562,500 and 45,000 shares, respectively, to cover over-allotments.

On June 4, 1999, the Company repaid the outstanding balance of its revolving credit facility of $33.7 million with proceeds of the May 1999 common stock offering. The remaining proceeds have been used to fund the Company's growth strategy, including acquisitions, working capital and capital expenditures, and for other general corporate purposes. On June 11, 1999, the underwriters exercised a portion of their option to purchase additional shares to cover over-allotments. The underwriters purchased 55,554 shares from the Company and 4,443 shares from certain selling stockholders. The Company received approximately $1.7 million as payment for the over-allotment.

The Company believes its capital resources, together with existing cash balances, to be sufficient to meet its financial obligations, including the scheduled debt payments under the amended credit agreement and operating lease commitments, and to support the Company's normal replacement of equipment at its current level of business for at least the next twelve months. The Company's future operating results and cash flows may be affected by a number of factors including the Company's success in bidding on future contracts and the Company's continued ability to effectively manage controllable costs.

On June 4, 2001, the Company announced that the Board of Directors had authorized a program to repurchase up to $25 million worth of the Company's common stock over an eighteen month period. Any such repurchases will be made in the open market or in privately negotiated transactions from time to time, subject to market conditions, applicable legal requirements and other factors. This plan does not obligate the Company to acquire any particular amount of its common stock, and the plan may be suspended at any time at the Company's discretion. As of September 28, 2001, the Company had repurchased approximately 82,000 shares of the Company's stock having an aggregate cost of approximately $1.2 million.

Special Note Concerning Forward Looking Statements

This Annual Report on Form 10-K, including the Notes to the Consolidated Financial Statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward looking statements. The words "believe", "expect", "anticipate", "intends", "forecast", "project", and similar expressions identify forward looking statements. Such statements may include, but may not be limited to, the anticipated outcome of contingent events, including litigation, projections of revenues, income or loss, capital expenditures, plans for future operations, growth and acquisitions, financial needs or plans and the availability of financing, and plans relating to services of the Company, as well as assumptions relating to the foregoing. Such forward looking statements are within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Recently Issued Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations". SFAS No. 141 establishes new standards for accounting and reporting requirements for business combinations and will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method is prohibited. The adoption of SFAS No. 141 did not have an impact on the Company's financial condition or results of operations.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which supersedes APB Opinion No. 17, "Intangible Assets". SFAS No. 142 establishes new standards for goodwill acquired in a business combination and eliminates amortization of goodwill and instead sets forth methods to periodically evaluate goodwill for impairment. The Company is in the process of evaluating the impact of implementing SFAS No. 142 and expects to adopt this statement during the first quarter of fiscal 2002. During the year ended July 28, 2001, goodwill amortization totaled $6.6 million.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition" which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB No. 101 was applicable beginning with the Company's fourth quarter of fiscal 2001. SAB No. 101 did not have an impact on the financial results of the Company.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and No. 138 (collectively, SFAS No. 133), which establishes standards for the accounting and reporting of derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 was applicable with the Company's first quarter of fiscal 2001. SFAS No. 133 did not have an impact on the financial statements of the Company.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company considered the provision of Financial Reporting Release No. 48 "Disclosure of Accounting Policies for Derivative Financial Instruments and Derivative Commodity Instruments, and Disclosure of Quantitative and Qualitative Information about Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments and Derivative Commodity Instruments". The Company had no holdings of derivative financial or commodity instruments at July 28, 2001. A review of the Company's other financial instruments and risk exposures at that date revealed that the Company had exposure to interest rate risk. At July 28, 2001, the Company performed sensitivity analyses to assess the potential effect of this risk and concluded that reasonably possible near-term changes in interest rates should not materially affect the Company's financial position, results of operations or cash flows.

Item 8. Financial Statements and Supplementary Data

The Company's consolidated financial statements and related notes and independent auditor's report follow on subsequent pages of this report.

Consolidated Balance Sheets

JULY 28, 2001 and JULY 29, 2000

	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$130,483,671	$105,701,950
Accounts receivable, net	122,259,817	144,291,699
Costs and estimated earnings in excess of billings	36,980,314	52,301,022
Deferred tax assets, net	7,176,551	6,039,264
Inventories	7,558,578	14,563,649
Other current assets	4,909,130	1,530,972
Total current assets	309,368,061	324,428,556
PROPERTY AND EQUIPMENT, net	109,563,716	101,092,862
OTHER ASSETS:		
Intangible assets, net	154,529,467	85,783,092
Other	2,234,310	2,695,084
Total other assets	156,763,777	88,478,176
TOTAL	$575,695,554	513,999,594
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 29,295,334	$ 42,922,557
Notes payable	2,272,218	2,594,413
Billings in excess of costs and estimated earnings	558,161	6,405
Accrued self-insurance claims	5,795,734	4,232,243
Income taxes payable	1,182,832	5,916,000
Customer advances	7,226,824	11,762,547
Other accrued liabilities	38,616,546	47,324,948
Total current liabilities	84,947,649	114,759,113
NOTES PAYABLE	6,796,381	9,106,201
ACCRUED SELF-INSURED CLAIMS	6,475,549	5,554,417
DEFERRED TAX LIABILITIES, net	6,374,716	4,256,781
OTHER LIABILITIES	2,220,409	2,345,525
Total liabilities	106,814,704	136,022,037
COMMITMENTS AND CONTINGENCIES, Note 17		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $1.00 per share: 1,000,000 shares authorized; no shares issued and outstanding		
Common stock, par value $.33⅓ per share: 150,000,000 shares authorized; 42,964,193 and 41,900,516 issued and outstanding, respectively	14,321,398	13,966,839
Additional paid-in capital	250,731,286	221,593,083
Retained earnings	203,828,166	142,417,635
Total stockholders' equity	468,880,850	377,977,557
TOTAL	$575,695,554	$513,999,594

See notes to consolidated financial statements.

Consolidated Statements Of Operations

FOR THE YEARS ENDED JULY 28, 2001, JULY 29, 2000, and JULY 31, 1999

	2001	2000	1999
REVENUES:			
Contract revenues earned	$826,745,782	$806,269,779	$501,155,028
EXPENSES:			
Cost of earned revenues, excluding depreciation	615,238,565	600,489,384	365,480,042
General and administrative	73,576,207	65,477,887	48,914,930
Depreciation and amortization	40,116,865	31,759,084	21,605,686
Total	728,931,637	697,726,355	436,000,658
Interest income, net	4,496,324	3,447,711	387,450
Merger-related expenses	–	(2,364,284)	–
Other income, net	2,672,823	(393,370)	1,048,506
INCOME BEFORE INCOME TAXES	104,983,292	109,233,481	66,590,326
PROVISION FOR INCOME TAXES:			
Current	41,909,164	45,128,241	25,537,916
Deferred	1,663,597	(927,000)	949,270
Total	43,572,761	44,201,241	26,487,186
NET INCOME	$ 61,410,531	$ 65,032,240	$ 40,103,140
EARNINGS PER COMMON SHARE:			
Basic	$ 1.45	$ 1.56	$ 1.08
Diluted	$ 1.44	$ 1.54	$ 1.06
SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE:			
Basic	42,445,242	41,580,557	37,246,805
Diluted	42,770,042	42,314,746	37,911,247

See notes to consolidated financial statements.

