INFRASOURCE SERVICES INC
Form S-3
June 29, 2006
As filed with the Securities and Exchange Commission on June 29, 2006

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INFRASOURCE SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**1623**	**03-0523754**
(State or Other Jurisdiction of Incorporation of Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

100 West Sixth Street, Suite 300
Media, Pennsylvania 19063
(610) 480-8000

(Address, including zip code, and telephone number including area code, of registrant s principal executive offices)

Deborah C. Lofton
Senior Vice President and General Counsel
InfraSource Services, Inc.
100 West Sixth Street, Suite 300
Media, Pennsylvania 19063
(610) 480-8000

(Name, address, including zip code, and telephone number including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public:

From time to time after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box: o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. o .

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o .

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value $0.001 per share	11,960,000	$18.48	$221,020,800	$23,649.23

(1) Includes shares that the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1993, as amended, based on the average of the high and low prices for the common stock reported on the New York Stock Exchange on June 23, 2006.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JUNE 29, 2006

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

10,400,000 Shares

InfraSource Services, Inc.

Common Stock

The shares of common stock in this offering are being offered by the selling stockholders named in this prospectus, including members of our senior management.

Our common stock is listed on the New York Stock Exchange under the symbol IFS. The closing price on the New York Stock Exchange on June 28, 2006 was $19.00 per share.

The underwriters have an option to purchase a maximum of 1,560,000 shares to cover over-allotments of shares.

Investing in our common stock involves risks. See Risk Factors beginning on page 13.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholders
Per share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , .

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse **Merrill Lynch & Co.**

Lehman Brothers **First Albany Capital**

The date of this prospectus is , .

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Copies of our Annual Report on Form 10-K for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006, each without exhibits, are being delivered together with this prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus and any free writing prospectus (as defined in Rule 405 under the Securities Act of 1933) that we may prepare in connection with this offering. We have not authorized anyone to provide you with information that is different from that contained or incorporated by reference in this prospectus or such free writing prospectus. This prospectus and any such free writing prospectus is not an offer to sell or a solicitation of an offer to buy shares in any jurisdiction where such offer or any sale of shares would be unlawful. The information in this prospectus and any such free writing prospectus is complete and accurate only as of the date on the front cover regardless of the time of delivery of this prospectus or any such free writing prospectus or of any sale of shares.

We use market data and industry forecasts and projections throughout this prospectus, including in the documents incorporated by reference in this prospectus, which data, forecasts and projections we have obtained from market research, publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers experience in the industry, and there is no assurance that any of the projected amounts will be achieved. Similarly, we believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

This prospectus, including information incorporated by reference in this prospectus, refers to brand names, trademarks, service marks and trade names of other companies and organizations, and these brand names, trademarks, service marks and trade names are the property of their respective holders.

SUMMARY

This summary highlights information contained or incorporated by reference in this prospectus. This summary may not contain all of the information that may be important to you. We urge you to read this entire prospectus carefully, including our consolidated financial statements and related notes appearing elsewhere or incorporated by reference in this prospectus, the Risk Factors section and the other information incorporated by reference in this prospectus, before making an investment decision. All references in this prospectus to InfraSource Services, InfraSource, the Company, we, us, our company or our refer to InfraSource Services, Inc. and its consolidated subsidiaries, except where it is clear that such terms mean only InfraSource Services, Inc. We operate through two segments: Infrastructure Construction Services (ICS) and Telecommunication Services (TS).

InfraSource Services, Inc.

We are one of the largest specialty contractors servicing electric, natural gas and telecommunications infrastructure in the United States based on market share. Our broad range of services includes design, engineering, procurement, construction, testing and maintenance services for electric, natural gas and telecommunications infrastructure. The following chart depicts our revenue mix by end market for the twelve months ended March 31, 2006:

Our customers rely on us to design, construct and maintain reliable electric, natural gas and other utility infrastructure. Within our electric power end market, our primary focus for growth is on higher-voltage transmission lines and substations, rather than lower-voltage distribution lines. We believe we are able to combine our broad geographic footprint, integrated service offerings, skilled workforce and experienced management team to deliver a compelling value proposition to our customers. Our customers primarily include electric power utilities, independent transmission companies, natural gas utilities, government entities and heavy industrial companies, such as petrochemical, processing and refining businesses. We also lease point-to-point telecommunications infrastructure in select markets and provide fiber-to-the-premises, or FTTP, build-out services to telecommunications companies.

