DYCOM INDUSTRIES INC
Form 10-Q
May 28, 2010

---

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 24, 2010

[ ] 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 001-10613

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

| Florida | 59-1277135 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 11770 US Highway 1, Suite 101, Palm Beach Gardens, Florida | 33408 |
| (Address of principal executive offices) | (Zip Code) |

(561) 627-7171
(Registrant’s telephone number, including area code)

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ] Smaller reporting company [ ]
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

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

| Common stock | Outstanding shares May 27, 2010 |
| --- | --- |
| Common stock, par value of $0.33 1/3 | 38,655,909 |

Dycom Industries, Inc.

Table of Contents

PART I – FINANCIAL INFORMATION


| | | |
|---|---|---|
| Item 1. | Financial Statements | 3 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 27 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 40 |
| Item 4. | Controls and Procedures | 40 |


PART II – OTHER INFORMATION


| | | |
|---|---|---|
| Item 1. | Legal Proceedings | 41 |
| Item 1A. | Risk Factors | 41 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 41 |
| Item 6. | Exhibits | 42 |
| Signatures | | 43 |

EX-31.1
EX-31.2
EX-32.1
EX-32.2

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| | April 24, 2010 | July 25, 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and equivalents | $116,155 | $104,707 |
| Accounts receivable, net | 96,773 | 116,968 |
| Costs and estimated earnings in excess of billings | 59,867 | 67,111 |
| Deferred tax assets, net | 14,033 | 15,779 |
| Income taxes receivable | 8,213 | 7,016 |
| Inventories | 13,091 | 8,303 |
| Other current assets | 11,212 | 7,323 |
| Total current assets | 319,344 | 327,207 |
| | | |
| Property and equipment, net | 137,740 | 142,132 |
| Goodwill | 157,851 | 157,851 |
| Intangible assets, net | 51,309 | 56,056 |
| Other | 10,339 | 10,211 |
| Total non-current assets | 357,239 | 366,250 |
| TOTAL | $676,583 | $693,457 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $28,003 | $28,977 |
| Current portion of debt | 150 | 926 |
| Billings in excess of costs and estimated earnings | 582 | 151 |
| Accrued insurance claims | 26,919 | 27,386 |
| Other accrued liabilities | 42,095 | 52,590 |
| Total current liabilities | 97,749 | 110,030 |
| | | |
| LONG-TERM DEBT | 135,350 | 135,377 |
| ACCRUED INSURANCE CLAIMS | 26,957 | 29,759 |
| DEFERRED TAX LIABILITIES, net non-current | 23,786 | 22,910 |
| OTHER LIABILITIES | 3,650 | 4,758 |
| Total liabilities | 287,492 | 302,834 |
| | | |
| COMMITMENTS AND CONTINGENCIES | | |
| | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, par value $1.00 per share: | | |

| | | |
|---|---|---|
| 1,000,000 shares authorized: no shares issued and outstanding | - | - |
| Common stock, par value $0.33 1/3 per share: | | |
| 150,000,000 shares authorized: 38,653,756 and 38,998,513 | | |
| issued and outstanding, respectively | 12,885 | 12,999 |
| Additional paid-in capital | 169,345 | 172,112 |
| Accumulated other comprehensive income | 211 | 69 |
| Retained earnings | 206,650 | 205,443 |
| Total stockholders' equity | 389,091 | 390,623 |
| TOTAL | $676,583 | $693,457 |

See notes to the condensed consolidated financial statements.

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | For the Three Months Ended | |
|---|---|---|
| | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands, except per share amounts) | |
| REVENUES: | | |
| Contract revenues | $ 231,636 | $ 257,719 |
| | | |
| EXPENSES: | | |
| Costs of earned revenues, excluding depreciation and amortization | 191,333 | 206,733 |
| General and administrative (including stock-based compensation | | |
| expense of $0.8 and $0.9 million, respectively) | 24,297 | 24,276 |
| Depreciation and amortization | 15,852 | 16,163 |
| Total | 231,482 | 247,172 |
| | | |
| Interest income | 27 | 60 |
| Interest expense | (3,386) | (3,162) |
| Other income, net | 4,451 | 3,566 |
| | | |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 1,246 | 11,011 |
| | | |
| PROVISION (BENEFIT) FOR INCOME TAXES: | | |
| | | |
| Current | 7 | (2,132) |
| Deferred | (409) | 5,574 |
| | | |
| Total | (402) | 3,442 |
| | | |
| INCOME FROM CONTINUING OPERATIONS | 1,648 | 7,569 |
| | | |
| INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX | - | 28 |
| | | |
| NET INCOME | $ 1,648 | $ 7,597 |
| | | |
| EARNINGS PER COMMON SHARE - BASIC: | | |
| | | |
| Income from continuing operations | $ 0.04 | $ 0.19 |
| Income from discontinued operations | - | - |
| Net income | $ 0.04 | $ 0.19 |
| | | |
| EARNINGS PER COMMON SHARE - DILUTED: | | |

| | | | | |
|---|---|---|---|---|
| Income from continuing operations | $ | 0.04 | $ | 0.19 |
| Income from discontinued operations | | - | | - |
| Net income | $ | 0.04 | $ | 0.19 |
| | | | | |
| SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE: | | | | |
| Basic | | 39,021,043 | | 39,330,308 |
| | | | | |
| Diluted | | 39,054,443 | | 39,346,102 |
| | | | | |

See notes to the condensed consolidated financial statements.