Consolidated Statements Of Stockholders' Equity

FOR THE YEARS ENDED JULY 28, 2001, JULY 29, 2000, and JULY 31, 1999

	Shares	Amount	Additional paid-in capital	Retained earnings	Other comprehensive income
Balances at July 31, 1998	35,852,356	$ 11,950,785	$ 55,623,919	$ 37,282,255	$ (92,683)
Stock options exercised	311,853	103,951	1,495,004		
Stock offering proceeds	3,805,554	1,268,518	115,177,949		
Income tax benefit from stock options exercised			1,115,554		
Stock issued for acquisitions	1,198,635	399,545	32,905,934		
Fractional shares retired in 3-for-2 stock split	(203)	(67)	(4,733)		
Unrealized gain on marketable securities					113,407
Net income				40,103,140	
Balances at July 31, 1999	41,168,195	13,722,732	206,313,627	77,385,395	20,724
Stock options exercised	376,156	125,385	3,710,780		
Income tax benefit from stock options exercised			1,065,402		
Stock issued for acquisitions	356,376	118,792	10,512,853		
Fractional shares retired in 3-for-2 stock split	(211)	(70)	(9,579)		
Realized gain on marketable securities					(20,724)
Net income				65,032,240	
Balances at July 29, 2000	41,900,516	13,966,839	221,593,083	142,417,635	–
Stock options exercised	209,074	69,691	2,383,626		
Income tax benefit from stock options exercised			3,819,860		
Stock issued for acquisitions	854,603	284,868	22,934,717		
Net income				61,410,531	
Balances at July 28, 2001	42,964,193	$ 14,321,398	$250,731,286	$203,828,166	$ –

See notes to consolidated financial statements.

Consolidated Statements Of Cash Flows

FOR THE YEARS ENDED JULY 28, 2001, JULY 29, 2000, and JULY 31, 1999

	2001	2000	1999
Increase (Decrease) in Cash and Equivalents from:			
OPERATING ACTIVITIES:			
Net income	$ 61,410,531	$ 65,032,240	$ 40,103,140
Adjustments to reconcile net cash provided by operating activities:			
Depreciation and amortization	40,116,865	31,759,084	21,605,686
Provision for losses on accounts receivable	58,181	668,424	1,584,044
Loss on impairment of equity investment	300,000	1,750,000	–
Gain on disposal of assets	(1,253,873)	(695,530)	(506,017)
Realized gain on marketable securities	–	(20,724)	–
Deferred income taxes	1,663,597	(927,000)	949,270
Changes in assets and liabilities:			
Accounts receivable, net	39,916,592	(34,238,074)	(29,625,171)
Unbilled revenues, net	21,968,157	(19,203,586)	(15,718,068)
Other current assets	7,977,733	(3,344,795)	(8,051,931)
Other assets	410,374	4,393,673	(724,923)
Accounts payable	(14,716,112)	20,889,592	6,611,701
Customer advances	(4,535,723)	(12,814,153)	15,180,193
Accrued self-insured claims and other liabilities	(19,051,346)	20,799,815	4,659,181
Accrued income taxes	(1,030,177)	1,953,883	2,543,144
Net cash inflow from operating activities	133,234,799	76,002,849	38,610,249
INVESTING ACTIVITIES:			
Capital expenditures	(38,410,950)	(40,198,993)	(50,851,187)
Proceeds from sale of assets	3,975,550	2,077,681	1,521,619
Acquisition expenditures, net of cash acquired	(70,890,386)	(31,120,691)	(31,818,880)
Equity investment	–	–	(3,000,000)
Net cash outflow from investing activities	(105,325,786)	(69,242,003)	(84,148,448)
FINANCING ACTIVITIES:			
Borrowings on notes payable	–	–	30,828,101
Principal payments on notes payable and bank lines-of-credit	(5,580,609)	(2,890,344)	(41,316,033)
Exercise of stock options	2,453,317	3,836,165	1,598,955
Proceeds from stock offering	–	–	116,446,467
Net cash (outflow) inflow from financing activities	(3,127,292)	945,821	107,557,490
NET CASH INFLOW FROM ALL ACTIVITIES	24,781,721	7,706,667	62,019,291
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	105,701,950	97,995,283	35,975,992
CASH AND EQUIVALENTS AT END OF YEAR	$130,483,671	$105,701,950	$ 97,995,283

See notes to consolidated financial statements.

Consolidated Statements Of Cash Flows (continued)

FOR THE YEARS ENDED JULY 28, 2001, JULY 29, 2000, and JULY 31, 1999

	2001	2000	1999
SUPPLEMENTAL DISCLOSURE OF CASH FLOW AND NONCASH INVESTING AND FINANCING ACTIVITIES:			
Cash paid during the period for:			
Interest	$ 930,694	$ 749,803	$ 1,668,572
Income taxes	$ 42,247,352	$ 43,312,760	$ 23,978,190
Property and equipment acquired and financed with:			
Capital lease obligations	$ –	$ –	$ 233,618
Notes payable	$ 280,280	$ 1,075,108	$ –
Income tax benefit from stock options exercised	$ 3,819,860	$ 1,065,402	$ 1,115,554
During the year ended July 28, 2001, the Company acquired all of the capital stock of Cable Connectors, Inc., Schaumburg Enterprises, Inc., Point to Point Communications, Inc., Stevens Communications, Inc., and Nichols Holding, Inc. at a cost of $103.1 million. In conjunction with these acquisitions, assets acquired and liabilities assumed were as follows:			
Fair market value of assets acquired, including goodwill	$120,104,596		
Consideration paid (including $23.2 million of common stock issued)	103,072,449		
Fair market value of liabilities assumed	$ 17,032,147		
During the year ended July 29, 2000, the Company acquired all of the capital stock of Lamberts' Cable Splicing Company, C-2 Utility Contractors, Inc., Artoff Construction Co., Inc. and K.H. Smith Communications, Inc. and the assets of Selzee Solutions, Inc. at a cost of $43.2 million. In conjunction with these acquisitions, assets acquired and liabilities assumed were as follows:			
Fair market value of assets acquired, including goodwill		$ 46,268,142	
Consideration paid (including $10.6 million of common stock issued)		43,231,649	
Fair market value of liabilities assumed		$ 3,036,493	
During the year ended July 31, 1999, the Company acquired all of the capital stock of Locating, Inc., Ervin Cable Construction, Inc., Apex Digital, Inc., and Triple D Communications, Inc. at a cost of $67.4 million. In conjunction with these acquisitions, assets acquired and liabilities assumed were as follows:			
Fair market value of assets acquired, including goodwill			$ 78,310,347
Consideration paid (including $33.3 million of common stock issued)			67,362,334
Fair market value of liabilities assumed			$ 10,948,013

See notes to consolidated financial statements.

Notes To Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include Dycom Industries, Inc. ("Dycom" or the "Company") and its subsidiaries, all of which are wholly owned. On March 8, 2000, Niels Fugal Sons Company ("NFS") was acquired by the Company through an exchange of common stock. This acquisition was accounted for as a pooling of interests. Accordingly, the Company's consolidated financial statements include the results of NFS for all periods presented. During fiscal 1999, the Company acquired Locating, Inc. ("LOC"), Ervin Cable Construction, Inc. (" ECC"), Apex Digital, Inc. ("APX"), and Triple D Communications, Inc. ("DDD"). During fiscal 2000, the Company acquired Lamberts' Cable Splicing ("LCS"), C-2 Utility Contractors, Inc. ("C-2"), Artoff Construction Co., Inc. ("ACC"), K.H. Smith Communications, Inc. ("KHS"), and Selzee Solutions, Inc. ("SSI"). During fiscal 2001, the Company acquired Cable Connectors, Inc. ("CAB"), Point to Point Communications, Inc. ("PTP"), Stevens Communications, Inc. ("SCI"), and Nichols Holding, Inc. ("NCI"). Each of these transactions was accounted for using the purchase method of accounting. The Company's results include the results of the entities accounted for using the purchase method of accounting from their respective acquisition dates until July 28, 2001. See Note 3.