Our blanket master service agreements and new construction projects provide a balanced mix of recurring and project-based work. The broad range of customers we service, geographic regions in which we operate and industries in which we participate provides us with diversified revenues, and our backlog provides us with high revenue visibility. For the year ended December 31, 2005 and the three months ended March 31, 2006, we had revenues of $865.5 million and $217.2 million, respectively. Our backlog was approximately $932 million at March 31, 2006, of which we expect to perform approximately $550 million to $575 million during the last three quarters of 2006.

Industry Trends

We believe growth in our end markets will benefit from the following principal factors:

Inadequacy of Current Electric Infrastructure. The electric utility infrastructure in the United States will require significant spending to remedy historical underinvestment and to respond to increasing electricity demand. The increase in demand for electricity and growth in electric power generation capacity have outpaced the increase in transmission infrastructure expenditures. This relative underinvestment has contributed to the current inadequacy of the electric power grid, leading to increasing congestion and major disruptions. The 2002 National Transmission Grid Study prepared by the United States Department of Energy, or DOE, along with studies developed by various industry groups have documented the inadequacies of the existing transmission grid. These inadequacies, as demonstrated by the disruptions caused by the rolling blackouts in California in 2001 and the Midwest/Northeast power outage in 2003, contributed to the passage of the Energy Policy Act of 2005 (the Energy Act). Transmission reliability and access is a significant area of focus of the Energy Act. Recent reliability events, near misses and regional forecasts of tight summer power supplies continue to highlight the inadequacy of the electric utility infrastructure.

In May 2005, a survey of investor-owned utilities indicated that their transmission investments from 2004 to 2008 are expected to increase 60% over the previous five years. There continue to be frequent announcements of transmission expansion plans by utilities and regional planning organizations. Recent surveys and studies have confirmed that the anticipated increase in transmission investment is beginning to occur.

Enactment of the Energy Policy Act of 2005 Mandates Transmission Reliability and Encourages Investment. The Energy Act was enacted on August 8, 2005 and provides several measures designed to increase grid reliability and stimulate investment in transmission infrastructure. The Energy Act mandates establishment of an Electric Reliability Organization, subject to oversight by the Federal Energy Regulatory Commission (FERC), to develop and enforce minimum standards of reliability. The Energy Act also repeals the Public Utility Holding Company Act of 1935, or PUHCA. The repeal removes significant restrictions on industry investment and could change the ownership landscape of transmission-owning entities by allowing new classes of non-utility investors. Progress is being made on the implementation of Energy Act provisions pertaining to electric transmission reliability and development.

Increased Outsourcing of Infrastructure Services. Driven in part by pressures from investors, regulators and consumer advocates, utilities are seeking ways to lower costs and improve efficiencies. Utilities are frequently able to achieve these objectives by outsourcing a range of services to third parties. Specialty contractors can manage their labor force across various projects and multiple customers, often in a more efficient and cost-effective manner than utilities maintaining dedicated full-time labor forces. Furthermore, a shrinking pool of qualified labor may provide additional incentive to shift utility infrastructure services to specialty contractors. According to industry research, approximately 50% of the utility labor force is expected to retire by 2010. A separate report from an industry association noted that skilled trades, including line, maintenance and construction trade workers, are viewed as having the highest percentage of retirements over the next five years. As a result, many utilities are increasing their reliance on third-party service providers to perform infrastructure services.

Spending Driven by Environmental Clean Air Regulations. Increasingly stringent environmental clean air regulations, primarily in the hydrocarbon processing and power generation sectors, require renewed compliance efforts. Many electric utilities have announced plans for significant investment in physical plant improvements, retrofits and upgrades to reduce harmful emissions at existing plants. We believe that this work will primarily be performed by third-party infrastructure services companies similar to us and may provide additional opportunities for companies with our relevant experience. Additionally, states continue to require that increased amounts of renewable energy be included in the portfolio of generation being

used to meet demand, with 22 states and the District of Columbia having passed such legislation. We believe that these mandates are combining with high natural gas prices, environmental concerns and certain provisions of the Energy Act to foster growth in wind generation and the development of related transmission infrastructure.

