DYCOM INDUSTRIES INC
Form DEF 14A
October 30, 2008

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United States Securities and Exchange Commission
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Under Rule 14a-12

DYCOM INDUSTRIES, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(4) Date Filed:

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DYCOM INDUSTRIES, INC.
11770 U.S. Highway 1, Suite 101
Palm Beach Gardens, Florida 33408

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on November 25, 2008

To our Shareholders:

The Annual Meeting of Shareholders (the Annual Meeting) of Dycom Industries, Inc. (the Company) will be held at 11:00 a.m., local time, on Tuesday, November 25, 2008, at the City Club of the Palm Beaches, 11780 U.S. Highway 1, Suite 600, Palm Beach Gardens, Florida 33408.

At the Annual Meeting, you will be asked to vote on the following proposals, which are more fully described in the Proxy Statement accompanying this notice:

1. To elect three directors;

2. To vote upon a proposal to approve the Company s 2009 Annual Incentive Plan;

3. To vote upon a proposal to re-approve and amend the performance goals under the Company s 2003 Long-Term Incentive Plan; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournments of the Annual Meeting.

The Board of Directors has fixed the close of business on Friday, October 3, 2008, as the record date for determining the shareholders entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors,

Richard B. Vilsoet
Secretary
Palm Beach Gardens, Florida
October 29, 2008

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend in person, it is important that your shares be represented and voted. You can vote your shares by signing and dating the enclosed proxy card and returning it in the accompanying envelope or, via the Internet or telephone. You will find specific instructions for voting via the Internet or telephone on the proxy card. If you decide to attend the Annual Meeting and prefer to vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted. If you hold your shares through a broker and wish to vote at the meeting, you will need to obtain a proxy from the institution that holds your shares.

If you choose to attend the meeting, you will be asked to present valid picture identification, and if you hold your shares through a broker, you will be asked to present a copy of your brokerage statement showing your stock ownership as of October 3, 2008.

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DYCOM INDUSTRIES, INC.
11770 U.S. Highway 1, Suite 101
Palm Beach Gardens, Florida 33408

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
Tuesday, November 25, 2008

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Dycom Industries, Inc. (the Company) for use at the Annual Meeting of Shareholders to be held on Tuesday, November 25, 2008, at the City Club of the Palm Beaches, 11780 U.S. Highway 1, Suite 600, Palm Beach Gardens, Florida 33408, at 11:00 a.m., local time, or at any adjournments thereof (the Annual Meeting). This Proxy Statement and the accompanying proxy card are being mailed to shareholders on or about October 29, 2008.

What will I be voting on?

At the meeting, you and our other shareholders will be voting on the following:

The election of three (3) directors;

The approval of our 2009 Annual Incentive Plan; and

The re-approval and amendment of the performance goals under our 2003 Long-Term Incentive Plan.

Who may vote?

You may vote if you owned our common stock, par value $0.331/3 per share, as of the close of business on October 3, 2008, the record date for the meeting. Each share of our common stock is entitled to one vote on each matter to be voted on. As of the record date, there were 39,428,581 shares of common stock outstanding and entitled to vote at the Annual Meeting.

Who may attend the Annual Meeting?

All shareholders of record at the close of business on October 3, 2008, or their duly appointed proxies, may attend the meeting. Please be prepared to present valid photo identification for admission to the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

If you hold shares in street name (that is, in a brokerage account or through a bank or other nominee) and you plan to attend the Annual Meeting, you will need to bring a copy of a statement reflecting your share ownership as of the record date and check in at the registration desk at the meeting.

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What are the voting recommendations of the Board of Directors?

The Board of Directors recommends that you vote your shares FOR each of the nominees named in this Proxy Statement for election to our Board of Directors, FOR the approval of our 2009 Annual Incentive Plan and FOR the re-approval and amendment of the performance goals under our 2003 Long-Term Incentive Plan.

How do I vote?

You may vote your shares in any of the following manners:

- by signing and dating the enclosed proxy card and returning it in the accompanying envelope;
- by going to the website www.proxyvote.com, with your proxy card in hand, and following the instructions;
- by telephone following the instructions included with your proxy card; or
- by written ballot at the meeting.

If you are a stockholder of record and you attend the meeting, you may deliver your completed proxy card in person. If you hold your shares in street name and you wish to vote at the meeting, you will need to obtain a proxy from the broker or nominee that holds your shares.

Whether or not you plan to attend the meeting, we encourage you to vote by proxy as soon as possible.

What if I hold my shares in street name ?

Many shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. This is often called holding shares in street name. As summarized below, there are some distinctions between record shareholders and street name holders.

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered the shareholder of record for those shares, and these proxy materials are being sent directly to you.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of those shares and you hold your shares in street name. In this case, proxy materials are being forwarded to you by your broker or nominee. As the beneficial owner, you have the right to direct your broker how to vote and are also invited to attend the Annual Meeting. However, because you are not a shareholder of record, you may not vote these shares in person at the annual meeting unless you bring with you a proxy from your broker or nominee. Your broker or nominee has enclosed a voting instruction card for you to use in directing the vote of your shares.

Can I change my mind after I vote?

Yes. If you are a shareholder of record, you may change your vote or revoke your proxy at any time before it is voted at the Annual Meeting by filing an instrument of revocation with the Secretary of the Company or by submitting a proxy bearing a later date than the proxy being revoked prior to the Annual Meeting. Additionally, shareholders who attend the Annual Meeting may revoke a previously granted proxy and vote in person. If you hold your shares in street name and wish to change your vote at the Annual Meeting, you will need to obtain a proxy from the broker or nominee that holds your shares.

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Will my shares be voted if I do not provide my proxy?

If you are a shareholder of record and you do not vote or provide a proxy, your shares will not be voted.

Your shares may be voted if they are held in street name, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under New York Stock Exchange (NYSE) rules to vote shares for which their customers do not provide voting instructions on certain routine matters. The election of directors is considered a routine matter under these rules.

What constitutes a quorum?

The presence in person or by proxy of the holders of a majority of the common stock will constitute a quorum. A quorum is necessary to transact business at the Annual Meeting. Shares of common stock represented by proxies that reflect abstentions or broker non-votes (i.e., shares held by a broker or nominee which are represented at the Annual Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

What vote is required to approve each proposal?

With the exception of the election of directors, which requires a plurality of the votes cast, the affirmative vote of a majority of the shares of common stock represented at the Annual Meeting is required to approve any other proposals.

Will any other matters be voted on at the Annual Meeting?

As of the date of this Proxy Statement, our management knows of no other matter that will be presented for consideration at the meeting other than those matters discussed in this Proxy Statement. If any other matters properly come before the meeting and call for a vote of shareholders, validly executed proxies in the enclosed form returned to the Company will be voted in accordance with the recommendation of the Board of Directors, or, in absence of such a recommendation, in accordance with the judgment of the proxy holders.

Deadline for Appointment of Proxies by Telephone or the Internet or Returning Your Proxy Card

Dycom shareholders should complete and return the proxy card as soon as possible. To be valid, your proxy card must be completed in accordance with the instructions on it and received by us **no later than 11:59 p.m., Eastern Time, on November 24, 2008**. If you appoint your proxy by telephone or the Internet, we must receive your appointment **no later than 11:59 p.m., Eastern Time, on November 24, 2008**. If your common shares are held in street name, you should return your proxy card or voting instruction card in accordance with the instructions on that card or as provided by the bank, brokerage firm or other nominee who holds Dycom common stock on your behalf.

* * * *

A copy of the Company s Annual Report to Shareholders, including financial statements for the fiscal years ended July 26, 2008 and July 28, 2007, is enclosed with this Proxy Statement, but such documentation does not constitute a part of the proxy soliciting material.

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PROPOSAL 1

ELECTION OF DIRECTORS

Our Articles of Incorporation provide that our Board of Directors shall be divided into three classes, with each class having as equal a number of directors as possible. Our Board of Directors currently consists of seven members.