The Company's operations consist primarily of providing specialty contracting services to the telecommunications and electrical utility industries. All material intercompany accounts and transactions have been eliminated.

Change in Fiscal Year – On September 29, 1999, the Company changed to a fiscal year with 52 or 53 week periods ending on the last Saturday of July.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and such differences may be material to the financial statements.

Estimates are used in the Company's revenue recognition of work-in-process, allowance for doubtful accounts, self-insured claims liability, depreciation and amortization, and in the estimated lives of assets, including intangibles.

Reclassifications – Certain prior year amounts have been reclassified in order to conform to the current year presentation.

Revenue – Income on short-term contracts is recognized as the related work is completed. Work-in-process on unit contracts is based on work performed but not billed. Income on long-term contracts is recognized on the percentage-of-completion method based primarily on the ratio of contract costs incurred to date to total estimated contract costs. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

"Costs and estimated earnings in excess of billings" primarily relates to revenues for completed but unbilled units under unit based contracts, as well as revenues recognized under the percent-of-completion method for long-term contracts. For those contracts in which billings exceed contract revenues recognized to date, such excesses are included in the caption "billings in excess of costs and estimated earnings".

Cash and Equivalents – Cash and equivalents include cash balances on deposit in banks, overnight repurchase agreements, certificates of deposit, commercial paper, and various other financial instruments having an original maturity of three months or less. For purposes of the consolidated statements of cash flows, the Company considers these amounts to be cash equivalents.

Inventories – Inventories consist primarily of materials and supplies used to complete certain of the Company's business. The Company values these inventories using the first-in, first-out method. The Company periodically reviews the appropriateness of the carrying values of its inventories. The Company records a reserve for obsolescence if inventories are not expected to be used in the Company's normal course of business. No reserve has been recorded in the periods presented.

Property and Equipment – Property and equipment is stated at cost. Depreciation and amortization are computed over the estimated useful life of the assets utilizing the straight-line method. The estimated useful service lives of the assets are: buildings - 20-31 years; leasehold improvements – the term of the respective lease or the estimated useful life of the improvements, whichever is shorter; vehicles – 3-7 years; equipment and machinery – 2-10 years; and furniture and fixtures – 3-10 years. Maintenance and repairs are expensed as incurred; expenditures that enhance the value of the property or extend its useful life are capitalized. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in income.

Intangible Assets – The excess of the purchase price over the fair market value of the tangible net assets of acquired businesses (goodwill) is amortized on a straight-line basis over 20 to 40 years. The appropriateness of the carrying value of goodwill is reviewed periodically by the Company at the subsidiary level. An impairment loss is recognized when the undiscounted projected future cash flows is less than the carrying value of goodwill. No impairment loss has been recognized in the periods presented. As of July 28, 2001 and July 29, 2000, net intangible assets include $154.2 million and $85.4 million of net goodwill, respectively.

Amortization expense was $6,619,534 for the fiscal year ended July 28, 2001, $4,079,145 for the fiscal year ended July 29, 2000, and $1,166,499 for the fiscal year ended July 31, 1999. The intangible assets are net of accumulated amortization of $13,171,624 and $6,552,090 at July 28, 2001 and July 29, 2000, respectively.

Self-Insured Claims Liability – The Company retains the risk, up to certain limits, for automobile and general liability, workers' compensation, and employee group health claims. A liability for unpaid claims and the associated claim expenses, including incurred but not reported losses, is actuarially determined and reflected in the consolidated financial statements as an accrued liability. The self-insured claims liability includes incurred but not reported losses of $6,205,274 and $5,161,379 at July 28, 2001 and July 29, 2000, respectively. The determination of such claims and expenses and the appropriateness of the related liability is periodically reviewed and updated.

Customer Advances – Under the terms of certain contracts, the Company receives advances from customers that may be offset against future billings by the Company. The Company has recorded these advances as liabilities and has not recognized any revenue for these advances.

Income Taxes – The Company and its subsidiaries file a consolidated federal income tax return. Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities.

Per Share Data – Earnings per common share-basic is computed using the weighted average common shares outstanding during the period. Earnings per common share-diluted is computed using the weighted average common shares outstanding during the period and the dilutive effect of common stock options, using the treasury stock method. See Notes 2 and 14.

Stock Splits – On January 20, 2000, the Board of Directors declared a 3-for-2 split of the Company's common stock, effected in the form of a stock dividend paid on February 16, 2000. All agreements concerning stock options provide for the issuance of additional shares due to the declaration of the stock split. An amount equal to the par value of the common shares issued plus cash paid in lieu of fractional shares was transferred from capital in excess of par value to the common stock account. All references to number of shares and to per share information have been adjusted to reflect the stock split on a retroactive basis.

Stock Option Plans – Under Statement of Financial Accounting Standards ("SFAS") No. 123, companies are permitted to continue to apply Accounting Principle Board ("APB") Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company continues to apply APB Opinion No. 25 to its stock based compensation awards to employees and discloses in the annual financial statements the required pro forma effect on net income and earnings per share. See Note 14.

Recently Issued Accounting Pronouncements – In July 2001, the FASB issued SFAS No. 141, "Business Combinations". SFAS No. 141 establishes new standards for accounting and reporting requirements for business combinations and will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method is prohibited. The adoption of SFAS No. 141 did not have an impact on the Company's financial condition or results of operations.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which supersedes APB Opinion No. 17, "Intangible Assets". SFAS No. 142 establishes new standards for goodwill acquired in a business combination and eliminates amortization of goodwill and instead sets forth methods to periodically evaluate goodwill for impairment. The Company is in the process of evaluating the impact of implementing SFAS No. 142 and expects to adopt this statement during the first quarter of fiscal 2002. During the year ended July 28, 2001, goodwill amortization totaled $6.6 million.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition" which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB No. 101 was applicable beginning with the Company's fourth quarter of fiscal 2001. SAB No. 101 did not have an impact on the financial results of the Company.

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and No. 138 (collectively, SFAS No. 133), which establishes standards for the accounting and reporting of derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 was applicable with the Company's first quarter of fiscal 2001. SFAS No. 133 did not have an impact on the financial results of the Company.

2. COMPUTATION OF PER SHARE EARNINGS

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computation as required by SFAS No. 128.

	2001	2000	1999
Net income available to common stockholders (numerator)	$61,410,531	$65,032,240	$40,103,140
Weighted-average number of common shares (denominator)	42,445,242	41,580,557	37,246,805
Earnings per common share – basic	$ 1.45	$ 1.56	$ 1.08
Weighted-average number of common shares	42,445,242	41,580,557	37,246,805
Potential common stock arising from stock options	324,800	734,189	664,442
Total shares (denominator)	42,770,042	42,314,746	37,911,247
Earnings per common share – diluted	$ 1.44	$ 1.54	$ 1.06

3. ACQUISITIONS

During fiscal 2001, 2000, and 1999, Dycom made the following acquisitions:

In February 1999, the Company acquired LOC for approximately $10.0 million in cash and various transaction costs. Located in Issaquah, Washington, LOC's primary line of business is the locating, marking, and mapping of underground utility facilities for cable television multiple systems operators, telephone companies, and electrical and gas utilities.