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | For the Nine Months Ended | |
|---|---|---|
| | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands, except per share amounts) | |
| REVENUES: | | |
| Contract revenues | $ 707,082 | $ 837,209 |
| | | |
| EXPENSES: | | |
| Costs of earned revenues, excluding depreciation and amortization | 582,241 | 681,239 |
| General and administrative (including stock-based compensation expense of $2.5 and $2.8 million, respectively) | 71,698 | 73,350 |
| Depreciation and amortization | 46,558 | 49,592 |
| Goodwill impairment charge | - | 94,429 |
| Total | 700,497 | 898,610 |
| | | |
| Interest income | 85 | 234 |
| Interest expense | (10,470) | (11,313) |
| Other income, net | 6,459 | 5,799 |
| | | |
| INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 2,659 | (66,681) |
| | | |
| PROVISION (BENEFIT) FOR INCOME TAXES: | | |
| | | |
| Current | (566) | (379) |
| Deferred | 2,019 | (6,503) |
| | | |
| Total | 1,453 | (6,882) |
| | | |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | 1,206 | (59,799) |
| | | |
| LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX | - | (9) |
| | | |
| NET INCOME (LOSS) | $ 1,206 | $ (59,808) |
| | | |
| EARNINGS (LOSS) PER COMMON SHARE - BASIC | | |
| | | |
| Income (loss) from continuing operations | $ 0.03 | $ (1.52) |
| Loss from discontinued operations | - | - |
| Net income (loss) | $ 0.03 | $ (1.52) |

| EARNINGS (LOSS) PER COMMON SHARE - BASIC | | | | |
|---|---|---|---|---|
| | | | | |
| Income (loss) from continuing operations | $ | 0.03 | $ | (1.52 ) |
| Loss from discontinued operations | | - | | - |
| Net income (loss) | $ | 0.03 | $ | (1.52 ) |
| | | | | |
| SHARES USED IN COMPUTING EARNINGS (LOSS) PER COMMON SHARE: | | | | |
| | | | | |
| Basic | | 39,028,637 | | 39,343,834 |
| | | | | |
| Diluted | | 39,102,612 | | 39,343,834 |

See notes to the condensed consolidated financial statements.

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | For the Nine Months Ended | |
|---|---|---|
| | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands) | |
| OPERATING ACTIVITIES: | | |
| Net income (loss) | $1,206 | $(59,808) |
| Adjustments to reconcile net loss to net cash inflow from operating activities: | | |
| Depreciation and amortization | 46,558 | 49,592 |
| Bad debt expense, net | 62 | 200 |
| Gain on sale of fixed assets, net | (6,143) | (3,306) |
| Gain on extinguishment of debt, net | - | (3,027) |
| Write-off of deferred financing costs | - | 551 |
| Deferred income tax provision (benefit) | 2,019 | (5,972) |
| Stock-based compensation | 2,488 | 2,775 |
| Amortization of debt issuance costs | 791 | 727 |
| Goodwill impairment charge | - | 94,429 |
| Excess tax benefit from share-based awards | (69) | - |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | 18,782 | 37,978 |
| Costs and estimated earnings in excess of billings, net | 7,675 | 30,445 |
| Other current assets and inventory | (6,895) | (3,049) |
| Other assets | (960) | 826 |
| Income taxes receivable | (1,380) | (6,468) |
| Accounts payable | (1,212) | (5,465) |
| Accrued liabilities and insurance claims | (14,240) | (34,300) |
| Net cash provided by operating activities | 48,682 | 96,128 |
| | | |
| INVESTING ACTIVITIES: | | |
| Changes in restricted cash | - | (61) |
| Capital expenditures | (38,222) | (25,625) |
| Proceeds from sale of assets | 6,571 | 4,349 |
| Net cash used in investing activities | (31,651) | (21,337) |
| | | |
| FINANCING ACTIVITIES: | | |
| Proceeds from long-term debt | - | 30,000 |
| Principal payments on long-term debt | (920) | (31,824) |
| Purchase of senior subordinated notes | - | (11,292) |
| Debt issuance costs | - | (1,837) |
| Repurchases of common stock | (4,489) | (2,915) |
| Restricted stock tax withholdings | (273) | (246) |
| Exercise of stock options and other | 30 | 17 |
| Excess tax benefit from share based awards | 69 | - |
| Net cash used in financing activities | (5,583) | (18,097) |

| | | |
|---|---|---|
| Net increase in cash and equivalents | 11,448 | 56,694 |
| CASH AND EQUIVALENTS AT BEGINNING OF PERIOD | 104,707 | 22,068 |
| CASH AND EQUIVALENTS AT END OF PERIOD | $116,155 | $78,762 |
| SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Cash paid during the period for: | | |
| Interest | $12,570 | $14,021 |
| Income taxes | $5,788 | $6,885 |
| Purchases of capital assets included in accounts payable or other accrued liabilities at period end | $3,818 | $272 |

See notes to the condensed consolidated financial statements.

Table of Contents

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Accounting Policies

Basis of Presentation – Dycom Industries, Inc. ("Dycom" or the "Company") is a leading provider of specialty contracting services. These services are provided throughout the United States and include engineering, construction, maintenance and installation services to telecommunications providers, underground facility locating services to various utilities including telecommunications providers, and other construction and maintenance services to electric and gas utilities and others. Additionally, Dycom provides services on a limited basis in Canada.

The condensed consolidated financial statements include the results of Dycom and its subsidiaries, all of which are wholly-owned. All intercompany accounts and transactions have been eliminated and the financial statements reflect all adjustments, consisting of only normal recurring accruals which are, in the opinion of management, necessary for a fair presentation of such statements. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). However, the financial statements do not include all of the financial information and footnotes required by GAAP for complete financial statements. Additionally, the results of operations for the three and nine months ended April 24, 2010 are not necessarily indicative of the results that may be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 25, 2009 included in the Company's 2009 Annual Report on Form 10-K, filed with the SEC on September 3, 2009.

Accounting Period – The Company uses a fiscal year ending on the last Saturday in July. Fiscal 2009 consisted of 52 weeks and fiscal 2010 will consist of 53 weeks, with the fourth quarter having 14 weeks of operations.