Three director nominees have been nominated for election at the Annual Meeting. The nominees are James A. Chiddix, Charles B. Coe and Patricia L. Higgins. Each nominee was selected by the Corporate Governance Committee and approved by the Board of Directors for submission to our shareholders. James A. Chiddix, Charles B. Coe and Patricia L. Higgins are each currently serving terms that expire at the Annual Meeting. Mr. Chiddix and Mr. Coe have been nominated for a three-year term expiring at the fiscal year 2011 Annual Meeting of Shareholders, and Ms. Higgins has been nominated for a one-year term expiring at the fiscal year 2009 Annual Meeting of Shareholders.

Each of the nominees has consented to serve if elected to our Board of Directors. If any director nominees become unable to accept nomination or election, which is not anticipated, the persons named as proxies will vote for the election of such other person as the Board of Directors may recommend. Proxies cannot be voted for a greater number of persons than the number of nominees named below.

NOMINEES FOR ELECTION AT THIS MEETING

The following table sets forth the name, age and principal occupation of each nominee for election as a director of the Company:

James A. Chiddix Director since 2007 Age 63	Mr. Chiddix has served as Vice Chairman of the Board of Directors at OpenTV Corp. since May 2007; he was Chairman and Chief Executive Officer at that company from 2004 to 2007. Mr. Chiddix was President of Time Warner Inc. s Interactive Video Division from 2001 through 2004, and was Senior Vice President, Technology and Chief Technology Officer at Time Warner Cable from 1986 through 2001. Mr. Chiddix also serves as a director at Symmetricom, Inc. and Virgin Media, Inc.
Charles B. Coe Director since 2005 Age 60	Mr. Coe was President of BellSouth Network Services, from 2000 to 2001; prior to this Mr. Coe held various other executive positions at BellSouth Corporation over a 15 year period. Mr. Coe is a director of Internap Network Services Corporation.
Patricia L. Higgins Director since 2008 Age 58	Ms. Higgins was President, Chief Executive Officer, and a director of Switch & Data Facilities Company, Inc., a leading provider of neutral interconnection and collocation services, from September 2000 to February 2004. Prior to that, Ms. Higgins served as Chairman and Chief Executive Officer of The Research Board, a consulting and research services company for information technology from May 1999 to August 2000. Prior to 1999, Ms. Higgins was the Chief Information Officer of Alcoa Inc. and also held senior management positions at UNISYS Corporation, Verizon (NYNEX) and AT&T Inc. Ms. Higgins

currently serves on the Boards of Directors of Barnes and Noble, Inc., Internap Network Services Corporation, The Travelers Companies, Inc. and Visteon Corporation.

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DIRECTORS WHOSE TERMS CONTINUE BEYOND THE MEETING

Thomas G. Baxter Director since 2005 Term expires 2010 Age 61	Mr. Baxter has been an advisor of Churchill Ventures Ltd since July 2006. From October 2001 to January 2005 Mr. Baxter was President of Time Warner Cable, a division of Time Warner Inc. Mr. Baxter was President and Chief Executive Officer of Audible, Inc. from February 2000 to July 2001 and an operating partner of Evercore Partners, from 1998 to 2000. Mr. Baxter was a director of Dycom Industries, Inc. from January 1999 to December 2001.
Charles M. Brennan, III Director since 2002 Term expires 2010 Age 66	Mr. Brennan served as Chairman of the Board of Directors of MYR Group, Inc. from March 2006 to December 2007. Mr. Brennan was Chairman and Chief Executive Officer of MYR Group, Inc. from 1989 to April 2000. Mr. Brennan is a director of Rogers Corporation.
Stephen C. Coley Director since 2003 Term expires 2009 Age 63	Mr. Coley was a Management Consultant with McKinsey & Company, Inc. from July 1975 to January 2004. Mr. Coley is a Director Emeritus of McKinsey & Company, Inc. and a director of Flagstone Reinsurance Holdings Limited.
Steven E. Nielsen Director since 1996 Term expires 2009 Age 45	Mr. Nielsen has been the President and Chief Executive Officer of the Company since March 1999; President and Chief Operating Officer from August 1996 to March 1999; and Vice President from February 1996 to August 1996. Mr. Nielsen is a director of SBA Communications Corporation.

Recommendation of the Board of Directors

The Board of Directors recommends that shareholders vote FOR the election of James A. Chiddix, Charles B. Coe and Patricia L. Higgins as directors.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION

We are committed to sound corporate governance and to full compliance with New York Stock Exchange (NYSE), Securities and Exchange Commission (SEC) and other regulatory and legal requirements. In furtherance of these goals our Board of Directors has adopted a Business Code of Conduct and Ethics, a Code of Ethics for Senior Financial Officers, Corporate Governance Guidelines and written charters for each of its Corporate Governance Committee, Compensation Committee and Audit Committee, all of which are available on our website at www.dycomind.com. Copies of each may also be obtained, without charge, upon written request to the Secretary of the Company at 11770 U.S. Highway 1, Suite 101, Palm Beach Gardens, Florida 33408. These documents are periodically reviewed in light of corporate governance developments and modified as appropriate.

Board Meetings and Attendance

The Board of Directors held 10 meetings during the fiscal year ended July 26, 2008. All directors attended at least 75% of the meetings of the Board of Directors and the committees of the Board of Directors, if any, on which they served during the periods for which they have served as a director. Attendance at the annual meeting of shareholders is expected of all directors as if it were a regular meeting.

Board Independence

In accordance with our Corporate Governance Guidelines, the Board of Directors monitors the independence of its members on an ongoing basis using standards set forth in the guidelines. The guidelines reflect the requirements set forth in the NYSE Corporate Governance listing standards. Under these standards, the Board of Directors has determined that each of the six non-management members of the Board of Directors, including the three non-management director nominees that are currently members of the Board of Directors, is independent and that such group constitutes a majority of our directors. Mr. Nielsen, who serves as our President and Chief Executive Officer, is not independent.

Committees of the Board

The Board of Directors has the authority to appoint committees to perform certain management and administrative functions and currently has an Audit Committee, a Compensation Committee, a Corporate Governance Committee, an Executive Committee and a Finance Committee.

Audit Committee. The Audit Committee met nine times during fiscal 2008. The following directors are current members of the Audit Committee: Charles M. Brennan, III, Charles B. Coe and Stephen C. Coley. The Board of Directors has determined that each of the members of the Audit Committee is independent within the meaning of the NYSE Corporate Governance listing standards and our Corporate Governance Guidelines. In addition, the Board of Directors has reviewed the qualifications and experience of each of the Audit Committee members and determined that all members of the Audit Committee are financially literate as defined by the NYSE listing standards. The Board of Directors has determined that the Chair of the Audit Committee, Charles M. Brennan, III, qualifies as an audit committee financial expert within the meaning of applicable regulations of the SEC, promulgated pursuant to the Sarbanes-Oxley Act of 2002, and has accounting or related financial management expertise within the meaning of the NYSE listing standards. The SEC has indicated that the designation of Mr. Brennan as an audit committee financial expert does not make him an expert for any purpose, impose any duties, obligations or liability that are greater than the duties, obligations or liability imposed as a member of the Audit Committee and the Board of Directors in the absence of such designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

The Audit Committee has responsibility for, among other things, assisting the Board of Directors in the oversight of:

- the quality and integrity of the Company s financial statements and related disclosure, internal controls and financial reporting;
- the Company s compliance with applicable legal and regulatory requirements;
- the independent auditor s qualification, independence and performance;
- the performance of the Company s internal audit function and control functions; and
- approval of the fees paid to the Company s independent auditors.

The Audit Committee Charter is set forth as Appendix C to this Proxy Statement.

Compensation Committee. The Compensation Committee met fourteen times during fiscal 2008. The Compensation Committee currently consists of Thomas G. Baxter, Charles B. Coe, Stephen C. Coley and Patricia L. Higgins. The Board of Directors has determined that each of the members of the Compensation Committee is independent within the meaning of the NYSE Corporate Governance listing standards and our Corporate Governance Guidelines.