In March and April 1999, respectively, the Company acquired ECC for $21.8 million in cash and 387,099 shares of Dycom common stock for an aggregate purchase price of $32.5 million before various transaction costs and APX for 774,192 shares of Dycom common stock with an aggregate value of $21.4 million. ECC's primary business is the engineering, construction, and maintenance of cable television systems. APX's primary line of business is providing installation and maintenance services to direct broadcast satellite providers. Both ECC and APX are located in Sturgis, Kentucky.

In August 1999, the Company acquired LCS for $10.0 million in cash and 73,309 shares of Dycom common stock for an aggregate purchase price of $12.4 million before various transaction costs. Located in Rocky Mount, North Carolina, LCS's primary business is the construction and maintenance of telecommunications systems under master service agreements.

In January 2000, the Company acquired C-2 for $18.0 million in cash and 247,555 shares of Dycom common stock for an aggregate purchase price of $25.2 million before various transaction costs and ACC for $2.2 million in cash and 30,081 shares of Dycom common stock for an aggregate purchase price of $3.0 million before various transaction costs. Located in Eugene, Oregon, C-2's primary business is the construction and maintenance of telecommunications systems under master service agreements. Located in Gold Hill, Oregon, ACC's primary business is the construction and maintenance of telecommunications systems.

In October 2000, the Company acquired CAB for $3.2 million in cash and 13,286 shares of Dycom common stock for an aggregate purchase price of $3.8 million before various transaction costs. In December 2000, the Company acquired Schaumburg Enterprises, Inc. ("SEI") for $3.1 million in cash and 15,518 shares of Dycom common stock for an aggregate purchase price of $3.8 million before various transaction costs. In December 2000, the Company acquired PTP for $52.2 million in cash and 312,312 shares of Dycom common stock for an aggregate purchase price of $65.3 million before various transaction costs. In January 2001, the Company acquired SCI for $9.9 million in cash and 76,471 shares of Dycom common stock for an aggregate purchase price of $12.5 million before various transaction costs. In April 2001, the Company acquired NCI for $11.5 million in cash and 437,016 shares of Dycom common stock for an aggregate purchase price of $17.7 million before various transaction costs.

The Company has recorded these acquisitions using the purchase method of accounting. All acquired goodwill associated with these acquisitions is being amortized over a period of 20 years. The operating results of the companies acquired are included in the accompanying consolidated condensed financial statements from their respective date of purchase.

The following unaudited pro forma summary presents the consolidated results of operations of the Company as if all acquisitions had occurred on August 1, 1999:

	2001	2000
Total revenues	$ 881,576,328	$ 910,174,619
Income before income taxes	117,261,334	123,672,040
Net income	68,716,701	73,605,772
Earnings per share:		
Basic	$ 1.59	$ 1.72
Diluted	$ 1.58	$ 1.69

In March 2000, the Company consummated the acquisition of NFS. The Company issued 2,726,210 shares of common stock in exchange for all the outstanding capital stock of NFS. Located in Pleasant Grove, Utah, NFS's primary business is providing telecommunication construction services throughout the Western United States.

Dycom accounted for the acquisition as a pooling of interests and, accordingly, the Company's historical financial statements include the results of NFS for all periods presented. The Company incurred $2.4 million of merger-related expenses in connection with the NFS merger during fiscal 2000. These expenses consisted primarily of legal, accounting, and other professional fees related to the transaction.

Prior to the acquisition, NFS used a fiscal year ending January 31 and as of March 8, 2000 adopted Dycom's fiscal year. All periods presented reflect the adoption of such fiscal year end as of the beginning of the period. The combined and separate results of Dycom, prior to the combination of NFS, for the years ended July 29, 2000 and July 31, 1999 are as follows:

	Dycom	NFS	Combined
Years ended			
July 29, 2000			
Total revenues	$ 770,855,727	$ 35,414,052	$ 806,269,779
Net income	$ 60,546,669	$ 4,485,571	$ 65,032,240
July 31, 1999			
Total revenues	$ 470,136,925	$ 31,018,103	$ 501,155,028
Net income	$ 36,449,975	$ 3,653,165	$ 40,103,140

In connection with each of the acquisitions referred to above, the Company entered into employment contracts with certain executive officers of each of the acquired companies varying in length from three to six years.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2001	2000
Contract billings	$ 112,522,872	$ 134,740,946
Retainage	10,887,430	11,835,425
Other receivables	1,735,260	1,835,560
Total	125,145,562	148,411,931
Less allowance for doubtful accounts	2,885,745	4,120,232
Accounts receivable, net	$ 122,259,817	$ 144,291,699

	For the Twelve Months Ended July 28, 2001	July 29, 2000
Allowance for doubtful accounts at beginning of year	$ 4,120,232	$ 4,129,280
Allowance for doubtful account balances from acquisitions	600,000	–
Additions charged to bad debt expense	58,181	668,424
Amounts charged against the allowance, net of recoveries	(1,892,668)	(677,472)
Allowance for doubtful accounts at end of year	$ 2,885,745	$ 4,120,232

As of July 28, 2001 and July 29, 2000, the Company expected to collect all of its retainage balances within twelve months.

5. COSTS AND ESTIMATED EARNINGS ON CONTRACTS IN PROGRESS

The accompanying consolidated balance sheets include costs and estimated earnings on contracts in progress, net of progress billings as follows:

	2001	2000
Costs incurred on contracts in progress	$29,765,794	$48,037,774
Estimated to date earnings	9,919,190	13,855,362
Total costs and estimated earnings	39,684,984	61,893,136
Less billings to date	3,262,831	9,598,519
	$36,422,153	$52,294,617
Included in the accompanying consolidated balance sheets under the captions:		
Costs and estimated earnings in excess of billings	$36,980,314	$52,301,022
Billings in excess of costs and estimated earnings	558,161	6,405
	$36,422,153	$52,294,617

As stated in Note 1, the Company performs services under short-term, unit based and long-term, percentage-of-completion contracts. The amounts presented above aggregate the effects of these two types of contracts.

6. PROPERTY AND EQUIPMENT

The accompanying consolidated balance sheets include the following property and equipment:

	2001	2000
Land	$ 3,361,750	$ 3,373,037
Buildings	6,480,120	6,330,683
Leasehold improvements	1,683,123	1,574,013
Vehicles	119,466,981	102,489,730
Equipment and machinery	80,609,844	70,501,903
Furniture and fixtures	13,682,891	10,401,809
Total	225,284,709	194,671,175
Less accumulated depreciation	115,720,993	93,578,313
Property and equipment, net	$ 109,563,716	$ 101,092,862

Maintenance and repairs of property and equipment amounted to $12,470,702, $12,805,199, and $9,001,392, for the fiscal years ended July 28, 2001, July 29, 2000 and July 31, 1999, respectively.

7. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	2001	2000
Accrued payroll and related taxes	$ 14,079,386	$12,866,102
Accrued employee benefit costs	9,480,643	11,271,668
Accrued construction costs	3,259,131	8,400,267
Other	11,797,386	14,786,911
	$ 38,616,546	$ 47,324,948

8. NOTES PAYABLE

Notes payable are summarized by type of borrowing as follows:

	2001	2000
Bank credit agreement:		
Term loan	$ 8,750,000	$ 10,750,000
Capital lease obligations	6,743	458
Equipment loans	311,856	950,156
Total	9,068,599	11,700,614
Less current portion	2,272,218	2,594,413
Notes payable – non-current	$ 6,796,381	$ 9,106,201

On April 27, 1999, the Company signed an amendment to its bank credit agreement increasing the total facility to $175.3 million and extending the facility's maturity to April 2002. The agreement was amended on December 12, 2000 to reduce the interest rates, eliminate the collateral requirement, and streamline certain administrative covenants. The agreement was further amended on June 13, 2001 to authorize the Company's stock repurchase. The bank credit agreement provides for (i) a $17.5 million standby letter of credit facility, (ii) a $50.0 million revolving working capital facility, (iii) a $12.8 million five–year term loan, and (iv) a $95.0 million equipment acquisition and small business purchase facility. The Company is required to pay an annual non–utilization fee equal to 0.15% of the unused portion of the revolving working capital and the equipment acquisition and small business purchase facilities. In addition, the Company pays annual agent and facility commitment fees of $15,000 and $135,000, respectively.