Increasing Demand for High-Bandwidth Communications Infrastructure. Individuals and businesses continue to seek faster and higher-bandwidth communications infrastructure. We provide FTTP build-out services to select telecommunications companies, and through our TS segment we also own proprietary dark fiber networks providing point-to-point connectivity in select markets in the United States.

Competitive Strengths

Diversified Business Mix Provides a Balance of Recurring and Project-Based Revenues. We believe our business mix complements growth opportunities provided by our strong positions in select end markets, including electric power, natural gas and telecommunications. Revenues generated from our distribution services are generally more predictable than our transmission project work because expenditures on distribution tend to be more stable, whereas our transmission work provides us access to what we believe is a higher growth market. In addition, we believe we are well positioned to benefit from increases in transmission spending, as we are one of a small number of specialty contractors with the size, comprehensive capabilities and experience to adequately address the complex requirements of large-scale electric transmission projects. We believe our end market mix and balance of recurring and project-based work provide significant revenue diversification.

Ability to Provide Broad Range of Services in Multiple Territories. We believe that customers in our end markets are increasingly seeking to improve their efficiencies by contracting with fewer service providers that can rapidly and effectively design, construct and maintain their infrastructure, in some cases across multiple geographic regions. We believe we are one of the few utility infrastructure service providers capable of meeting a broad range of service needs in multiple service territories. We believe these capabilities are particularly advantageous because many of our competitors are small, regional firms.

Strong Reputation for Project Execution and Safety. Our reputation as a premier service contractor has been built on an excellent performance record of delivering projects on time, on budget and to customer specifications. Most of our operating companies have been building this reputation for decades. Our strong reputation is reflected in our long-standing relationships with many of our major customers. In addition, our safety record has historically been better than industry averages, which provides us with a competitive advantage in bidding for many projects.

Highly Skilled and Flexible Workforce. We have an experienced and skilled workforce trained to handle technically complex projects, including high-voltage electric power transmission work and specialized subsurface work. In addition, we are generally able to quickly vary the size of our workforce to efficiently staff our projects and to meet the needs of our customers. This provides us with a variable cost structure that permits us to effectively respond to changes in demand for our services. Moreover, our labor force consists of both union and non-union personnel, which enables us to satisfy the varied labor requirements of customers in our end markets.

Financial Strength and Access to Surety Markets. Financial strength is often an important consideration for customers in selecting service providers. We believe our diverse revenue base, attractive operating margins and strong balance sheet contribute to our financial strength, which provides us with an advantage over many of our competitors. In addition, our financial strength, combined with our reputation and experience, improves our access to surety bonding to support our projects.

Experienced Management Team. We have a strong management team with extensive industry experience. The key members of our senior management team have worked in the utility or contracting industries for most of their careers and average over 22 years of industry experience.

Business Strategy

Capitalize on Favorable Industry Trends in Utility Infrastructure Markets. We believe we are well positioned to capitalize on increased spending on utility infrastructure and increased outsourcing by customers in our end markets. In particular, we believe that the Energy Act could lead to increasing focus on and investment in electric power transmission infrastructure and that our experience in executing complex large-scale electric transmission projects will enable us to take advantage of opportunities in this market.

Increase Our Market Share. We intend to leverage our competitive strengths to increase our market share by:

- gaining a greater share of our existing customers spending for outsourced services that we currently provide to them;
- expanding cross-selling of additional services to our existing customers;
- obtaining business from new customers in the territories we currently serve; and
- introducing services to new and existing customers in regions we do not currently serve.

Focus on Specialized Services that Generate High Margins. We intend to continue to increase our focus on technically complex projects where the specialized capabilities of our highly skilled personnel differentiates us from many of our competitors. For example, turnkey substation services and high voltage transmission systems are among our core competencies. Our expertise in these areas enables us to generate attractive margins while providing high quality and cost effective services for our customers. In addition, we intend to expand our telecommunications services to other cities and acquire dark fiber assets for this purpose where available. We also intend to continue exiting or renegotiating certain contracts in the natural gas industry that do not meet our profitability standards.