The Compensation Committee has responsibility for, among other things:

- recommending to the Board of Directors the compensation of the directors;
- determining the compensation of the Chief Executive Officer and approving the compensation of the other executive officers;
- administering the Company s equity-based and incentive compensation plans, policies and programs; and
- reviewing and discussing with management the Company s compensation discussion and analysis included elsewhere in this Proxy Statement.

The Compensation Committee has engaged Compensation Strategies, Inc. as an independent executive compensation consulting firm, to provide executive compensation consulting services to the Compensation Committee.

Corporate Governance Committee. The Corporate Governance Committee met six times during fiscal 2008. The Corporate Governance Committee currently consists of Charles M. Brennan, III, James A. Chiddix, Stephen C. Coley and Patricia L. Higgins. The Board of Directors has determined that each of the members of the Corporate Governance Committee is independent within the meaning of the NYSE Corporate Governance listing standards and our Corporate Governance Guidelines.

The Corporate Governance Committee has responsibility for, among other things:

- recommending to the Board of Directors the director nominees for election by the Company s shareholders, including those nominees that are recommended by shareholders in accordance with the procedures set forth below under the caption Director Candidates ;
- recommending to the Board of Directors persons to fill vacancies on the Board of Directors;

recommending to the Board of Directors the appointment of officers of the Company;

periodically reviewing the number and functions of the five committees of the Board of Directors and recommending to the Board of Directors the appointment of its members to serve on the committees;

evaluating on an annual basis the performance of individual directors and the independence of outside directors;

evaluating the performance of the Chief Executive Officer on an annual basis and submitting its evaluation to the Compensation Committee;

reviewing management succession and development plans;

establishing criteria and processes for, and lead the Board of Directors and each committee in, their respective annual self-evaluations; and

developing and monitor compliance with a set of corporate governance guidelines.

Executive Committee. The Executive Committee met once during fiscal 2008. The Executive Committee currently consists of Thomas G. Baxter, Charles M. Brennan, III and Steven Nielsen. The Executive Committee is empowered to act for the full Board of Directors during intervals between Board of Directors meetings, with the exception of certain matters that by law may not be delegated.

Finance Committee. The Finance Committee did not meet during fiscal 2008. The Finance Committee currently consists of Thomas G. Baxter, Charles M. Brennan, III and Charles B. Coe. The principal functions of the Finance Committee are to set policy for short-term investments; to review borrowing arrangements; and to recommend changes in the capital structure and operating budget of the Company.

Code of Ethics for Senior Financial Officers and Business Code of Conduct and Ethics

We have adopted a Code of Ethics for Senior Financial Officers and a Business Code of Conduct and Ethics, each of which is a code of ethics as that term is defined in Item 406(b) of Regulation S-K. The Code of Ethics for Senior Financial Officers applies to our Chief Executive Officer, Chief Financial Officer, Controller and other employees performing similar functions, including the Chief Accounting Officer. The Business Code of Conduct and Ethics applies to all officers, managers and employees of the Company. We intend to satisfy the requirement under Item 5.05 of Form 8-K regarding disclosure of an amendment to, or a waiver from, provisions of the Code of Ethics for Senior Financial Officers by posting such information on our website at the address specified above.

Executive Sessions of Non-Management Directors

In accordance with our Corporate Governance Guidelines, non-management directors meet without management present at regularly scheduled executive sessions (at least quarterly). The lead non-management director, who is currently Stephen C. Coley, presides at such sessions.

Communications with the Board of Directors

Our Board of Directors has adopted a formal process by which shareholders and other interested parties may communicate with one or more of our non-management directors, our non-management directors as a group, a

committee or the full Board of Directors. Shareholders who wish to communicate with a director or director group should direct their communications in writing to:

Dycom Industries, Inc.,
c/o Richard B. Vilsoet, Secretary
11770 U.S. Highway 1, Suite 101
Palm Beach Gardens, Florida 33408

The Secretary of the Company has primary responsibility for monitoring director related communications from shareholders and other interested parties and forwarding collected communications to the intended recipient provided they meet certain criteria. In general, communications are forwarded to the intended director or director group as long as the communications do not relate to ordinary business, legal or administrative matters or other non-substantive or inappropriate matters further described in our Internal Process for Handling Communications to Directors. All concerns and complaints relating to accounting, internal accounting controls or auditing matters, as well as complaints regarding violations of our Business Code of Conduct and Ethics or Code of Ethics for Senior Financial Officers, will be referred to the Audit Committee in accordance with our Whistleblower Policy and Procedures. Both the Internal Process for Handling Communications to Directors and the Whistleblower Policy and Procedures are available on our website at www.dycomind.com.

Director Candidates

Pursuant to its charter and our Corporate Governance Guidelines, the Corporate Governance Committee is responsible for recommending to the Board of Directors the director nominees for election by our shareholders, including those nominees that are recommended by shareholders in accordance with the procedures set forth in our By-Laws. The process followed by the Corporate Governance Committee to identify and evaluate director candidates includes requests to directors and others for recommendations, engagements of third-party search firms, meetings from time to time to evaluate biographical information and background materials relating to potential candidates, and interviews of selected candidates by members of the Corporate Governance Committee and the Board of Directors. Patricia L. Higgins was initially identified as a director candidate by one of our independent directors. Ms. Higgins meets the independence requirements set forth in the NYSE Corporate Governance listing standards.

In considering whether to recommend any particular candidate for inclusion in the slate of recommended director nominees, the Corporate Governance Committee will consider numerous attributes, including the candidate s integrity, business acumen, knowledge of our business and industry, age, experience and conflicts of interest. The Corporate Governance Committee does not assign specific weights to particular criteria, and no particular criterion is a prerequisite for each prospective nominee. The Corporate Governance Committee believes that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities and operate effectively.

The Corporate Governance Committee considers director nominee candidates from many sources, including shareholders. If a shareholder wishes to recommend a nominee for director, written notice should be sent to the Secretary of the Company in accordance with the instructions set forth later in this Proxy Statement under Proposals for Year 2009 Annual Meeting of Shareholders. Assuming that appropriate biographical and background material has been provided on a timely basis, the Corporate Governance Committee will evaluate shareholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

Director Compensation

Our compensation program for non-employee directors is designed to enable us to attract, retain and motivate highly qualified directors to serve on our Board of Directors. The program is also intended to further align the interests of our directors with those of our shareholders by compensating directors with a mix of cash and equity-based compensation. Directors who are employees of the Company receive no additional compensation for serving on the Board of Directors or its committees. The Compensation Committee periodically receives reports on the competitiveness of director compensation for non-employee directors from its independent compensation consultant and is responsible for recommending to the Board of Directors changes in director compensation. The last such report was prepared by Mercer Human Resource Consulting in fiscal 2007.

Directors Fees. Non-employee directors received the following fees in fiscal 2008: (i) an annual retainer fee of $30,000; and (ii) a fee of $10,000 for service as Audit Committee chair, $7,500 for service as Compensation Committee chair and $5,000 for service as Corporate Governance Committee chair.

During fiscal 2008 non-employee directors received $2,250 for each regular or special meeting of the Board of Directors attended in person and $1,000 for each telephonic meeting. Non-employee directors received $1,250 for each regular meeting attended in person of the Audit, Corporate Governance, Finance and Executive Committees, and $750 for each telephonic meeting. Non-employee directors received $1,250 for each Compensation Committee meeting at which executive or director compensation was approved, whether attended in person or telephonically, and $750 for all other meetings. All directors are reimbursed for reasonable expenses incurred in connection with all meetings.