The Company had outstanding standby letters of credit of $14.0 million at July 28, 2001, all of which are letters of credit issued to the Company's insurance administrators as part of its self–insurance program.

The revolving working capital facility bears interest, at the option of the Company, at the bank's prime interest rate minus 1.25% or LIBOR plus 1.125%. As of July 28, 2001, there was no outstanding balance on this facility resulting in an available borrowing capacity of $50.0 million.

The outstanding loans under the equipment acquisition and small business purchase facility bear interest, at the option of the Company, at the bank's prime interest rate minus 0.875% or LIBOR plus 1.375%. The advances under the equipment acquisition and small business purchase facility are converted to term loans with maturities not to exceed 48 months. The outstanding principal on the equipment term loans is payable in monthly installments through May 2003. There were no amounts outstanding on the equipment acquisition and small business purchase facility at July 28, 2001, resulting in available borrowing capacity of $71.1 million. The available borrowing capacity on this nonrevolving facility has been reduced due to prior borrowings which have been repaid in full.

The term loan bears interest, at the option of the Company, at the bank's prime interest rate minus 0.625% or LIBOR plus 1.625%. Principal and interest is payable in semiannual installments through April 2004. The amount outstanding on the term loan was $8.8 million at July 28, 2001 and bore interest at the rate of 6.06%.

The bank credit agreement requires the Company to maintain certain financial covenants and conditions, as well as restricts the encumbrances of assets and the creation of indebtedness, and limits the payment of cash dividends. No cash dividends were paid during the periods presented. At July 28, 2001, the Company was in compliance with all covenants and conditions under the credit agreement.

In addition to the borrowings under the amended bank credit agreement, certain subsidiaries have outstanding obligations under capital leases and other equipment financing arrangements. These obligations are payable in monthly installments expiring at various dates through April 2005.

The estimated aggregate annual principal repayments for notes payable and capital lease obligations in the next five years are $2,275,709 in 2002, $2,028,800 in 2003, $4,759,344 in 2004, and $4,746 in 2005.

Interest costs incurred on notes payable, all of which are expensed, for the years ended July 28, 2001, July 29, 2000, and July 31, 1999 were $835,087, $1,035,824, and $1,969,634, respectively.

The interest rates on notes payable under the bank credit agreement are at current rates and, therefore, the carrying amount approximates fair value.

9. INCOME TAXES

The components of the provision (benefit) for income taxes are:

	2001	2000	1999
Current:			
Federal	$35,156,889	$37,956,624	$21,371,278
State	6,752,275	7,171,617	4,166,638
	41,909,164	45,128,241	25,537,916
Deferred:			
Federal	1,488,772	(844,165)	820,037
State	174,825	(82,835)	129,233
	1,663,597	(927,000)	949,270
Total tax provision	$43,572,761	$44,201,241	$26,487,186

The deferred tax provision (benefit) is the change in the deferred tax assets and liabilities representing the tax consequences of changes in the amount of temporary differences and changes in tax rates during the year. The deferred tax assets and liabilities are comprised of the following:

	2001	2000
Deferred tax assets:		
Self-insurance, warranty, and other non-deductible reserves	$ 8,254,350	$ 6,674,563
Allowance for doubtful accounts	983,373	1,466,182
Small tools	397,933	409,969
Other	988,873	893,517
	$10,624,529	$ 9,444,231
Deferred tax liabilities:		
Property and equipment	$ 8,617,255	$ 6,955,783
Unamortized acquisition costs	244,486	244,486
Amortization of goodwill	960,953	461,479
	$ 9,822,694	$ 7,661,748
Net deferred tax assets	$ 801,835	$ 1,782,483

The Company believes that it is more likely than not the deferred tax assets will be realized through future taxable income.

The difference between the total tax provision and the amount computed by applying the statutory federal income tax rates to pre–tax income is as follows:

	2001	2000	1999
Statutory rate applied to pre-tax income	$36,744,152	$38,157,498	$23,246,835
State taxes, net of federal tax benefit	4,502,614	4,611,486	2,795,243
Amortization of intangible assets, with no tax benefit	914,411	368,529	159,031
Tax effect of non-deductible items	1,787,285	1,335,259	303,365
Non-taxable interest income	(487,277)	(523,324)	(169,823)
Other items, net	111,576	251,793	152,535
	$43,572,761	$44,201,241	$26,487,186

10. OTHER INCOME, NET

The components of Other income, net are as follows:

	2001	2000	1999
Gain on sale of fixed assets	$ 1,253,873	$ 695,530	$ 506,017
Miscellaneous income	1,418,950	(1,088,900)	542,489
Total other income, net	$ 2,672,823	$ (393,370)	$ 1,048,506

During the fourth quarter of fiscal 2000, the Company determined its investments in Witten was impaired. Therefore, the Company recognized an impairment loss of approximately $1.8 million during the quarter reducing the carrying value of the Witten investment to $750,000 as compared to a carrying value of $2.8 million at July 31, 1999.

11. CAPITAL STOCK

On April 4, 2001, the Board of Directors of the Company adopted a shareholders' rights plan (the "Rights Plan") pursuant to which a dividend consisting of one preferred stock purchase right (a "Right") was distributed for each outstanding share of the Company's common stock. The dividend was payable to the shareholders of record on April 14, 2001. Each Right entitles the holder to purchase from the Company one ten–thousandth of a share of Series A preferred stock at a price of $95.00, subject to adjustment. The rights become exercisable only if a person or group acquires beneficial ownership of 15% or more of the Company's outstanding common stock or commences a tender or exchange offer which would result in a person or group beneficially owning 15% or more of the Company's outstanding common stock. When exercisable, the Rights would entitle the holders (other than the acquirer) to purchase, at the Right's then–current exercise price, units of the Company's Series A preferred stock having a market value equal to twice the then–current exercise price. A complete description of the Rights Plan is set forth in the Current Report on Form 8–K of the Company filed on April 4, 2001.

The Board of Directors, pursuant to the terms of the previously existing shareholders' rights plan, declared the rights issued thereunder to be null and void on April 14, 2001. The existing plan was scheduled to expire on June 1, 2002.

In June 2001, the Board of Directors approved a resolution authorizing management to repurchase up to $25.0 million of the Company's issued and outstanding stock over an eighteen month period. Funds used for the share repurchase will be generated from free cash flow. Through September 28, 2001, approximately 82,000 shares having an aggregate cost of approximately $1.2 million had been repurchased under this program to be placed in treasury.

12. STOCK OFFERING

In April 1999, the Company filed a registration statement for an offering of 3.75 million shares and 300,000 shares of common stock, to be sold by the Company and certain selling stockholders, respectively. The closing of the offering, at $32.33 per share, was consummated on May 19, 1999. The Company received $115.3 million in proceeds from the offering, which was net of an underwriting discount of $1. 60 per share. The Company incurred legal fees and other expenses for this transaction of approximately $510,000.