Discontinued Operations – During fiscal 2007, a wholly-owned subsidiary of the Company, Apex Digital, LLC ("Apex") notified its primary customer of its intention to cease performing installation services in accordance with its contractual rights. Effective December 2006, this customer, a satellite broadcast provider, transitioned its installation service requirements to others and Apex ceased providing these services. As a result, the Company discontinued the operations of Apex. The results of Apex were not material in fiscal 2009 or 2010.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For the Company, key estimates include: recognition of revenue for costs and estimated earnings in excess of billings, the fair value of goodwill, intangibles and other long-lived assets, income taxes, accrued insurance claims, asset lives used in computing depreciation and amortization, allowance for doubtful accounts, stock-based compensation expense for performance-based stock awards, and accruals for contingencies, including legal matters. At the time they are made, the Company believes that such estimates are fair when considered in conjunction with the condensed consolidated financial position and results of operations taken as a whole. However, actual results could differ from those estimates and such differences may be material to the financial statements.

Restricted Cash — As of April 24, 2010 and July 25, 2009, the Company had approximately $4.9 million in restricted cash, which is held as collateral in support of the Company's insurance obligations. Restricted cash is included in other current assets and other assets in the condensed consolidated balance sheets and changes in restricted cash are reported in cash flows used in investing activities in the condensed consolidated statements of cash flows.

Comprehensive Income (Loss) – During the three and nine months ended April 24, 2010 and April 25, 2009, the Company did not have any material changes in its equity resulting from non-owner sources. Accordingly, comprehensive income (loss) approximated the net income (loss) amounts presented for the respective period's

operations.

Fair Value of Financial Instruments — Accounting Standard Codification (“ASC”) Topic 825 requires certain disclosures regarding the fair value of financial instruments. The Company’s financial instruments consist primarily of cash and equivalents, restricted cash, accounts receivable, income taxes receivable and payable, accounts payable and accrued expenses, and long-term debt. The carrying amounts of these instruments approximate their fair value due to the short maturity of these items, except for the Company’s 8.125% senior subordinated notes due October 2015 (the “Notes”). The Company determined that the fair value of the Notes at April 24, 2010 was $131.6 million based on quoted market prices compared to a carrying value of $135.35 million.

Table of Contents

Segment Information — The Company operates in one reportable segment as a specialty contractor, providing engineering, construction, maintenance and installation services to telecommunications providers, underground facility locating services to various utilities including telecommunications providers, and other construction and maintenance services to electric and gas utilities and others. All of the Company's operating segments have been aggregated into one reporting segment due to their similar economic characteristics, products and production methods, and distribution methods. The Company's services are provided by its various subsidiaries throughout the United States and, on a limited basis, in Canada. One of the Company's operating segments earned revenues from contracts in Canada of approximately $1.5 million and $5.0 million during the three and nine months ended April 24, 2010, respectively, and $0.7 million and $2.6 million during the three and nine months ended April 25, 2009, respectively. The Company had no material long-lived assets in the Canadian operations at April 24, 2010 or July 25, 2009.

Recently Issued Accounting Pronouncements – ASC Topic 860, "Accounting for Transfers of Financial Assets" ("ASC Topic 860"), eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. This pronouncement is effective for the Company in fiscal 2011. The adoption of ASC Topic 860 is not expected to have a material effect on the Company's condensed consolidated financial statements.

ASC Topic 810, "Amendments to FASB Interpretation: Consolidation of Variable Interest Entities" ("ASC Topic 810"), requires an analysis to determine whether a variable interest gives an enterprise a controlling financial interest in a variable interest entity. This pronouncement requires an ongoing reassessment of whether an enterprise is the primary beneficiary of a variable interest entity. This pronouncement is effective for the Company in fiscal 2011. The adoption of ASC Topic 810 is not expected to have a material effect on the Company's condensed consolidated financial statements.

ASC Topic 855, "Subsequent Events" ("ASC Topic 855"), establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the date the financial statements are issued or available to be issued. ASC Topic 855 requires companies to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance sheet date. In February 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2010-09 – "Subsequent Events (Topic 855) — Amendments to Certain Recognition and Disclosure Requirements" ("ASU 2010-09"). ASU 2010-09 provides amendments which clarify that SEC filers are not required to disclose the date through which subsequent events have been evaluated. The adoption of this guidance had no impact on the Company's condensed consolidated financial statements.

In April 2010, FASB issued Accounting Standards Update No. 2010-12, "Income Taxes (Topic 740) – Accounting for Certain Tax Effects of the 2010 Health Care Reform Acts," ("ASU 2010-12"). ASU 2010-12 addresses changes in accounting for income taxes resulting from the recently issued Health Care and Education Reconciliation Act of 2010 and the Patient Protection and Affordable Care Act. The adoption of this guidance is not expected to have a material effect on the Company's condensed consolidated financial statements.

2. Computation of Earnings (Loss) Per Common Share

FASB Staff Position No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("ASC Topic 260") addresses whether unvested share-based payment awards with rights to receive dividends or dividend equivalents should be considered as participating securities for the purposes of applying the two-class method of calculating earnings (loss) per share. Unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents are participating securities, and

thus, should be included in the two-class method of computing earnings (loss) per share. The Company adopted this standard in the first quarter of fiscal 2010 and the adoption did not change the Company's earnings (loss) per share calculation for any prior period presented.

Table of Contents

Basic earnings (loss) per common share is computed based on the weighted average number of shares outstanding during the period, excluding unvested restricted shares and restricted share units. Diluted earnings per common share includes the weighted average common shares outstanding for the period plus dilutive potential common shares, including unvested time vesting and certain performance vesting restricted shares and restricted share units. Performance vesting restricted shares and restricted share units are only included in diluted earnings (loss) per common share calculations for the period if all the necessary performance conditions are satisfied and their impact is not anti-dilutive. Common stock equivalents related to stock options are excluded from diluted earnings (loss) per common share calculations if their effect would be anti-dilutive. For the nine months ended April 25, 2009, all common stock equivalents related to stock options and unvested restricted shares and restricted share units were excluded from the diluted loss per share calculation as their effect would be anti-dilutive due to the Company's net loss for the period. The following is a reconciliation of the numerator and denominator of the basic and diluted earnings (loss) per common share computation as required by ASC Topic 260.