Non-Employee Directors Equity Plan. The 2007 Non-Employee Directors Equity Plan, adopted in November 2007, provides for (i) an annual equity award to each continuing non-employee director as of the date of the Company s annual general meeting of shareholders and (ii) an equity award upon a new non-employee director s initial election or appointment to the Board of Directors. In each case, the value, type and terms of such awards are approved by the Board of Directors based on the recommendation of the Compensation Committee. Non-qualified stock options, shares of restricted stock, restricted stock units and deferred restricted stock units may be granted under the 2007 Non-Employee Directors Equity Plan. For fiscal 2008, each continuing director was granted 5,000 options (pro rata in the case of Ms. Higgins who was appointed during the year) to acquire shares of common stock of the Company which vest, subject to continuing service, ratably over four years following the grant date. Additionally, each director elected at the fiscal 2007 annual meeting received restricted stock units valued at $25,000, based on the closing price of the Company s common stock on the grant date, for each year of the term for which they were elected. These units vest over the respective term of the director. Pursuant to the 2007 Non-Employee Directors Equity Plan, non-employee directors who do not beneficially own at least 7,500 shares of Company common stock or restricted stock units must elect to receive at least 60% of their annual retainer(s) in restricted shares of Company common stock or restricted stock units, at the Company s discretion. Additionally, non-employee directors may elect to receive up to 100% of such retainer(s) in restricted shares of Company common stock or restricted stock units. The number of restricted shares of Company common stock or restricted stock units to be granted to a non-employee director is determined by (i) dividing (a) the U.S. dollar amount of the director s annual retainer(s) elected to be received in the form of restricted stock or restricted stock units by (b) the fair market value of a share of the Company s common stock on the date such fees are payable and (ii) rounding up to the nearest whole share of common stock. Non-employee directors are permitted to defer settlement of their restricted stock units until the earlier of their termination of service on the Board of Directors for any reason and a date specified by such director. As of July 26, 2008, we had granted an aggregate of 14,511 restricted stock units to our non-employee directors as a group under the 2007 Non-Employee Directors Equity Plan.

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The following table sets forth the compensation for the non-employee members of our Board of Directors for the fiscal year ended July 26, 2008.

Name	Fees Earned or Paid in Cash ($)(1)(4)	Stock Awards ($)(2)(4)	Option Awards ($)(3)(4)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Thomas G. Baxter(5)	$ 63,336	$ 37,976	$ 46,337				$ 147,649
Charles M. Brennan, III(5)	$ 66,773	$ 38,288	$ 53,745				$ 158,806
James A. Chiddix(5)	$ 33,612	$ 17,375	$ 11,856				$ 62,843
Charles B. Coe(5)	$ 50,508	$ 61,468	$ 49,667				$ 161,643
Stephen C. Coley(5)	$ 60,266	$ 45,022	$ 55,019				$ 160,307
Patricia L. Higgins(5)(6)	$ 6,758	$ 8,352	$ 1,057				$ 16,167
Joseph M. Schell(7)	$ 20,500	$ 19,663	$ 14,734				$ 54,897
Jack H. Smith(5)(8)	$ 37,016	$ 52,522	$ 52,916				$ 142,454

(1) Under the 2007 Non-Employee Directors Equity Plan, non-employee directors who do not beneficially own at least 7,500 shares of Company common stock or restricted stock units must elect to receive at least 60% of their annual retainer(s) in restricted shares of common stock or restricted stock units, at the Company s discretion. Additionally, the non-employee directors may elect to receive up to 100% of such retainer(s) in restricted shares of common stock or restricted stock units, as applicable. The amounts in this column represent the fees that were earned or paid in cash plus the grant date fair value of restricted shares for the annual retainer(s) which the director elected to receive in restricted shares during fiscal 2008. The annual retainer fees which were required to be paid in restricted shares are included in the Stock Awards column. The total number of restricted shares and aggregate grant date fair value which were elected to be paid in shares and therefore included in this column is as follows: Charles M. Brennan, III, 735 shares having an aggregate value of $15,000; Stephen C. Coley, 1,225 shares having an aggregate value of $24,500; Patricia L. Higgins, 155 shares having an aggregate value of $2,242; and Joseph M. Schell, 394 shares having an aggregate value of $11,250. The dollar amount shown for the restricted shares reflects the amount recognized by the Company for financial statement purposes pursuant to Statement of Financial Accounting Standard No. 123(R), Share-Based Payment, (SFAS No. 123(R)) (without any reduction for risk of forfeiture). See Note 16 to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 26, 2008, regarding assumptions underlying valuation of equity awards.

(2) The dollar amount shown reflects the amount recognized by the Company for financial statement purposes pursuant to SFAS No. 123(R) (without any reduction for risk of forfeiture) for restricted stock awards granted to the non-employee directors in and prior to fiscal 2008, excluding amounts a director elected to receive in restricted shares or restricted stock units (RSU s) as described in footnote (1) above. Each RSU entitles the recipient to one share of the Company s common stock upon settlement. See Note 16 to Consolidated Financial

Statements in our Annual Report on Form 10-K for the fiscal year ended July 26, 2008, regarding assumptions underlying valuation of equity awards.

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(3) Represents the accounting expense that the Company incurred during fiscal year 2008 for stock options granted to the directors during or prior to fiscal 2008. The dollar amount shown reflects the amount recognized for financial statement purposes pursuant to SFAS No. 123(R) (without any reduction for risk of forfeiture). See Note 16 to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 26, 2008, regarding assumptions underlying valuation of equity awards.

(4) The following table shows the grant date fair value of shares of restricted stock, restricted stock units and stock options granted to directors during fiscal 2008 computed in accordance with SFAS 123(R). See Note 16 to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 26, 2008, regarding assumptions underlying valuation of equity awards.

Name	Grant Date	Grant Date Fair Value of Restricted Stock/Units Awards ($)	Grant Date Fair Value of Stock Option Awards ($)
Thomas G. Baxter	07/30/2007	$ 2,363	$
	10/29/2007	$ 2,377	$
	11/20/2007	$	$ 68,217
	11/20/2007	$ 74,977	$
	01/28/2008	$	$
	04/28/2008	$	$
Charles M. Brennan, III	07/30/2007	$ 5,011	$
	10/29/2007	$ 5,012	$
	11/20/2007	$	$ 68,217
	11/20/2007	$ 74,977	$
	01/28/2008	$ 5,031	$
	04/28/2008	$ 5,014	$
James A. Chiddix	11/20/2007	$	$ 68,217
	11/20/2007	$ 24,992	$
	01/28/2008	$	$
	04/28/2008	$	$
Charles B. Coe	07/30/2007	$ 4,527	$
	10/29/2007	$ 4,525	$

	11/20/2007	$		$	68,217
	11/20/2007	$	24,992	$	
	01/28/2008	$	4,516	$	
	04/28/2008	$	4,508	$	
Stephen C. Coley	07/30/2007	$	8,769	$	
	10/29/2007	$	8,764	$	
	11/20/2007	$		$	68,217
	11/20/2007	$	49,984	$	
	01/28/2008	$	8,775	$	
	04/28/2008	$	8,771	$	

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Name	Grant Date	Grant Date Fair Value of Restricted Stock/Units Awards ($)		Grant Date Fair Value of Stock Option Awards ($)	
Patricia L. Higgins	05/20/2008	$		$	22,153
	05/20/2008	$	12,998	$	
Joseph M. Schell	07/30/2007	$	7,516	$	
	10/29/2007	$	7,504	$	
Jack H. Smith	07/30/2007	$	4,527	$	
	10/29/2007	$	4,525	$	
	11/20/2007	$		$	68,217
	11/20/2007	$	49,984	$	
	01/28/2008	$	4,516	$	
	04/28/2008	$	4,508	$	

(5) As of July 26, 2008, each non-employee director had the following aggregate number of outstanding unvested restricted stock units and outstanding stock options:

Name	Outstanding Unvested Restricted Stock/Units	Outstanding Stock Options*
Thomas G. Baxter	4,303	14,667
Charles M. Brennan, III	4,303	24,000
James A. Chiddix	899	5,000
Charles B. Coe	2,505	14,834
Stephen C. Coley	3,404	21,000
Patricia L. Higgins	818	2,604
Jack H. Smith	3,404	17,000

* Includes vested and unvested stock options.

(6) Ms. Higgins was appointed as a director effective May 20, 2008.

(7)

Mr. Schell retired from the Board of Directors effective November 19, 2007. Upon Mr. Schell s resignation, he forfeited 4,000 stock option awards with vesting dates ranging from November 21, 2008 through November 21, 2010.