On June 11, 1999, the underwriters exercised a portion of their option to purchase additional shares to cover over–allotments. The underwriters purchased 55,554 shares from the Company and 4,443 shares from certain selling stockholders. The Company received approximately $1.7 million as payment for the over–allotment.

On June 4, 1999, the Company repaid the outstanding balance of its revolving credit facility of $33.7 million with proceeds of the common stock offering. The remaining proceeds have been used to fund the Company's growth strategy, including acquisitions, working capital and capital expenditures, and for other general corporate purposes.

13. EMPLOYEE BENEFIT PLANS

The Company and certain of its subsidiaries sponsor contribution plans that provide retirement benefits to all employees that elect to participate. Under the plans, participating employees may defer up to 15% of their base pre–tax compensation. Generally, the Company's contribution to the plan is a 30% Company match up to the first 5% of the employee's contributions. The Company's contributions, were $851,903, $1,115,965, and $638,557 in fiscal years 2001, 2000, and 1999, respectively.

14. STOCK OPTION PLANS

The Company has reserved 2,025,000 shares of common stock under its 1991 Incentive Stock Option Plan (the "1991 Plan") which was approved by the shareholders on November 25, 1991. The 1991 Plan provides for the granting of options to key employees until it expires in 2001. Options are granted at the closing price on the date of grant and are exercisable over a period of up to five years. At July 28, 2001, July 29, 2000, and July 31, 1999, options available for grant under the 1991 Plan were 48,852 shares, 38,238 shares, and 65,937 shares, respectively.

The Company has reserved 3,316,845 shares of common stock under its 1998 Incentive Stock Option Plan (the "1998 Plan") which was approved by the shareholders on November 23, 1998. The 1998 Plan provides for the granting of options to key employees until it expires in 2008. Options are granted at the closing price on the date of the grant and are exercisable over a period of up to ten years. At July 28, 2001, July 29, 2000, and July 31, 1999 options available for grant under the 1998 Plan were 1,961,655 shares, 2,537,061 shares, and 2,937,795 shares, respectively.

During fiscal 1999, the Company granted to key employees under the 1991 Plan options to purchase an aggregate of 317,898 shares of common stock. The options were granted at $14⅛, the fair market value on the date of grant. During fiscal 1999, the Company granted to key employees under the 1998 Plan options to purchase an aggregate of 379,050 shares of common stock. The options were granted at a range of exercise prices of between $18 and $32, the fair market value on the date of grant. During fiscal 1999, the Company granted to a non-employee Director under the Directors Plan options to purchase an aggregate of 36,000 shares of common stock. The options were granted at a range of exercise prices of between $24 7/16 and $28 15/16, the fair market value on the date of grant. The options under the Directors Plan vest over a three year period.

During fiscal 2000, the Company granted to key employees under the 1991 Plan options to purchase an aggregate of 45,000 shares of common stock. The options were granted at $26 1/16, the fair market value on the date of grant. During fiscal 2000, the Company granted to key employees under the 1998 Plan options to purchase an aggregate of 515,209 shares of common stock. The options were granted at a range of exercise prices of between $26⅛ and $49 15/16, the fair market value on the date of grant.

During fiscal 2001, the Company granted to key employees under the 1998 Plan options to purchase an aggregate of 616,684 shares of common stock. The options were granted at a range of exercise prices of between $10½ and $45 5/16, the fair market value on the date of grant.

The following table summarizes the stock option transactions under the 1991 Plan, 1998 Plan, and the Directors Plan for the three years ended July 31, 1999, July 29, 2000, and July 28, 2001:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at		
July 31, 1998	991,556	$ 6.99
Granted	732,948	$21.37
Terminated	(84,153)	$ 8.84
Exercised	(311,853)	$ 5.13
Options outstanding at		
July 31, 1999	1,328,498	$15.24
Granted	560,209	$30.09
Terminated	(133,392)	$23.78
Exercised	(376,156)	$10.21
Options outstanding at		
July 28, 2000	1,379,159	$21.82
Granted	616,684	$42.48
Terminated	(35,643)	$31.27
Exercised	(209,074)	$11.73
Options outstanding at		
July 28, 2001	1,751,126	$30.10
Exercisable options at		
July 31, 1999	127,992	$ 5.43
July 29, 2000	94,067	$18.99
July 28, 2001	343,119	$23.52

The range of exercise prices for options outstanding at July 28, 2001 was $6.00 to $49.94. The range of exercise prices for options is due to changes in the price of the Company's stock over the period of the grants.

The following summarizes information about options outstanding at July 28, 2001:

	Outstanding Options		
	Number of Shares	Weighted Average Contractual Life	Weighted Average Exercise Price
Range of exercise prices			
$ 6.00 to $21.00	413,680	2.3	$11.84
$21.00 to $35.00	695,326	7.5	$27.40
$35.00 to $49.94	642,120	9.0	$44.79
	1,751,126	6.8	$30.10

	Exercisable Options	
	Exercisable as of July 28, 2001	Weighted Average Exercise Price
Range of exercise prices		
$ 6.00 to $21.00	114,015	$ 11.70
$21.00 to $35.00	208,604	$ 27.61
$35.00 to $49.94	20,500	$ 47.62
	343,119	$ 23.52

These options will expire if not exercised at specific dates ranging from August 2001 to April 2009. The prices for the options exercisable at July 28, 2001 ranged from $6.00 to $49.94.

As discussed in Note 1, the Company has adopted the disclosure–only provisions of SFAS No. 123. The fair value of the options granted in fiscal 2001, 2000, and 1999 have been estimated at the date of grant using the Black–Scholes option–pricing model with the following assumptions: expected stock volatility of 58.34% in 2001, 57.62% in 2000, and 46.50% in 1999; risk–free interest rates of 5.60% in 2001, 6.08% in 2000, and 6.05% in 1999; expected lives of 6 years for 2001, 2000 and 1999, no dividend yield in all years due to the Company's recent history of not paying cash dividends.

The Black–Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions and changes in these assumptions can materially impact the fair value of the options and the Company's options do not have the characteristics of traded options, the option valuation models do not necessarily provide a reliable measure of the fair value of its options. The estimated fair value of stock options granted during fiscal 2001, 2000, and 1999 was $25.62, $18.21, and $11.41, per share, respectively.

The pro forma disclosures amortize to expense the estimated compensation costs for its stock options granted subsequent to July 31, 1997 over the options vesting period. The Company's fiscal 2001, 2000, and 1999 pro forma net earnings and earnings per share are reflected below:

	2001	2000	1999
Net Income:			
Pro forma net income reflecting stock option compensation costs	$54,063,864	$60,673,806	$38,282,300
Pro forma earnings per share reflecting stock option compensation costs:			
Basic	$ 1.27	$ 1.46	$ 1.03
Diluted	$ 1.26	$ 1.43	$ 1.01

15. RELATED PARTY TRANSACTIONS

The Company leases administrative offices from entities related to officers of certain of the Company's subsidiaries. The total expense under these arrangements for the years ended July 28, 2001, July 29, 2000 and July 31, 1999 was $1,664,918, $1,432,175, and $344,778, respectively. The future minimum lease commitments under these arrangements are $1,483,545 in 2002, $1,352,341 in 2003, $577,573 in 2004, $67,100 in 2005, $7,950 in 2006 and $83,200 thereafter.

16. MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The Company's operating subsidiaries obtain contracts from both public and private concerns. For the years ended July 28, 2001, July 29, 2000 and July 31, 1999, approximately 17.9%, 16.5%, and 21.5%, respectively, of the contract revenues were from BellSouth Corporation ("BellSouth"); 15.9%, 9.2%, and 14.0%, respectively, of the contract revenues were from Comcast Corporation ("Comcast"); and 6.9%, 6.4%, and 4.7%, respectively, of the contract revenues were from Qwest Communications, Inc. ("Qwest").

Financial instruments which subject the Company to concentrations of credit risk consist almost entirely of trade accounts receivable. BellSouth, Comcast, and Qwest represent a significant portion of the Company's customer base. As of July 28, 2001, the total outstanding trade receivables from BellSouth, Comcast, and Qwest were $11.9 million or 10.6%, $21.4 million or 19.0%, and $8.4 million or 7.5%, respectively, of the outstanding trade receivables. As of July 29, 2000, the total outstanding trade receivables from BellSouth, Comcast, and Qwest were $11.1 million or 8.1%, $16.2 million or 11.8%, and $10.2 million or 7.6%, respectively, of the outstanding trade receivables.

17. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries have operating leases covering office facilities, vehicles, and equipment which have noncancelable terms in excess of one year. During fiscal 2001, 2000, and 1999, the Company entered into numerous operating leases for vehicles and equipment. Certain of these leases contain renewal provisions and generally require the Company to pay insurance, maintenance, and other operating expenses. Total expense incurred under operating lease agreements, excluding the transactions with related parties (see Note 15), for the years ended July 28, 2001, July 29, 2000 and July 31, 1999 was $7,095,979, $12,218,085, and $6,903,491, respectively. The future minimum obligations under these leases are $5,690,338 in 2002; $2,085,749 in 2003; $905,110 in 2004; $445,275 in 2005; $281,111 in 2006; and $62,695 thereafter.

The federal employment tax returns for one of the Company's subsidiaries are currently being audited by the Internal Revenue Service ("IRS"). As a result of the audit, the Company received an examination report from the IRS in October 1999 proposing a $6.1 million tax deficiency. At issue, according to the examination report, is the taxpayer's payment of certain employee allowances for the years 1995 through 1997 without reporting such payment as wages on its employees' W–2 forms. The Company intends to vigorously defend its position in this matter and believes it has a number of legal defenses available to it, which could reduce the proposed tax deficiency, although there can be no assurance in this regard. The Company believes that the ultimate disposition of this matter will not have a material adverse effect on its consolidated financial statements.

In the normal course of business, certain subsidiaries of the Company have pending and unasserted claims. It is the opinion of the Company's management, based on the information available at this time, that these claims will not have a material adverse impact on the Company's consolidated financial statements.

In the normal course of business, the Company enters into employment agreements with certain members of the Company's executive management. It is the opinion of the Company's management based on the information available at this time, that these agreements will not have a material adverse impact on the Company's consolidated financial statements.

18. SEGMENT INFORMATION

The Company operates in one reportable segment as a specialty contractor. The Company provides engineering, placement and maintenance of aerial, underground, and buried fiber–optic, coaxial and copper cable systems owned by local and long distance communications carriers, and cable television multiple system operators. Additionally, the Company provides similar services related to the installation of integrated voice, data, and video local and wide area networks within office buildings and similar structures and also provides underground locating services to various utilities and provides construction and maintenance services to electrical utilities. Each of these services is provided by various of the Company's subsidiaries which provide management with monthly financial statements. All of the Company's subsidiaries have been aggregated into one reporting segment due to their similar customer bases, products and production methods, and distribution methods. The following table presents information regarding annual contract revenues by type of customer:

	2001	2000	1999
Telecommunications	$763,686,502	$743,619,986	$451,178,153
Electrical utilities	15,176,301	24,333,182	21,648,758
Utility line locating	47,882,979	38,316,611	28,328,117
Total contract revenues	$826,745,782	$806,269,779	$501,155,028

19. QUARTERLY FINANCIAL DATA (Unaudited)

In the opinion of management, the following unaudited quarterly data for the years ended July 28, 2001 and July 29, 2000 reflect all adjustments necessary for a statement of operations. All such adjustments are of a normal recurring nature other than as discussed below. The Company acquired NFS ("Pooled Company") on March 8, 2000. The acquisition was accounted for as a pooling of interests and accordingly, the unaudited quarterly financial statements for the periods presented include the accounts of NFS. The quarterly data for NFS after the consummation date of the merger, is included in the Dycom data. The earnings per common share calculation for each quarter is based on the weighted average shares of common stock outstanding plus the dilutive effect of stock options. The sum of the quarters earnings per common share may not necessarily be equal to the full year earnings per common share amounts.

	In Whole Dollars, Except Per Share Amounts			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
2000:				
Revenues:				
Dycom	$ 160,904,275	$ 158,381,266	$212,260,383	$ 239,309,803
Pooled Company	16,582,837	18,831,215	–	–
	$ 177,487,112	$ 177,212,481	$212,260,383	$ 239,309,803
Income Before Income Taxes:				
Dycom	$ 20,598,493	$ 19,917,065	$ 25,715,951	$ 35,579,852
Pooled Company	3,450,527	3,971,593	–	–
	$ 24,049,020	$ 23,888,658	$ 25,715,951	$ 35,579,852
Net Income:				
Dycom	$ 12,463,231	$ 11,996,560	$ 14,496,453	$ 21,590,425
Pooled Company	2,085,332	2,400,239	–	–
	$ 14,548,563	$ 14,396,799	$ 14,496,453	$ 21,590,425
Earnings per Common Share:				
Basic	$ 0.35	$ 0.35	$ 0.35	$ 0.52
Diluted	$ 0.35	$ 0.34	$ 0.34	$ 0.51
2001:				
Revenues:	$ 234,690,421	$ 195,765,314	$201,610,942	$ 194,679,105
Income Before Income Taxes	$ 36,014,727	$ 22,188,285	$ 22,746,897	$ 24,033,383
Net Income:	$ 21,618,030	$ 13,091,089	$ 13,057,666	$ 13,643,746
Earnings per Common Share:				
Basic	$ 0.51	$ 0.31	$ 0.31	$ 0.32
Diluted	$ 0.51	$ 0.31	$ 0.31	$ 0.32

Independent Auditors' Report

Dycom Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Dycom Industries, Inc. and subsidiaries (the "Company") as of July 28, 2001 and July 29, 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended July 28, 2001. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Dycom Industries, Inc. and subsidiaries as of July 28, 2001 and July 29, 2000, and the results of their operations and their cash flows for each of the three years in the period ended July 28, 2001, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Certified Public Accountants
West Palm Beach, Florida

August 24, 2001

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

There have been no changes in or disagreements with accountants on accounting and financial disclosures within the meaning of Item 304 of Regulation S-K.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning directors and nominees of the Registrant is hereby incorporated by reference from the company's definitive proxy statement to be filed with the commission pursuant to Regulation 14A.

The following table sets forth certain information concerning the executive officers of the Company, all of whom serve at the pleasure of the Board of Directors.

Name	Age	Office	Executive Officer Since
Steven E. Nielsen	38	President and Chief Executive Officer	2/26/96
Richard L. Dunn	52	Senior Vice President and Chief Financial Officer	1/28/00
Robert J. Delark	48	Senior Vice President and Chief Administrative Officer	1/27/00
Dennis O'Brien	42	Vice President of Corporate Development	12/4/00
Marc R. Tiller	31	General Counsel and Corporate Secretary	11/23/98

There are no family relationships among the Company's executive officers.