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | April 24, 2010 | April 25, 2009 | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands, except per share amounts) | | | |
| Numerator: | | | | |
| Income (loss) from continuing operations | $1,648 | $7,569 | $1,206 | $(59,799) |
| Income (loss) from discontinued operations, net of tax | - | 28 | - | (9) |
| Net income (loss) | $1,648 | $7,597 | $1,206 | $(59,808) |
| | | | | |
| Denominator: | | | | |
| Basic | | | | |
| Weighted-average number of common shares - Basic | 39,021,043 | 39,330,308 | 39,028,637 | 39,343,834 |
| Diluted | | | | |
| Weighted-average number of common shares - Basic | 39,021,043 | 39,330,308 | 39,028,637 | 39,343,834 |
| Potential common stock arising from stock options, unvested restricted shares and unvested restricted share units | 33,400 | 15,794 | 73,975 | - |
| Weighted-average number of common shares - Diluted | 39,054,443 | 39,346,102 | 39,102,612 | 39,343,834 |
| | | | | |
| Antidilutive weighted shares excluded from the calculation of earnings (loss) per common share | 3,618,970 | 2,989,302 | 2,547,418 | 3,115,085 |
| | | | | |
| EARNINGS (LOSS) PER COMMON SHARE - BASIC: | | | | |
| | | | | |
| Income (loss) from continuing operations | $0.04 | $0.19 | $0.03 | $(1.52) |
| Income (loss) from discontinued operations, net of tax | - | - | - | - |
| Net income (loss) | $0.04 | $0.19 | $0.03 | $(1.52) |
| | | | | |
| EARNINGS (LOSS) PER COMMON SHARE - DILUTED: | | | | |
| | | | | |
| Income (loss) from continuing operations | $0.04 | $0.19 | $0.03 | $(1.52) |
| Income (loss) from discontinued operations, net of tax | - | - | - | - |

| Net income (loss) | $0.04 | $0.19 | $0.03 | $(1.52) |
|---|---|---|---|---|

Table of Contents

3. Accounts Receivable

Accounts receivable consists of the following:

| | April 24, 2010 | July 25, 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| Contract billings | $ 96,176 | $ 113,275 |
| Retainage and other receivables | 1,179 | 4,501 |
| Total | 97,355 | 117,776 |
| Less: allowance for doubtful accounts | 582 | 808 |
| Accounts receivable, net | $ 96,773 | $ 116,968 |

The allowance for doubtful accounts changed as follows:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | April 24, 2010 | April 25, 2009 | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands) | | | |
| Allowance for doubtful accounts at beginning of period | $605 | $601 | $808 | $769 |
| Bad debt expense, net | 68 | 177 | 62 | 200 |
| Amounts credited to (charged against) the allowance | (91) | 2 | (288) | (189) |
| Allowance for doubtful accounts at end of period | $582 | $780 | $582 | $780 |

As of April 24, 2010, the Company expected to collect all retainage balances above within the next twelve months.

4. Costs and Estimated Earnings on Contracts in Excess of Billings

Costs and estimated earnings in excess of billings, net, consists of the following:

| | April 24, 2010 | July 25, 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| Costs incurred on contracts in progress | $48,590 | $53,823 |
| Estimated to date earnings | 11,277 | 13,288 |
| Total costs and estimated earnings | 59,867 | 67,111 |
| Less: billings to date | 582 | 151 |
| | $59,285 | $66,960 |
| | | |
| Included in the accompanying consolidated balance sheets under the captions: | | |
| Costs and estimated earnings in excess of billings | $59,867 | $67,111 |

| | | |
|---|---|---|
| Billings in excess of costs and estimated earnings | (582 ) | (151 ) |
| | $59,285 | $66,960 |

The above amounts include revenue for services from contracts based both on the units of delivery and the cost-to-cost measures of the percentage of completion method.

10

Table of Contents

## 5. Property and Equipment

Property and equipment, including amounts for assets subject to capital leases, consists of the following:

| | April 24, 2010 | July 25, 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| Land | $3,165 | $2,974 |
| Buildings | 11,630 | 9,875 |
| Leasehold improvements | 4,518 | 4,361 |
| Vehicles | 199,249 | 199,372 |
| Computer hardware and software | 51,801 | 42,323 |
| Office furniture and equipment | 5,487 | 5,030 |
| Equipment and machinery | 120,686 | 123,709 |
| Total | 396,536 | 387,644 |
| Less: accumulated depreciation | 258,796 | 245,512 |
| Property and equipment, net | $137,740 | $142,132 |

Depreciation expense and repairs and maintenance, including amounts for assets subject to capital leases, were as follows:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | April 24, 2010 | April 25, 2009 | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands) | | | |
| Depreciation expense | $14,286 | $14,523 | $41,812 | $44,427 |
| Repairs and maintenance expense | $3,375 | $3,828 | $10,743 | $12,143 |

## 6. Goodwill and Intangible Assets

The Company's goodwill and intangible assets consist of the following:

| | Useful Life In Years | April 24, 2010 | July 25, 2009 |
|---|---|---|---|
| | | (Dollars in thousands) | |
| Goodwill | N/A | $157,851 | $157,851 |
| Intangible Assets: | | | |
| Carrying amount: | | | |
| UtiliQuest tradename | Indefinite | 4,700 | 4,700 |

| | | | |
|---|---|---|---|
| Tradenames | 4-15 | 2,600 | 2,925 |
| Customer relationships | 5-15 | 77,555 | 77,555 |
| | | 84,855 | 85,180 |
| Accumulated amortization: | | | |
| Tradenames | | 703 | 897 |
| Customer relationships | | 32,843 | 28,227 |
| | | 33,546 | 29,124 |
| Net Intangible Assets | | $51,309 | $56,056 |

For finite-lived intangible assets, amortization expense for each of the three months ended April 24, 2010 and April 25, 2009 was $1.6 million. For finite-lived intangible assets, amortization expense for the nine months ended April 24, 2010 and April 25, 2009 was $4.7 million and $5.2 million, respectively. Amortization of the Company's customer relationships is recognized on an accelerated

Table of Contents

basis related to the expected economic benefit of the intangible asset, while amortization of other finite-lived intangibles is recognized on a straight-line basis over the estimated useful life.