Capitalize on Complementary Capabilities of our Operating Units. In our ICS segment, we actively seek contract opportunities that allow us to utilize the skills, labor or equipment of our individual operating companies rather than outsource work to non-affiliate contractors. For example, our subsidiary M.J. Electric, Inc. is utilizing employees from our InfraSource Transmission Services Company, or ITS, subsidiary to assist in foundation work for an electric utility contract, and we are utilizing our Dashiell Corporation subsidiary to assist in substation engineering and construction work for ITS and M.J. Electric, Inc.

Expand our Dark Fiber Network. We intend to significantly expand our dark fiber network through organic expansion into additional regions of the country and also through acquisition of fiber assets and businesses which are similar to ours. We signed leases in two new states in the fourth quarter of 2005 and have targeted several other areas for expansion during 2006 and 2007. More than half of our budgeted capital spending for 2006 is targeted at new dark fiber network construction.

Pursue Strategic Acquisitions. Although we do not consider acquisitions fundamental to the achievement of our objectives, we intend to evaluate and pursue acquisition opportunities to bolster our presence in select regional markets or to broaden and enhance our service offerings. For example, our acquisitions of ITS in early 2004 and EHV Power Corporation, or EHV, in November 2005 expanded our capabilities to perform large, high-voltage transmission projects and cross-sell other services across a larger territory. Future acquisitions may, among other things, focus on expanding our presence in our ICS segment and acquiring additional dark fiber assets in our TS segment in targeted metropolitan areas.

Risks Related to Our Business and Strategy

Although we believe that focusing on the key areas set forth above will provide us with opportunities to reach our goals, there are a number of risks and uncertainties that may affect our financial and operating performance, including that:

- our ability to obtain new contracts and the timing of the award and performance of such contracts may result in unpredictable fluctuations in our cash flow and profitability;

- demand for our services is cyclical and vulnerable to downturns in the industries we serve, which may result in extended periods of low demand for our services;

- our participation in fixed-price contracts could result in contract losses, which could reduce our profitability;

- our use of percentage-of-completion accounting could result in a reduction or elimination of previously reported profits;

- we derive a significant portion of our revenue from a small group of customers, the loss of one or more of which could negatively impact our revenues and profits;

- our inability to hire or retain key personnel could disrupt our business;

- skilled labor shortages and increased labor costs could negatively affect our ability to compete for new projects;

- the Energy Act may fail to spur the anticipated increased investment in electric infrastructure, which could slow our growth;

- seasonal and other variations, including severe weather conditions, may cause significant fluctuations in our cash flows and profitability, which may cause the market price of our common stock to fall in certain periods;

- our backlog may not be realized or may not result in profits; our customers often have no obligation to assign work to us and many of our contracts may be terminated on short notice;

- project delays or cancellations, including as a result of difficulties in engineering, equipment and material delivery, schedule changes and other factors, may result in additional costs to us, reductions in revenues or the payment of liquidated damages; and

- if we are not successful in integrating companies that we acquire or have acquired, we may not achieve the expected benefits and our profitability could suffer.

In addition to the preceding risks, you should also consider the risks discussed under Risk Factors and elsewhere in, or incorporated by reference in, this prospectus, including the risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2005, our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 and our other periodic filings with the Securities and Exchange Commission (the SEC).

Corporate Information

We are a Delaware corporation formed in May 2003 by our principal stockholders to acquire InfraSource Incorporated and certain of its subsidiaries from Exelon Enterprises Company, LLC, or Exelon. InfraSource Incorporated was originally organized in 1999, and between 1999 and January 2001 InfraSource Incorporated acquired its operating subsidiaries. Our principal stockholders are OCM/GFI Power Opportunities Fund, L.P., which is co-managed by Oaktree Capital Management, LLC (Oaktree) and GFI Energy Ventures LLC, and OCM Principal Opportunities Fund II, L.P., which is managed by Oaktree. These stockholders are referred to in this prospectus as our principal stockholders.

Our

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acquisition of InfraSource Incorporated on September 24, 2003 is referred to as the Merger. On May 12, 2004, we completed our initial public offering, or IPO, of 8,500,000 shares of common stock. On March 24, 2006, our principal stockholders and other stockholders completed a secondary underwritten public offering of 13,000,000 shares of our common stock, and on April 12, 2006, sold an additional 1,950,000 shares of our common stock following the exercise, in full, of the underwriters over-allotment option to purchase additional shares. As of the date of this prospectus, our principal stockholders hold approximately 27.2% of our common stock. Our principal stockholders will hold approximately % of our outstanding common stock after giving effect to this offering (% if the underwriters over-allotment option is exercised in full).