Steven E. Nielsen has been the Company's President and Chief Executive Officer since March 1999. Prior to that, Mr. Nielsen was the President and Chief Operating Officer of the Company from August 1996 to March 1999, and Vice President from February 1996 to August 1996.

Richard L. Dunn is the Company's Senior Vice President and Chief Financial Officer. Mr. Dunn has been employed with the Company since January 28, 2000. Mr. Dunn was previously employed by Avborne, Inc., a privately held company in the commercial aviation maintenance and repair industry, from April 1998 to January 2000 as Vice President, Finance and Chief Financial Officer. Mr. Dunn was employed by Perry Ellis International from April 1994 to April 1998 as Vice President, Finance and Chief Financial Officer. Prior to April 1994, Mr. Dunn was the Treasurer of Tyco International Ltd.

Robert J. Delark is the Company's Senior Vice President and Chief Administrative Officer. Mr. Delark has been employed with the Company since January 27, 2000. Mr. Delark was previously employed by Henkels & McCoy, a privately held telecommunications contractor, from 1982 to 2000 and served as the Chief Financial Officer.

Dennis O'Brien is the Company's Vice President and Director of Corporate Development. Mr. O'Brien has been employed with the Company since December 4, 2000. Mr. O'Brien was previously employed by Henkels & McCoy, a privately held telecommunications contractor, from 1988 to 2000 and served as Senior Director of Finance and Corporate Controller.

Marc R. Tiller is the Company's General Counsel and Corporate Secretary. Mr. Tiller has been employed with the Company since August 10, 1998. Mr. Tiller attended law school from June 1995 to May 1998 and served as a Claims Representative for Florida Farm Bureau Insurance Company during the four prior years.

Item 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is hereby incorporated by reference for the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning the ownership of certain of the Registrant's beneficial owners and management is hereby incorporated by reference for the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning relationships and related transactions is hereby incorporated by reference for the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 10-K

(a) The following documents are filed as a part of this report:

	Page
1. Consolidated financial statements:	
Consolidated balance sheets at July 28, 2001 and July 29, 2000	22
Consolidated statements of operations for the years ended July 28, 2001, July 29, 2000 and July 31, 1999	23
Consolidated statements of stockholders' equity for the years ended July 28, 2001, July 29, 2000 and July 31, 1999	24
Consolidated statements of cash flows for the years ended July 28, 2001, July 29, 2000 and July 31, 1999	25
Notes to consolidated financial statements	27-42
Independent auditors' report	43

2. Financial statement schedules:
   All schedules have been omitted because they are inapplicable, not required, or the information is included in the above referenced consolidated financial statements or the notes thereto.

3. Exhibits furnished pursuant to the requirements of Form 10-K:

   The exhibits have been included with the original Form 10-K filed with the Securities and Exchange Commission and such exhibits are not included in the Annual Report.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed on behalf of the Registrant during the quarter ended July 28, 2001.

SIGNATURES

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

DYCOM INDUSTRIES, INC.

/s/ Steven E. Nielsen	October 9, 2001
By: Steven E. Nielsen President and Chief Executive Officer	Date

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.

Name	Position	Date
/s/ Richard L. Dunn	Senior Vice President and Chief Financial Officer	October 9, 2001
/s/ Steven E. Nielsen	Chairman of the Board of Directors	October 9, 2001
/s/ Thomas G. Baxter	Director	October 9, 2001
/s/ Joseph M. Schell	Director	October 9, 2001
/s/ Tony G. Werner	Director	October 9, 2001
/s/ Ronald P. Younkin	Director	October 9, 2001

EXHIBIT (21)

The following table sets forth the Registrant's subsidiaries and the jurisdiction of incorporation of each. Each subsidiary is 100% owned by the Registrant or its subsidiaries.

ANSCO & ASSOCIATES, INC.
A Florida corporation

APEX DIGITAL, INC.
A Kentucky corporation

ARTOFF CONSTRUCTION CO., INC.
An Oregon corporation
A Subsidiary of C–2 Utility Contractors, Inc.

C–2 UTILITY CONTRACTORS, INC.
An Oregon corporation

CABLE COM INC.
A Delaware corporation

CABLE CONNECTORS, INC.
A Delaware corporation
A Subsidiary of Lamberts' Cable Splicing Company

COMMUNICATONS CONSTRUCTION GROUP, INC.
A Pennsylvania corporation

ERVIN CABLE CONSTRUCTION, INC.
A Kentucky corporation

FIBER CABLE, INC.
A Delaware corporation

GLOBE COMMUNICATIONS, INC.
A North Carolina corporation

INSTALLATION TECHNICIANS, INC.
A Missouri corporation

IVY H. SMITH COMPANY
A Florida corporation

K.H. SMITH COMMUNICATIONS, INC.
A North Carolina corporation
A Subsidiary of Lamberts' Cable Splicing Company

KOHLER CONSTRUCTION COMPANY, INC.
A Florida corporation

LAMBERTS' CABLE SPLICING COMPANY
A North Carolina corporation

LOCATING, INC.
A Washington corporation

NICHOLS HOLDING, INC.
A Virginia corporation

NIELS FUGAL SONS COMPANY
A Utah corporation

POINT TO POINT COMMUNICATIONS, INC.
A Louisiana corporation

SELZEE SOLUTIONS, INC.
A Florida corporation

SPECTRACOM, INC.
A Louisiana corporation

STAR CONSTRUCTION, INC.
A Tennessee corporation

STEVENS COMMUNICATIONS, INC.
A Georgia corporation

S.T.S., INC.
A Florida corporation

TESINC, INC.
An Arizona corporation

TRIPLE D COMMUNICATIONS, INC.
A Kentucky corporation
A Subsidiary of Globe Communications, Inc.

Corporate Directory

Executive Officers:

Steven E. Nielsen
President and Chief Executive Officer

Robert J. Delark
Senior Vice President and
Chief Administrative Officer

Richard L. Dunn
Senior Vice President and
Chief Financial Officer

Dennis P. O'Brien
Vice President and Director of
Corporate Development

Marc R. Tiller
General Counsel and Corporate Secretary

Directors:

Thomas G. Baxter 1, 2, 3

Steven E. Nielsen 3

Joseph M. Schell 1, 4, 5

Tony G. Werner 4, 5

Ronald P. Younkin 1, 2, 3

Committees :

1 Audit Committee

2 Compensation Committee

3 Executive Committee

4 Corporate Goverance Committee

5 Finance Committee

Registrar and Transfer Agent:

First Union National Bank
Charlotte, North Carolina

Independent Auditors:

Deloitte & Touche LLP
West Palm Beach, Florida

Corporate Counsel:

Shearman & Sterling
New York, New York

Annual Meeting:

The 2001 Annual Shareholders Meeting will be held at 11:00 a.m. on Tuesday, November 20, 2001, at the DoubleTree Hotel
4431 PGA Boulevard
Palm Beach Gardens, Florida 33410

Common Stock:

The common stock of Dycom Industries, Inc. is traded on the New York Stock Exchange. The trading symbol is "DY."

Shareholder Information:

Copies of this report to Shareholders, the Annual Report to the Securities and Exchange Commission on Form 10-K, and other published reports may be obtained, without charge, by sending a written request to:

Corporate Secretary
Dycom Industries, Inc.
First Union Center, Suite 500
4440 PGA Boulevard
Palm Beach Gardens, Florida 33410

Telephone: (561) 627-7171
Web Site: www.dycomind.com
E-mail: info@dycominc.com

Dycom Industries, Inc.
First Union Center, Suite 500
4440 PGA Boulevard
Palm Beach Gardens, Florida
33410-6542
(561) 627-7171