The Company's goodwill resides in multiple reporting units. The profitability of individual reporting units may periodically suffer from downturns in customer demand and other factors resulting from the cyclical nature of the Company's business, the high level of competition existing within the Company's industry, the concentration of the Company's revenues within a limited number of customers, and the level of overall economic activity. During times of economic slowdown, the Company's customers may reduce their capital expenditures and defer or cancel pending projects. Individual reporting units may be relatively more impacted by these factors than the Company as a whole. As a result, demand for the services of one or more of the Company's reporting units could decline resulting in an impairment of goodwill or intangible assets.

During the second quarter of fiscal 2009, the Company's market capitalization was significantly impacted by the extreme volatility in the U.S. equity and credit markets and was below the book value of shareholders' equity by a substantial margin. As a result, the Company evaluated whether the decrease in its market capitalization reflected factors that would more likely than not reduce the fair value of the Company's reporting units below their carrying value. Based on a combination of factors, including the economic environment, the sustained period of decline in the Company's market capitalization, and the implied valuation and discount rate assumptions in the Company's industry, the Company concluded there were sufficient indicators to perform an interim impairment test of the reporting units and related intangible assets as of January 24, 2009. As a result of this impairment test, the Company recognized a preliminary goodwill impairment charge of $94.4 million during the second quarter of fiscal 2009. The Company's interim impairment analysis was finalized during the third quarter of fiscal 2009 and no further charges were incurred. The Company performed its annual impairment test in the fourth quarter of fiscal 2009 and there was no impairment of goodwill or indefinite-lived intangible assets. However, the estimated fair value of the Prince Telecom ("Prince") reporting unit exceeded its carrying value by a margin of less than 25%. There were also smaller margins of fair value over carrying value for the Broadband Installation Services, Ervin Cable Construction ("Ervin"), and UtiliQuest reporting units, as their carrying values were written down to their estimated fair values during fiscal 2009. Prince, Broadband Installation Services, Ervin Cable Construction ("Ervin"), and UtiliQuest have remaining goodwill balances of $39.7 million, $19.7 million, $7.4 million, and $35.6 million, respectively, as of April 24, 2010.

Except for the goodwill impairment charges described above, none of the Company's reporting units with remaining goodwill balances incurred material losses in fiscal 2009 or 2010. The estimates and assumptions used in assessing the fair value of the Company's reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Changes in the Company's judgments and estimates could result in a significantly different estimate of the fair value of the reporting units and could result in impairments of goodwill or intangible assets at additional reporting units. A change in the estimated discount rate used would have impacted the amount of the goodwill impairment charges recorded during fiscal 2009. Additionally, continued adverse conditions in the economy and future volatility in the equity and credit markets could further impact the valuation of the Company's reporting units. The Company can provide no assurances that, if such conditions continue, they will not trigger additional impairments of goodwill and other intangible assets in future periods.

As of April 24, 2010, the Company believes the carrying value of its goodwill and other indefinite-lived intangible asset is recoverable; however, there can be no assurances that they will not be impaired in future periods. Certain of the Company's reporting units also have other intangible assets including tradenames and customer relationship intangibles. As of April 24, 2010, management believes that the carrying amounts of the intangible assets are recoverable.

7. Accrued Insurance Claims

The Company retains the risk of loss, up to certain limits, for claims relating to automobile liability, general liability (including locate damages), workers' compensation, and employee group health. With regard to losses occurring in fiscal 2010, the Company has retained the risk of loss up to $1.0 million on a per occurrence basis for automobile liability, general liability and workers' compensation. These retention amounts are applicable to all of the states in which the Company operates, except with respect to workers' compensation insurance in three states in which the Company participates in a state sponsored insurance fund. Aggregate stop loss coverage for automobile liability, general liability and workers' compensation claims is $43.8 million for fiscal 2010. For losses under the Company's employee health plan occurring during fiscal 2010, the Company has retained the risk of loss, on an annual basis, of $250,000 per participant.

Table of Contents

Accrued insurance claims consist of the following:

| | April 24, 2010 | July 25, 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| Amounts expected to be paid within one year: | | |
| Accrued auto, general liability and workers' compensation | $16,138 | $15,559 |
| Accrued employee group health | 3,700 | 3,698 |
| Accrued damage claims | 7,081 | 8,129 |
| | 26,919 | 27,386 |
| Amounts expected to be paid beyond one year: | | |
| Accrued auto, general liability and workers' compensation | 22,153 | 23,866 |
| Accrued damage claims | 4,804 | 5,893 |
| | 26,957 | 29,759 |
| Total accrued insurance claims | $53,876 | $57,145 |

8. Other Accrued Liabilities

Other accrued liabilities consist of the following:

| | April 24, 2010 | July 25, 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| Accrued payroll and related taxes | $18,422 | $22,041 |
| Accrued employee benefit and incentive plan costs | 3,837 | 7,195 |
| Accrued construction costs | 8,658 | 8,083 |
| Accrued interest and related bank fees | 459 | 3,228 |
| Other | 10,719 | 12,043 |
| Total other accrued liabilities | $42,095 | $52,590 |

9. Debt

The Company’s outstanding indebtedness consists of the following:

| | April 24, 2010 | July 25, 2009 |
|---|---|---|
| | (Dollars in thousands) | |
| Senior subordinated notes | $135,350 | $135,350 |
| Capital leases | 150 | 953 |
| | 135,500 | 136,303 |
| Less: current portion | 150 | 926 |
| Long-term debt | $135,350 | $135,377 |

During the first quarter of fiscal 2009, the Company entered into a three-year $195.0 million revolving Credit Agreement (the "Credit Agreement") with a syndicate of banks. The Credit Agreement was subsequently amended to add an additional bank to the syndicate of banks and increase the maximum borrowing available under the Credit Agreement from $195.0 million to $210.0 million. The Credit Agreement has an expiration date of September 12, 2011 and includes a sublimit of $100.0 million for the issuance of letters of credit. Subject to certain conditions, the Credit Agreement provides for two one-year extensions and, after giving affect to the amendment, also provides the ability to borrow an incremental $85.0 million.