In 2004, we acquired Maslonka & Associates, Inc., which we re-branded as ITS, a high-voltage aerial electric transmission line constructor, and Utili-Trax Contracting Partnerships, LLC, or Utili-Trax, which provides underground and overhead construction services for electric cooperatives and municipal utilities throughout the upper Midwest. We also acquired certain operating companies of EnStructure Corporation, which provide construction services within the utilities and oil and gas markets throughout the Midwestern, Southern and Southeastern regions of the United States. ITS, Utili-Trax and the EnStructure companies are all part of our ICS segment. During 2004, we completed the sale of our telecommunications craft services business, which was part of our TS segment. During 2005, we sold substantially all of the assets of Utility Locate & Mapping Services, Inc. and Electric Services, Inc., which were part of our ICS segment. In November 2005, we acquired EHV, a Canadian company that specializes in splicing of underground high voltage electric transmission cables.

We operate through two business segments. Our principal segment, ICS, provides design, engineering, procurement, construction, testing and maintenance services for utility infrastructure. Our ICS customers include electric power utilities, natural gas utilities, telecommunication customers, government entities and heavy industrial companies, such as petrochemical, processing and refining businesses. Our ICS services are provided by four of our operating units, all of which have been aggregated into one reportable segment due to their similar economic characteristics, customer bases, products and production and distribution methods. Our TS segment, consisting of a single operating unit, leases point-to-point telecommunications infrastructure in select markets and provides design, procurement, construction and maintenance services for telecommunications infrastructure. Our TS customers include communication service providers, large industrial and financial services companies, school districts and other entities with high bandwidth telecommunication needs. Within our TS segment, we are regulated as a public telecommunication utility in various states. We operate in multiple service territories throughout the United States and do not have significant operations or assets in countries outside the United States.

Our principal executive offices are located at 100 West Sixth Street, Media, Pennsylvania 19063. Our telephone number is (610) 480-8000. We maintain a website at *www.infrasourceinc.com*. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

The Offering

Issuer	InfraSource Services, Inc.
Common stock offered by the selling stockholders	10,400,000 shares
Underwriters option to purchase additional shares from the selling stockholders	1,560,000 shares
Common stock outstanding after this offering	39,992,589 shares
Use of proceeds	We will not receive any of the proceeds from this offering.
New York Stock Exchange symbol	IFS

A portion of the shares of our common stock in this offering is being offered by members of our senior management. We anticipate that certain holders of our common stock who have not yet exercised their registration rights in connection with this offering will do so after the date hereof. Therefore, the number of shares being registered pursuant to the registration statement of which this prospectus forms a part exceeds the aggregate number of shares owned by the selling stockholders named in this prospectus. See Principal and Selling Stockholders.

Except as otherwise indicated, all share information in this prospectus is based on the number of shares outstanding on June 19, 2006:

- excludes 2,345,102 shares of common stock subject to outstanding stock options with a weighted average exercise price of $9.30 per share;
- excludes 1,242,834 shares of common stock available for future grant or issuance under our 2004 omnibus stock incentive plan and 2,525,571 shares of common stock available for issuance under our 2004 employee stock purchase plan; and
- assumes no exercise of the underwriters over-allotment option.

Summary Consolidated Financial and Other Data

The summary consolidated statements of operations data for the periods January 1, 2003 to September 23, 2003 and May 30, 2003 to December 31, 2003 and for the years ended December 31, 2004 and 2005 have been derived from our audited consolidated financial statements incorporated by reference in this prospectus, which include, with respect to the periods presented below, the results of our predecessor entity, InfraSource Incorporated, for the period January 1, 2003 to September 23, 2003, and our results for the period May 30, 2003 (date of inception) to December 31, 2003 and for the years ended December 31, 2004 and 2005. We had no operating activity prior to the Merger on September 24, 2003.