(8) Mr. Smith passed away on August 6, 2008. Mr. Smith s vested stock options remain exercisable until November 6, 2008. Restricted stock and restricted stock units that were not vested as of August 6, 2008 were forfeited.

Compensation Committee Interlocks and Insider Participation

Thomas G. Baxter, Charles B. Coe, Stephen C. Coley and Patricia L. Higgins are members of the Compensation Committee. No member of the Compensation Committee is a current or former officer or employee of the Company. In addition, there are no compensation committee interlocks between the Company and other entities involving the Company s executive officers and the Company s Board members who serve as executive officers of those other entities.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The Compensation Committee of the Board of Directors (the Compensation Committee) is responsible for establishing our overall executive compensation philosophy and overseeing our executive compensation programs in accordance with its charter. This charter is available on our website at www.dycomind.com. The Compensation Committee approves the types and amounts of compensation for the Chief Executive Officer and the other executive officers named in the Summary Compensation Table set forth on page 25 of this Proxy Statement (together, the Named Executive Officers). Information about the Compensation Committee and its members can be found on page 7 of this Proxy Statement. The Board of Directors has determined that each member of the Compensation Committee is independent within the meaning of the New York Stock Exchange corporate governance listing standards and our Corporate Governance Guidelines.

Compensation Philosophy and Objectives

Our executive compensation program is designed to promote the long-term success of the Company and to increase shareholder value. It rewards executive officers who contribute to the Company s sustained growth and successful attainment of strategic goals with total compensation that is competitive with those companies with which we compete for executive talent. The compensation program s objectives are:

- to attract, motivate and retain high quality executives,
- to align the financial interests of those executives with the financial interests of our shareholders,
- to reward executive actions that enhance long-term shareholder returns, and
- to promote a culture of Company ownership.

Consistent with these principles, our compensation program places a substantial amount of total executive compensation at risk based on the performance of the Company and the executive through the annual bonus program and equity-based compensation awards. The annual cash incentive and equity incentive components of the overall compensation program reward the Named Executive Officers for their contributions to our short-term and long-term performance and for building shareholder value.

Overall levels of executive compensation are established based on an assessment of the Company s performance as a whole. Individual executive compensation is determined based on an assessment of the performance of the Named Executive Officer, the compensation levels of the Company s peer group, as well as compensation levels for comparable positions within a broader group of companies (as described below). Variation in compensation amongst the Named Executive Officers reflects the different roles, responsibilities, and performance of the Named Executive Officers as well as their value in relation to similarly situated executive officers of the Company s peer group and a broader group of companies with which the Company competes for talent. These factors are the basis of the Compensation Committee s decision regarding determinations of base salary, performance-based cash awards and long-term equity awards.

Role of the Compensation Committee

The Compensation Committee is responsible for designing, reviewing and overseeing the administration of our executive compensation program, and annually reviewing and approving all compensation decisions relating to the Named Executive Officers. Generally, all decisions with respect to determining the amount or form of compensation for our Named Executive Officers are made by the Compensation Committee in accordance with the methodology described below.

To assist the Compensation Committee as it makes its compensation decisions, our management prepares information for certain of the Compensation Committee meetings, including detailed lists which indicate, among other things, the salary and compensation payouts, both cash and equity, under our incentive plans over the last several years. These lists also reflect the potential payments to each of the Named Executive Officers under various performance scenarios. The overall purpose of the lists are to present, in a single place, the several elements of actual and potential future compensation of our Named Executive Officers. This single presentation enables the Compensation Committee to analyze the individual elements of compensation (including the compensation mix) and the total amount of actual and projected compensation for a particular performance year.

Additionally, the Compensation Committee reviews information regarding the Company s peer group as well as other public companies which has been provided by the Committee s independent consultants, as described below. The Compensation Committee also considers the following factors in setting the target total direct compensation for each Named Executive Officer: (i) the individual responsibilities, experience and achievements of the Named Executive Officers and their potential contributions to the Company s performance, (ii) recommendations from senior management and (iii) whether the components of a Named Executive Officer s compensation align with our executive compensation program s overall objectives.

Role of Consultants and Market Review

The Compensation Committee possesses the authority under its charter to hire advisors to provide the Compensation Committee with information as needed in making compensation decisions. Typically, the Compensation Committee engages an independent compensation consultant to conduct a compensation benchmarking study no less than once every two years for the Named Executive Officers. During fiscal 2007, the Compensation Committee retained and consulted with independent compensation consultants, Mercer Human Resource Consulting (Mercer) and Frederic W. Cook & Co., Inc. (Cook). Mercer provided market compensation data and analysis to the Compensation Committee while Cook was used to assess equity compensation plan design and levels based on current compensation practices and trends. Mercer s market data was derived from a peer group of publicly-traded specialty construction companies, as discussed below, (collectively, the Peer Group) together with data from a broader group of public companies. Data from the broader group of public companies was collected by Mercer in a proprietary fashion and did not include the names of the participating companies. The Peer Group data, weighted with data from the broader group of companies, was used by the Compensation Committee to benchmark executive compensation and evaluate the Company s cash and equity compensation mix and levels based on current compensation practices and trends.

The Compensation Committee, together with its compensation consultants, periodically reviews the composition of the Peer Group based on available market data. The companies comprising the Peer Group were: Emcor Group Inc., Shaw Group Inc., Granite Construction Inc., Quanta Services, Inc., Integrated Electrical Services, Inc., Tetra Tech Inc., InfraSource Services Inc., MasTec, Inc., Pike Electric Corporation, Insituform Technologies, Inc. and Willbros Group, Inc. In the years that the Compensation Committee does not commission a benchmarking study, such as fiscal 2008, it establishes compensation targets for our Named Executive Officers by utilizing the prior year s compensation amounts, generally adjusting base salaries to reflect inflation. All of the decisions with respect to determining the amount or form of executive compensation under the Company s executive compensation programs are made by the Compensation Committee and reflect judgments by the Compensation Committee based in part on the information and advice provided by the advisors that it retains.

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During the second half of fiscal 2008, the Compensation Committee retained Compensation Strategies, Inc. (Compensation Strategies) to advise it in connection with the renegotiation of Mr. Nielsen s employment agreement, which expired in May 2008. In connection with this engagement, Compensation Strategies provided market data based upon a peer group of companies (the New Peer Group). The New Peer Group consists of 20 companies from the specialty construction and engineering services industry with annual revenues ranging from $540 million to $9.6 billion. The companies comprising the New Peer Group are: Michael Baker Corporation, Chicago Bridge & Iron Company N.V., Emcor Group Inc., Foster Wheeler Ltd., Global Industries, Ltd., Granite Construction Inc., Insituform Technologies, Inc., Integrated Electrical Services, Inc., Jacobs Engineering Group Inc., KBR, Inc., MasTec, Inc., Matrix Service Company, McDermott International, Inc., Perini Corporation, Pike Electric Corporation, Quanta Services, Inc., Shaw Group Inc., Tetra Tech, Inc., URS Corporation, and Willbros Group, Inc. These companies were selected as they represent a group of companies with which we compete for executive talent. Market data for the New Peer Group was size-adjusted using statistical regression analysis to remove significant swings between raw data points, and to construct market pay levels commensurate with the Company s comparative revenues to the New Peer Group.

Based on Compensation Strategies evaluation, the Compensation Committee concluded that the base salaries of the Named Executive Officers were generally at the 50th percentile for the New Peer Group, and that average cash incentive payouts and long-term incentive compensation were generally below the 50th percentile as compared to the New Peer Group s compensation levels. The Compensation Committee has begun discussions to review the structure of the Company s short and long-term incentive plans for the Named Executive Officers and other eligible employees; designed to reinforce the Company s focus on individual performance and the financial performance of the Company as a whole.