Table of Contents

Borrowings under the Credit Agreement bear interest, at the Company's option, at either (a) the administrative agent's base rate, described in the Credit Agreement as the higher of the administrative agent's prime rate or the federal funds rate plus 0.50%, or (b) LIBOR (a publicly published rate) plus, in either instance, a spread determined by the Company's condensed consolidated leverage ratio. Since the Credit Agreement has been in place, the spread above the administrative agent's base rate ranged from 0.75% to 1.00% and the spread above LIBOR ranged from 1.75% to 2.00%. The Credit Agreement requires the payment of fees for outstanding letters of credit and unutilized commitments, in each case based on the Company's consolidated leverage ratio. Since inception of the Credit Agreement, fees for outstanding letters of credit ranged from 1.875% to 2.125% per annum and fees for unutilized commitments ranged from 0.625% to 0.75% per annum. The payments under the Credit Agreement are guaranteed by certain subsidiaries and secured by a pledge of (i) 100% of the equity of the Company's material domestic subsidiaries, as defined, and (ii) 100% of the non-voting equity and 65% of the voting equity of first tier material foreign subsidiaries, if any, in each case excluding certain unrestricted subsidiaries.

The Credit Agreement contains certain affirmative and negative covenants, including limitations with respect to indebtedness, liens, investments, distributions, mergers and acquisitions, disposition of assets, sale-leaseback transactions and transactions with affiliates. It also contains financial covenants which require the Company to (i) maintain a leverage ratio of not greater than 3.00 to 1.00, as measured at the end of each fiscal quarter, (ii) maintain an interest coverage ratio of not less than 2.75 to 1.00, as measured at the end of each fiscal quarter and (iii) maintain condensed consolidated total tangible net worth, as measured at the end of each fiscal quarter, of not less than $50.0 million plus (A) 50% of condensed consolidated net income (if positive) from September 12, 2008 to the date of computation plus (B) 75% of equity issuances made from September 12, 2008 to the date of computation.

As of April 24, 2010, the Company had no outstanding borrowings and $43.9 million of outstanding letters of credit issued under the Credit Agreement. The outstanding letters of credit are issued as part of the Company's insurance program. At April 24, 2010, the Company was in compliance with the financial covenants and had additional borrowing availability of $131.4 million as determined by the most restrictive covenants of the Credit Agreement.

In October 2005, Dycom Investments, Inc., a wholly-owned subsidiary of the Company, issued $150.0 million in aggregate principal amount of 8.125% senior subordinated notes due October 2015 ("Notes"). Interest on the Notes is due on April 15th and October 15th of each year. The Company purchased $14.65 million principal amount of the Notes during fiscal 2009 for $11.3 million. As of April 24, 2010, the principal amount outstanding under the Notes was $135.35 million. The indenture governing the Notes contains covenants that restrict the Company's ability to, among other things:

- make certain payments, including the payment of dividends;
- redeem or repurchase our capital stock;
- incur additional indebtedness and issue preferred stock;
- make investments or create liens;
- enter into sale and leaseback transactions;
- merge or consolidate with another entity;
- sell certain assets; and
- enter into transactions with affiliates.

14

Table of Contents

10. Income Taxes

The Company accounts for income taxes under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Prior to fiscal 2009, the Company incurred non-cash impairment charges on an investment for financial statement purposes and recorded a deferred tax asset reflecting the tax benefits of those impairment charges. During the first quarter of fiscal 2010, the investment became impaired for tax purposes and the Company determined that it was more likely than not that the associated tax benefit would not be realized prior to its eventual expiration. Accordingly, the Company recognized a non-cash income tax charge of $1.1 million for a valuation allowance of the associated deferred tax asset during the first quarter of fiscal 2010. Additionally, during the three months ended April 24, 2010 and April 25, 2009, the provision for income taxes included the reversal of $1.0 million and $1.4 million, respectively, of certain income tax liabilities which were no longer required.

As of April 24, 2010, the Company has total unrecognized tax benefits of $2.1 million, which would reduce the Company's effective tax rate during future periods if it is subsequently determined that those liabilities are not required. The Company recognizes interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses. During the three and nine months ended April 24, 2010, the Company recognized approximately $0.2 million and $0.1 million of interest benefit in the accompanying consolidated statements of operations, respectively, compared to $0.4 million and $0.2 million of interest benefit during the three and nine months ended April 25, 2009, respectively.

11. Other Income, net

The components of other income, net, are as follows:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | April 24, 2010 | April 25, 2009 | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands) | | | |
| Gain on sale of fixed assets | $4,308 | $1,786 | $6,143 | $3,306 |
| Miscellaneous income | 143 | 53 | 316 | 17 |
| Gain on extinguishment of debt, net | - | 1,727 | - | 3,027 |
| Write-off of deferred financing costs | - | - | - | (551) |
| Total other income, net | $4,451 | $3,566 | $6,459 | $5,799 |

The Company purchased $4.65 million principal amount of Notes for $3.2 million during the second quarter of fiscal 2009 and $10.0 million principal amount of the Notes for $8.1 million during the third quarter of fiscal 2009. After the write-off of associated debt issuance costs, the net gain reported as other income was $1.7 million and $3.0 million for the three and nine months ended April 25, 2009, respectively.