Role of Management

In the first quarter of each fiscal year, our Chief Executive Officer provides the Compensation Committee with an assessment of the other Named Executive Officers and meets with the Compensation Committee to discuss the prior year financial results and to evaluate the performance of the other Named Executive Officers. This assessment, together with the Compensation Committee s own judgment, taking into account the results of the most recent compensation benchmarking study and published compensation survey data for our industry, is used to evaluate the individual performance and compensation of those Named Executive Officers. The Compensation Committee is solely responsible for evaluating the Chief Executive Officer s performance and setting the level and components of his compensation. The Chief Executive Officer is not present when the Compensation Committee determines his compensation.

Major Compensation Components of Named Executive Officers and Analysis of 2008 Compensation Decisions

In order to achieve its compensation philosophy and objectives, the Compensation Committee has designed the compensation program for its Named Executive Officers to utilize three major compensation components: (i) annual base salary; (ii) annual performance-based cash awards; and (iii) long-term equity-based incentives. The Compensation Committee considers each compensation component individually and all compensation components in the aggregate when making decisions regarding amounts that may be awarded under each of the other compensation components.

Annual Base Salaries. Named Executive Officers are provided with a base salary which recognizes the value of the executive s skills, experience, prior record of achievement, and importance to the Company. Base salary

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levels are intentionally set to attract quality executives and to recognize the challenges and varied skill requirements of different positions.

Base salaries are reviewed annually and from time to time in connection with a promotion or other change in responsibility. The Chief Executive Officer submits written base salary recommendations to the Compensation Committee for the other Named Executive Officers. In making his recommendation, the Chief Executive Officer reviews each executive s performance, market compensation levels for comparable positions, the executive s potential attractiveness to other companies, and the overall financial health and performance of the Company. The Compensation Committee reviews the Chief Executive Officer s recommendations for Named Executive Officers (other than the Chief Executive Officer), and together with its own judgments, sets actual base salaries relative to the recommendations. Periodically, the Compensation Committee utilizes a study of market compensation levels prepared by an independent compensation consultant in order to evaluate the executive s base salaries and the Chief Executive Officer s recommendations. Such a study was prepared by Mercer for use by the Compensation Committee in setting base salaries for fiscal 2007. In years the study is not prepared, as was the case in establishing the fiscal 2008 base salaries, the most recent study s findings are adjusted by a reasonable factor primarily reflecting an increase for inflation and the adjusted findings are then used by the Compensation Committee.

The Compensation Committee directly sets the base salary for the Chief Executive Officer. In so doing, the Committee reviews the performance of the Chief Executive Officer, market compensation levels as set forth in the independent compensation consultant s most recent study and other relevant information. In addition, the Committee reviews the results of any assessment of the Chief Executive Officer s performance resulting from a formal survey of all of the Company s directors which are conducted from time to time and informal communications from any of the Company s directors. At a meeting in August 2007, the Compensation Committee determined annual base salaries for the executive officers of the Company for fiscal 2008. In connection with the renewal of Mr. Nielsen s employment agreement, the Compensation Committee reviewed the market data from the New Peer Group in determining Mr. Nielsen s base salary for fiscal 2009.

The Compensation Committee has generally set base salaries between the 50th and 75th percentile of the survey data prepared by its compensation consultant adjusted, as discussed above, by a factor in years when the survey is not prepared. For 2008, the base salary increase for Mr. Nielsen was 3.7%, Mr. DeFerrari 10.3%, Mr. Estes 4.3%, Mr. Vilsoet 8.8%, and Mr. Dunn 4.8%. The increases for Messrs. Nielsen, Estes and Dunn primarily reflect an inflation adjustment over the prior year s base salary that had been determined based on the study by Mercer previously described. The increases for Mr. DeFerrari and Mr. Vilsoet recognized their growing importance to and increased tenure with the Company. Additionally, in April 2008, the base salary of Mr. DeFerrari was increased to $300,000 on an annual basis in connection with his taking on the responsibilities of Chief Financial Officer upon the resignation of Mr. Dunn. In setting base salaries for the Named Executive Officers, the Compensation Committee made a general assessment of each Named Executive Officer s performance, experience and scope of responsibilities. The base salary of each Named Executive Officer is set forth in the Salary column of the Summary Compensation Table on page 25 of this Proxy Statement.

Annual Performance-Based Cash Awards. Named Executive Officers are provided annual performance-based cash awards in order to recognize and reward performance that meaningfully enhances the operations of the Company during a fiscal year. Awards are designed to demonstrate tangibly to the executives the Company s assessment of their individual performance and to communicate to executives that good performance is recognized and valued. Furthermore, the Company believes annual cash awards strongly encourage executives to continuously improve their efforts to enhance the Company s short-term performance.

Prior to fiscal 2008, the annual incentive compensation for all of the Named Executive Officers, other than the Chief Executive Officer, was determined as described under this subheading. For fiscal 2008, the Compensation Committee, upon the recommendation of the Chief Executive Officer, determined to include the annual incentive bonus for both the Chief Executive Officer and the Chief Operating Officer under the Company s annual incentive plan described under Annual Incentive Plan Chief Executive Officer and Chief Operating Officer below. References under this subheading to other Named Executive Officers exclude the Chief Executive Officer and the Chief Operating Officer.

Each year the Chief Executive Officer prepares a written report to the Compensation Committee recommending individual performance-based cash awards for the other Named Executive Officers. The Chief Executive Officer s recommendations result from a two step analysis. First, the overall financial performance of the Company is evaluated in order to determine the appropriate level of total annual performance-based cash awards for all eligible employees, including the other Named Executive Officers. Second, the Chief Executive Officer evaluates the individual performance of the other Named Executive Officers against ranges of annual award opportunities that were established at the beginning of the fiscal year and which correspond to minimum and maximum percentages of base salary. Generally, maximum annual awards to the other Named Executive Officers are capped at 50% of base salary. The purpose of this process is to ensure that individual awards reflect an appropriate balance between the overall financial performance of the Company and the individual executive s performance. The Chief Executive Officer presents his evaluation and objective recommendations regarding the individual performance metric component of the annual cash incentive compensation earned by each of the other Named Executive Officers to the Compensation Committee for their consideration. This evaluation has elements of subjectivity and depends on an overall analysis of the effectiveness of the individual executive and his ability to meet Company expectations. The Compensation Committee then conducts its own deliberations and approves the final annual cash incentive compensation, if any. Any cash incentives resulting from this process are discretionary and subjectively determined.

Historically, the Chief Executive Officer has assessed overall financial performance and the appropriate level of total annual cash awards to all eligible employees, including the Named Executive Officers, within the context of an award guideline. This award guideline was and has been calculated as a percentage of the amount that income (before income taxes, asset impairments, interest on the Company s senior subordinated notes, and stock-based compensation) exceeded a threshold of contract revenues. Individual awards, absent executive specific considerations, are generally directionally consistent with changes in the award guideline from year to year. Accordingly, the incentive bonus paid to Messrs. DeFerrari and Vilsoet was directionally lower than the prior year as a result of lower earnings, although Mr. DeFerrari s bonus increased on a gross basis reflecting his promotion to Chief Financial Officer. After receiving the recommendation of the Chief Executive Officer, the Compensation Committee met with the Chief Executive Officer in August 2008 to discuss his recommendations. The awards for fiscal 2008 were approved by the Compensation Committee during a subsequent meeting of the Compensation Committee in August 2008. Annual award payments were made following the conclusion of the Company s financial statement audit.

For fiscal 2008, the annual cash incentive bonuses for the Named Executive Officers (other than the Chief Executive Officer and Chief Operating Officer), were between 35% and 41% of those officers base salaries for fiscal 2008. The actual annual awards paid to these Named Executive Officers, as approved by the Compensation Committee, are set forth on the Bonus column of the Summary Compensation Table on page 25 of this Proxy Statement.

Annual Incentive Plan Chief Executive Officer and Chief Operating Officer. In October 2007, the Compensation Committee established the performance goals of the fiscal 2008 bonus opportunity of both the Chief

Executive Officer and the Chief Operating Officer under the annual incentive plan. Prior to fiscal 2008, the annual incentive bonus of the Chief Operating Officer was determined on a discretionary basis.

The annual incentive plan compensation is derived from performance measures that are established by the Compensation Committee within 90 days of the beginning of each fiscal year. Accordingly, the Chief Executive Officer s and Chief Operating Officer s annual incentive plan compensation is not discretionary, although it may be reduced (but not increased) by the Compensation Committee through the exercise of its discretion. Compensation paid under the annual incentive plan is designed to be at risk based on the performance of the Company and has exhibited significant variability from year to year. Over the last three fiscal years the payout to the Chief Executive Officer has ranged form zero to 120% of base salary. The annual incentive bonus for each of Mr. Nielsen and Mr. Estes for fiscal 2008 was 29% of their respective base salaries. At the time the Compensation Committee determined the performance criteria for fiscal 2008, it capped any possible award under the plan to Mr. Nielsen at 135% of his base salary and Mr. Estes at 115% of his base salary. Additionally, Mr. Nielsen would not earn an award under the plan if the award, as calculated under the established performance criteria, was less than 10% of his base salary for the fiscal year.

The performance measures established by the Compensation Committee under the annual incentive plan for fiscal 2008 for the Chief Executive Officer and Chief Operating Officer applied a pre-established payout ratio to operating earnings (before asset impairments and annual incentive plan compensation) above a threshold percentage (2.5%) of contract revenues. The payout ratio varied as a function of the Company s cash flow performance, which was measured as a ratio of operating cash flow to net income before asset impairments. The payout ratio for Mr. Nielsen varied from 0.80% to 1.70% and for Mr. Estes from 0.54% to 1.14%, with the lower end of the range applied if the operating cash flow was less than 1.0 times net income before after tax annual incentive plan compensation expense and asset impairments and the upper end of the range applied if such ratio was greater than 1.5 to 1.0. The actual payout ratio achieved was 1.70% and 1.14% for Mr. Nielsen and Mr. Estes, respectively. The use of a threshold amount before any incentive compensation was earned ensured that the Company s performance exceeded a pre-established level before any award was earned by the Chief Executive Officer or the Chief Operating Officer. The reliance on cash flow and earnings measures in determining the payout amount reflected the importance to the Company of both operating margins and cash flows. As designed, the fiscal 2008 performance criteria provided that acceptable margins without solid cash flows resulted in a reduced award payment, while solid cash flows absent acceptable margins would result in no award payment. Once the plan s cash flow threshold requirement is met, only incremental earnings generate an award payout. The use of both operating earnings and cash flow as performance criteria ensures that only high quality earnings result in vesting of awards, as both income statement and balance sheet performance is required.

The actual annual incentive award paid to the Chief Executive Officer and Chief Operating Officer, as approved by the Compensation Committee, is set forth on the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 25 of this Proxy Statement. The amounts paid under the annual incentive plan for fiscal 2008 were substantially lower than the prior year as a result of lower earnings during fiscal 2008.

Long-Term Equity Based Compensation. Named Executive Officers are eligible to receive long-term equity-based incentive compensation awards under our 2003 Long-Term Incentive Plan. Long-term equity awards provide for compensation that is at risk based on the performance of the Company, and, consequently, align the financial interests of our executive officers with those of our shareholders. Furthermore, long-term equity awards contain vesting provisions which are important to the retention of key executives. The value of issued but unvested long-term equity awards meaningfully encourages executives to remain with the Company as leaving the Company results in the forfeiture of the unvested value of previously accumulated long-term equity awards. For Named

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Executive Officers, other than the Chief Executive Officer, individual long-term equity based awards are recommended by the Chief Executive Officer for consideration and approval by the Compensation Committee.

The Compensation Committee generally makes grants of long-term equity awards annually. In limited instances, awards under the long-term equity awards may also be granted to recognize outstanding performance during the year or at the initiation of employment for newly hired key executives, or upon renewal of employment agreements. In December 2007, awards granted to the Named Executive Officers under the 2003 Long-Term Incentive Plan, other than the Chief Executive Officer and the Chief Operating Officer, consisted of (i) performance vesting restricted stock units which vest subject to the Company achieving annual pre-tax income and operating cash flow ratio goals (the Annual Goals) established by the Compensation Committee and provide for the vesting of additional restricted stock units if the Company achieves pre-tax and operating cash flow ratio goals for the trailing three fiscal year period ending in such fiscal year (Three Year Goals) and (ii) time vesting restricted stock units which vest ratably on the four subsequent anniversaries of the initial grant date. Continued employment at the time of vesting is required for both the performance and time vesting awards. Awards of performance vesting restricted stock units were made to Mr. Nielsen and Mr. Estes in October 2007 that contained similar annual and three year performance criteria as described below.

Additionally, in July 2008, Mr. Nielsen received a long-term equity award of options to purchase Company common stock in connection with his entering into a new employment agreement, described on page 33 of this Proxy Statement. This award was made by the Compensation Committee based, in part, upon the New Peer Group survey prepared by Compensation Strategies in connection with the renegotiation of Mr. Nielsen s employment agreement. The New Peer Group survey data indicated that Mr. Nielsen s long-term incentive compensation was below the 50th percentile of the survey data. Based on the work of the Compensation Committee s independent consultant and the Committee s judgment, Mr. Nielsen was awarded options to purchase 35,000 shares of common stock at an exercise price equal to the closing price on the date of grant. The options vest ratably on each anniversary date over a four year period. Based on the survey data, this grant brought Mr. Nielsen s fiscal 2008 long-term incentive compensation up to the market median.

Performance Vesting Restricted Stock Units. The performance vesting restricted stock units granted in December 2007 to Named Executive Officers, other than the Chief Executive Officer and Chief Operating Officer, vest in three annual installments subject to the Company achieving the Annual Goals for each of fiscal years 2008, 2009 and 2010. For the annual long-term equity award to vest, the Company s operating earnings (before asset impairments, performance share and performance unit compensation and amounts associated with the extinguishment of debt) must exceed certain pre-established targets, which are set forth as a percentage of revenue. If such operating earnings are less than or equal to 2.5% of contract revenues, no annual award will vest and, subject to reduction as described in the next sentence, 100% of the award will vest if such operating earnings equal or exceed 5.0% of contract revenues. The amount of annual performance share units vesting each year will be reduced to 75% of the award otherwise earned if the ratio of operating cash flow for the fiscal period is less than net income for the period.

In addition to the performance units earned when Annual Goals are met, supplemental units can be earned if the Company achieves the applicable Three Year Goals. If the Three Year Goals are achieved, the Named Executive Officers, other than the Chief Executive Officer and the Chief Operating Officer, will vest in additional restricted stock units of up to 100% of the number of restricted stock units vesting in that fiscal year. Vesting of these supplemental units only occurs if cumulative operating earnings for the trailing three year period (before asset impairments, performance share and performance unit compensation and amounts associated with the extinguishment of debt, over the previous three fiscal years) exceed certain pre-established targets, which are set forth as a percentage of revenue. If such cumulative operating earnings for the three year period are more than 7.51% of cumulative contract revenues for the period but less than 10% of cumulative contract revenue for the period, a supplemental award of 50% of the target annual units will be earned so long as cumulative operating cash flow for such period is greater than cumulative net income (before asset impairments, amounts recorded for performance vesting restricted stock and units and amounts associated with the extinguishment of debt) for the period. If such cumulative operating earnings for the three year period are 10.01% or more of cumulative contract revenues for the period, a supplemental award of 100% of the target annual units will be earned so long as cumulative operating cash flow for such period is greater than cumulative net income (before asset impairments, amounts recorded for performance vesting restricted stock and units and amounts associated with the extinguishment of debt) for the period. No supplemental units will vest in any of the years if such operating cash flow is not equal to or greater than such net income, in each case as measured over the same cumulative three year period. Supplemental units are earned only in a fiscal year for which units are awarded for meeting the Annual Goals. Consequently, strong prior performance does not ensure vesting if unaccompanied by current fiscal year performance. The three year performance required to earn supplemental units is meaningfully more difficult than that required to earn an annual award and is only triggered by operating earnings and cash flow performance that is significantly better than that of fiscal 2008. The performance criteria selected, operating margin and cash flow, require both income statement and balance sheet performance. Award levels are impacted by the level of margin achieved in generating cash flow to the Company. Applying these criteria historically for the last seven years would have resulted in full vesting of supplemental units in one of the seven years, partial vesting at 50% in three years and no vesting in three of the years.