12. Capital Stock

On February 23, 2010, the Board of Directors authorized the repurchase of up to $20.0 million of its common stock to be made over the next eighteen months in open market or private transactions. This repurchase program replaced the Company's existing program, which expired in February 2010. The Company repurchased 475,602 shares during the

three months ended April 24, 2010 at an average price of $9.44 per share. These shares were subsequently cancelled. As of April 24, 2010, approximately $15.5 million of the authorized amount remains for the repurchase of common stock.

13. Stock-Based Awards

Stock-based awards are granted by the Company under its 2003 Long-term Incentive Plan (“2003 Plan”) and the 2007 Non-Employee Directors Equity Plan (“2007 Directors Plan”), (collectively, “the Plans”). The Company also has several other plans under which no further awards will be granted, including expired plans. The Company’s policy is to issue new shares to satisfy equity awards under the Plans. Under the terms of the Plans, stock options are granted at the closing price on the date of the grant and are exercisable over a period of up to ten years. The Plans also provide for the grants of time based restricted share units (“RSUs”), that currently vest ratably over a four year period from the date of grant. Additionally, the 2003 Plan provides for the grants of performance based restricted share units (“Performance RSUs”). Outstanding Performance RSUs vest over a three year period from the grant date if certain Company performance goals are achieved.

Table of Contents

The following table summarizes the stock-based awards activity during the nine months ended April 24, 2010:

| | Stock Options | | RSUs | | Performance RSUs | |
|---|---|---|---|---|---|---|
| | Shares | Weighted Average Exercise Price | Shares/Units | Weighted Average Grant Price | Shares/Units | Weighted Average Grant Price |
| Outstanding as of July 25, 2009 | 2,866,675 | $ 23.36 | 177,400 | $ 13.78 | 680,342 | $ 21.34 |
| Granted | 1,034,248 | $ 8.55 | 112,436 | $ 8.56 | 55,746 | $ 12.25 |
| Options Exercised/Shares and Units Vested | (4,310 ) | $ 6.83 | (85,147 ) | $ 13.79 | (82,428 ) | $ 22.55 |
| Forfeited or cancelled | (297,683 ) | $ 28.83 | (9,300 ) | $ 8.49 | (349,956 ) | $ 21.33 |
| Outstanding as of April 24, 2010 | 3,598,930 | $ 18.67 | 195,389 | $ 11.02 | 303,704 | $ 19.38 |
| | | | | | | |
| Exercisable options as of April 24, 2010 | 1,962,081 | $ 27.44 | | | | |

The Performance RSUs in the above table represent the maximum number of awards which may vest under the outstanding grants assuming that all performance criteria are met. Approximately 310,000 Performance RSUs were cancelled during 2010 related to fiscal 2009 performance criteria not being achieved.

Compensation expense for stock-based awards is based on the fair value at the measurement date and is included in general and administrative expenses in the condensed consolidated statements of operations. The compensation expense and the related tax benefit recognized related to stock options, restricted share and restricted share units for the three and nine months ended April 24, 2010 and April 25, 2009 is as follows:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | April 24, 2010 | April 25, 2009 | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands) | | | |
| Stock-based compensation expense | $812 | $898 | $2,488 | $2,775 |
| Tax benefit recognized | (166 ) | (282 ) | (652 ) | (967 ) |

The Company evaluates compensation expense quarterly and recognizes expense for performance based awards only if management determines it is probable that the performance criteria for the awards will be met. The total amount of expense ultimately recognized is based on the number of awards that actually vest. Accordingly, the amount recognized during current and prior periods may not be representative of future stock-based compensation expense.

Under the Plans, the maximum total unrecognized compensation expense and weighted-average period over which the expense would be recognized subsequent to April 24, 2010 is as follows:

| | Unrecognized Compensation Expense (In thousands) | Weighted-Average Period (In years) |
|---|---|---|
| Stock options | $ 6,893 | 3.3 |
| Unvested RSUs | $ 1,763 | 2.7 |
| Unvested Performance RSUs | $ 5,887 | 0.9 |

For Performance RSUs, the unrecognized compensation expense is based upon the maximum amount of restricted units that can be earned under outstanding awards. If performance goals are not met related to future performance periods, no compensation expense will be recognized for these units and compensation expense previously recognized on the unvested awards will be reversed. As of April 24, 2010 the Company estimates approximately $5.1 million of the unrecognized compensation expense related to the unvested Performance RSU’s will not be recognized due to performance criteria not being met.

Table of Contents

14. Related Party Transactions

The Company leases administrative offices from entities related to officers of the Company's subsidiaries. The total expense under these arrangements was $0.3 million and $0.4 million for the three month periods ended April 24, 2010 and April 25, 2009, respectively. The total expense under these arrangements was $0.9 million and $1.0 million for the nine month periods ended April 24, 2010 and April 25, 2009, respectively.

15. Commitments and Contingencies

Legal Proceedings.

In May 2009, the Company and one of its subsidiaries were named as defendants in a lawsuit in the U.S. District Court for the Western District of Washington. The plaintiffs, all former employees of the subsidiary, alleged various wage and hour claims, including that employees were not paid for all hours worked and were subject to improper wage deductions. Plaintiffs sought to certify as a class current and former employees of the subsidiary who worked in the State of Washington. In November 2009, the plaintiffs' attorneys, the Company and the subsidiary entered into a memorandum of understanding pursuant to which the parties agreed to the terms of a proposed settlement with respect to the lawsuit. In January 2010, the Court granted preliminary approval of the proposed settlement. Notice of the terms of the proposed settlement and claim forms were mailed to members of the plaintiffs' class in February 2010. The Court held a hearing regarding the plaintiffs' Motion for Final Approval of the Class Action Settlement in April 2010, at which time it entered an Order approving the settlement and dismissed the action with prejudice subject to final administration of the terms of the settlement. As of April 24, 2010, approximately $1.6 million was included in other accrued liabilities with respect to claims approved for payment under the terms of the settlement.