The performance criteria required under the awards provide that good margins without acceptable cash flows result in reduced vesting of the annual awards or the elimination of vesting of any supplemental awards, while acceptable cash flows absent acceptable margins result in no vesting. The use of both operating earnings and cash flows as performance criteria means that both income statement and balance sheet performance is required before awards will vest.

In December 2007, $429,968 in share value was granted to the Named Executive Officers, other than the Chief Executive Officer and the Chief Operating Officer, in the form of performance vesting restricted stock units (based on the closing price of a share of Company common stock on the date of grant, December 13, 2007, and the target award under the grant). This amount represented 51% of such executive officers base salaries, with individual grants ranging from 50.0% to 51.6% of individual base salary. The share values granted to the Named Executive Officers were converted into a specific number of restricted stock units by dividing the share value granted by the closing price of the Company s common stock on the day of the Compensation Committee s approval. Based on results of fiscal 2008, the Named Executive Officers (other than the Chief Executive Officer and Chief Operating Officer), will vest in approximately 48% of their respective target annual awards under the fiscal 2007 and fiscal 2008 grants of performance based restricted stock units. No award will vest with respect to the target annual award under the fiscal 2006 grant of performance based restricted stock. Additionally, based on results of fiscal 2008, no supplemental awards were earned under the fiscal 2008, 2007 or 2006 grants of performance vesting restricted units/stock.

Information regarding the fair value and the number of performance vesting restricted stock units that the Named Executive Officers were granted in December 2007 is shown in the Grant of Plan-Based Awards Table on page 26 of this Proxy Statement.

Long-term Equity Based Compensation Chief Executive Officer and Chief Operating Officer. In October 2007, an award of performance vesting restricted stock units was made to each of the Chief Executive Officer and Chief Operating Officer. To comply with Section 162(m) of the Internal Revenue Code, the Compensation Committee established the performance criteria for these awards within ninety days of the beginning of fiscal 2008. In addition, the three-year performance criteria which are described above under Performance Vesting Restricted Stock Units have been modified to comply with Section 162(m). This modification does not alter the required three year financial performance of the Company necessary to earn a supplemental award from that required by the awards made to the other Named Executive Officers as described above.

The October 2007 awards made to the Chief Executive Officer and Chief Operating Officer totaled $1,033,993 in share value (based on the closing price of a share of Company common stock on the date of grant, October 24, 2007, and the target award under the grant). This amount represented 87.2% of their aggregate base salaries, with the Chief Executive Officer receiving 88.2% of his base salary in the form of performance vesting restricted stock units and the Chief Operating Officer receiving 85.8% of his base salary in the form of performance vesting restricted stock units. These levels were deemed appropriate given the grants of time vesting restricted stock units issued to the Chief Executive Officer and Chief Operating Officer during fiscal 2004 and 2005 in conjunction with entering into their respective employment agreements. In the event that the three year goals are achieved in each of the three years during which these performance restricted stock units vest, the number of performance vesting restricted stock units that these executive officers would earn would double. Applying these criteria historically for the last seven years would have resulted in full vesting of supplemental units in one of the seven years, partial vesting at 50% in three years and no vesting in three of the years. For both the Chief Executive Officer and the Chief Operating Officer, the share values granted were converted into a specific number of performance share units by dividing the share values granted by the closing price of the Company s common stock on the day of the Compensation Committee s grant of the units. Based on results of fiscal 2008, the Named Executive Officers (other than the Chief Executive Officer and Chief Operating Officer, will vest in approximately 48% of their respective target annual awards under the fiscal 2007 and fiscal 2008 grants of performance based restricted stock units. No award will vest with respect to the target annual award under the fiscal 2006 grant of performance based restricted stock. Additionally, based on results of fiscal 2008, no supplemental awards were earned under the fiscal 2008, 2007 or 2006 grants of performance vesting restricted units/stock.

Information regarding the fair value and the number of performance vesting restricted stock units that the Named Executive Officers were granted in October 2007 is shown in the Grant of Plan-Based Awards Table on page 26 of this Proxy Statement.

Time Vesting Restricted Stock Units. Our 2003 Long-Term Incentive Plan provides for the issuance of time vesting restricted stock units that vest in equal installments on the first, second, third, and fourth anniversaries of the date such units are granted, so long as the employee remains employed by the Company on the vesting date. These awards are not subject to performance conditions, but are designed to enhance retention by rewarding continued employment, as leaving the Company results in the forfeiture of the unvested awards. This effect is further enhanced as the price of our common stock increases. Time vesting restricted stock units are subject to shareholding requirements, see Shareholding Requirements below.

In December 2007, $212,472 in share value was granted to Mr. DeFerrari, Mr. Vilsoet and Mr. Dunn. No time vesting restricted stock units were granted to the Chief Executive Officer and Chief Operating Officer. For those executives receiving a grant of time vesting restricted stock units, the value of the individual grants received was approximately 25% of the executive s base salary at the time of grant. The share values granted to these Named Executive Officers were converted into a specific number of restricted stock units by dividing the share value granted by the closing price of the Company s common stock on the date of grant of the units. Information regarding the fair value and the number of time vesting restricted stock units that the Named Executive Officers were granted in December 2007 is shown in the Grant of Plan-Based Awards Table on page 26 of this Proxy Statement. Information regarding the number of shares of time vesting restricted stock and the value realized on vesting in fiscal 2008 is shown in the Option Exercise and Stock Vested Table on page 31 of this Proxy Statement.

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Other Benefits

We provide employees with a range of retirement and health and welfare benefits that are designed to assist us in attracting and retaining employees and to reflect the competitive practices of the companies in the Peer Group. The Named Executive Officers are eligible for the following benefits:

401(k) Plan. We maintain a tax qualified deferred contribution retirement plan (the 401(k) Plan) that covers substantially all of our salaried and hourly employees. Each of the Named Executive Officers participates in the 401(k) Plan. Participants may contribute up to 15% of their compensation on a before-tax basis into their 401(k) Plan accounts, subject to statutory limits. In addition, we match an amount equal to 30% for each dollar contributed by participants on the first 5% of their eligible earnings.

Because the 401(k) Plan is a tax qualified retirement plan, the Internal Revenue Code limits the additions that can be made to a participant s 401(k) Plan account each calendar year. Additions include Company matching contributions, before-tax contributions made by a participant and participant after-tax contributions. In addition, the Internal Revenue Code limits the amount of annual compensation that may be taken into account in computing benefits under the 401(k) Plan.

The Company does not maintain any defined benefit pension plan, non-tax qualified supplemental retirement plan or deferred compensation plan.

Health and Welfare Plans. Active employee benefits such as medical, dental, life insurance and disability coverage are available to all salaried and hourly employees through our flexible benefits plan. Employees contribute to the cost of the benefits plan by paying a portion of the premium costs.

Named Executive Officers participate in the medical and dental plans on terms identical with those afforded all other employees. In addition, we provide certain key employees, including the Named Executive Officers, with additional life insurance and disability coverage at no cost to the individual. The amount paid on behalf of the Named Executive Officers is set forth in the All Other Compensation column of the Summary Compensation Table on page 25 of this Proxy Statement.

Shareholding Requirements

Beginning in fiscal 2006, awards of time vesting restricted stock and time vesting restricted stock units granted to the Named Executive Officers have been subject to shareholding requirements. As each grant vests, the executive is required to retain, on account with the Company s stock transfer agent, one-half of the shares that have vested, net of shares withheld to pay taxes. The shareholding requirement continues until the shares on account are equal in value to the executive s base salary then in effect. From that point forward, the executive is free to sell shares that vest subsequently, but must hold those shares previously on account so long as the executive remains employed by the Company. All restrictions on those shares held by the transfer agent lapse ninety days after an executive is no longer employed by the Company. As of October 3, 2008, none of the Named Executive Officers that