From time to time, the Company and its subsidiaries are also party to various other claims and legal proceedings. Additionally, as part of the Company's insurance program, the Company retains the risk of loss, up to certain limits, for claims related to automobile liability, general liability, workers' compensation, employee group health, and locate damages. For these claims, the effect on the Company's financial statements is generally limited to the amount of the Company's insurance deductible or insurance retention. It is the opinion of the Company's management, based on information available at this time, that none of such other pending claims or proceedings will have a material effect on its condensed consolidated financial statements.

Performance Bonds and Guarantees.

The Company has obligations under performance bonds related to certain of its customer contracts. Performance bonds generally provide the Company's customer with the right to obtain payment and/or performance from the issuer of the bond if the Company fails to perform its contractual obligations. As of April 24, 2010, the Company had $41.9 million of outstanding performance bonds and no events have occurred in which the customers have exercised their rights under the bonds.

The Company has periodically guaranteed certain obligations of its subsidiaries, including obligations in connection with obtaining state contractor licenses and leasing real property.

16. Customer Concentrations

The Company provides specialty contracting services to telecommunications providers, utilities and others. Revenue information by type of customer is as follows:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | April 24, 2010 | April 25, 2009 | April 24, 2010 | April 25, 2009 |
| | (Dollars in thousands) | | | |
| Telecommunications | $184,693 | $200,151 | $563,305 | $654,655 |
| Underground facility locating | 41,758 | 44,354 | 126,020 | 135,530 |
| Electric and gas utilities and other construction and maintenance | 5,185 | 13,214 | 17,757 | 47,024 |
| Total contract revenues | $231,636 | $257,719 | $707,082 | $837,209 |

Table of Contents

The Company's customer base is concentrated, with the top five customers accounting for approximately 65.2% and 63.7% of total contract revenues for the nine months ended April 24, 2010 and April 25, 2009, respectively. AT&T, Inc. ("AT&T"), Comcast Cable Corporation ("Comcast"), CenturyLink, Inc. ("CenturyLink"), and Verizon Communications, Inc. ("Verizon") represent a significant portion of the Company's customer base and were over 10% or more of total revenue for the three months or nine months ended April 24, 2010 and April 25, 2009 as follows:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| | April 24, 2010 | April 25, 2009 | April 24, 2010 | April 25, 2009 |
| AT&T | 22.4% | 19.7% | 20.1% | 18.1% |
| Comcast | 14.0% | 13.4% | 14.4% | 15.1% |
| CenturyLink* | 10.6% | 7.3% | 9.9% | 6.4% |
| Verizon | 9.7% | 13.9% | 12.4% | 16.3% |

*For comparison purposes, CenturyLink and Embarq Corporation revenues have been combined for periods prior to their July 2009 merger.

The Company believes that none of its significant customers were experiencing financial difficulties that would impact the collectability of the Company's trade accounts receivable and costs in excess of billings as of April 24, 2010. Customers representing 10% or more of revenue had the following combined amounts of trade accounts receivable and costs and estimated earnings in excess of billings outstanding and the related percentage of the Company's total outstanding balances:

| | April 24, 2010 | | July 25, 2009 | |
|---|---|---|---|---|
| | Amount | % of Total | Amount | % of Total |
| | (Dollars in millions) | | | |
| AT&T | $ 27.9 | 17.8 % | $ 28.5 | 15.6 % |
| Comcast | $ 19.5 | 12.4 % | $ 21.6 | 11.8 % |
| CenturyLink* | $ 21.8 | 13.9 % | $ 8.8 | 4.8 % |
| Verizon | $ 19.1 | 12.1 % | $ 48.0 | 26.2 % |

17. Supplemental Consolidating Financial Statements

As of April 24, 2010, the principal amount outstanding of the Company's Notes was $135.35 million. The Notes were issued in fiscal 2006 by Dycom Investments, Inc. ("Issuer"), a wholly-owned subsidiary of the Company. The following condensed consolidating financial statements present, in separate columns, financial information for (i) Dycom Industries, Inc. ("Parent") on a parent only basis, (ii) the Issuer, (iii) the guarantor subsidiaries for the Notes on a combined basis, (iv) other non-guarantor subsidiaries on a combined basis, (v) the eliminations and reclassifications necessary to arrive at the information for the Company on a consolidated basis, and (vi) the Company on a consolidated basis. The condensed consolidating financial statements are presented in accordance with the equity method. Under this method, the investments in subsidiaries are recorded at cost and adjusted for the Company's share of subsidiaries' cumulative results of operations, capital contributions, distributions and other equity changes.

Intercompany charges (income) between the Parent and subsidiaries are recognized in the condensed consolidating financial statements during the period incurred and the settlement of intercompany balances is reflected in the condensed consolidating statement of cash flows based on the nature of the underlying transactions.

Each guarantor and non-guarantor subsidiary is wholly-owned, directly or indirectly, by the Issuer and the Parent. The Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary and Parent. There are no contractual restrictions limiting transfers of cash from guarantor and non-guarantor subsidiaries to Issuer or Parent, within the meaning of Rule 3-10 of Regulation S-X.

Table of Contents

DYCOM INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET (UNAUDITED)
APRIL 24, 2010

| | Parent | Issuer | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Eliminations and Reclassifications | Dycom Consolidated |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| ASSETS | | | | | | |
| CURRENT ASSETS: | | | | | | |
| Cash and equivalents | $- | $- | $115,056 | $ 1,099 | $ - | 116,155 |
| Accounts receivable, net | - | - | 95,669 | 1,104 | - | 96,773 |
| Costs and estimated earnings in excess of billings | - | - | 59,507 | 360 | - | 59,867 |
| Deferred tax assets, net | 948 | - | 13,153 | 60 | (128 ) | 14,033 |
| Income taxes receivable | 8,213 | - | - | - | - | 8,213 |
| Inventories | - | - | 12,997 | 94 | - | 13,091 |
| Other current assets | 4,918 | 23 | 5,250 | 1,021 | - | 11,212 |
| Total current assets | 14,079 | 23 | 301,632 | | | |