The summary condensed consolidated statements of operations data for the three months ended March 31, 2005 and March 31, 2006 and the summary condensed consolidated balance sheet data as of March 31, 2006 have been derived from our unaudited condensed consolidated financial statements incorporated by reference in this prospectus and include, in the opinion of management, all adjustments necessary for a fair presentation of our financial position and results of operations for those periods and as of such date. Our results for interim periods are not necessarily indicative of the results to be expected for a full year.

You should read the following financial information together with the information included in our Annual Report on Form 10-K for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 under Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes of InfraSource Services, Inc. incorporated by reference in this prospectus.

	For the Period January 1, to September 23, 2003 (Predecessor entity InfraSource Incorporated and Subsidiaries)	For the Period May 30 to December 31, 2003	For the Year Ended December 31, 2004	2005	For the Three Months Ended March 31, 2005 (unaudited)	2006
	(in thousands, except for share and per share data)					
Consolidated Statements of Operations Data:						
Contract revenues	$ 382,627	$ 135,196	$ 642,567	$ 865,527	$ 180,630	$ 217,240
Cost of revenues	339,480	112,586	540,789	761,215	160,366	188,044
Gross profit	43,147	22,610	101,778	104,312	20,264	29,196
Selling, general and administrative expenses	41,407	14,144	63,915	75,320	16,508	23,071
Merger related costs(1)	16,242		(228)	218	76	
Provision (recoveries) for uncollectible accounts	236	178	(299)	156	80	(10)
Amortization of intangible assets		2,600	12,350	4,911	1,612	257
Income (loss) from operations	(14,738)	5,688	26,040	23,707	1,988	5,878
Interest income	1,376	60	572	426	194	236
Interest expense and amortization of debt discount	(27)	(3,966)	(10,178)	(8,157)	(1,456)	(2,111)
Loss on early extinguishment of debt			(4,444)			
Other income (expense)	(3,053)	(88)	2,366	6,663	4,380	128
Income (loss) before income taxes, discontinued operations and extraordinary item	(16,442)	1,694	14,356	22,639	5,106	4,131
Income tax expense (benefit)	(5,240)	716	5,856	9,709	2,042	1,665
Income (loss) from continuing operations(2)	(11,202)	978	8,500	12,930	3,064	2,466
Income (loss) from discontinued operations, net of tax	(12,316)	281	480	(1,033)	(322)	
Gain on disposition of discontinued operation, net of tax			596	1,832		
Income (loss) before extraordinary item(2)	(23,518)	1,259	9,576	13,729	2,742	2,466
Extraordinary item, net of tax		76				
Net income (loss)(2)	$ (23,518)	$ 1,335	$ 9,576	$ 13,729	$ 2,742	$ 2,466
Basic Income (loss) per common share:						
Weighted average basic common shares outstanding	47,585	10,782	35,172	39,129	38,981	39,515
Basic income (loss) per share continuing operations	$ (0.24)	$ 0.09	$ 0.24	$ 0.33	$ 0.08	$ 0.06
Basic income (loss) per share discontinued operations	(0.26)	0.02	0.01	(0.03)	(0.01)	
Basic income per share gain on disposition of discontinued operation			0.02	0.05		
Basic income per share extraordinary item		0.01				
	$ (0.50)	$ 0.12	$ 0.27	$ 0.35	$ 0.07	$ 0.06
Diluted Income (loss) per common share:						
Weighted average diluted common shares outstanding	47,585	11,031	36,139	39,943	39,794	40,116
Diluted income (loss) per share continuing operations	$ (0.24)	$ 0.09	$ 0.23	$ 0.32	$ 0.08	$ 0.06
Diluted income (loss) per share discontinued operations	(0.26)	0.02	0.01	(0.03)	(0.01)	
Diluted income per share gain on disposition of discontinued operation			0.02	0.05		
Diluted income per share extraordinary item		0.01				
	$ (0.50)	$ 0.12	$ 0.26	$ 0.34	$ 0.07	$ 0.06

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	For the Period January 1, to September 23, 2003 (Predecessor entity InfraSource Incorporated and Subsidiaries)	For the Period May 30 to December 31, 2003	For the Year Ended December 31, 2004	2005	For the Three Months Ended March 31, 2005 (unaudited)	2006
	(in thousands)					
Other financial data						
Net cash provided by (used in):						
Operating activities from continuing operations	$ 17,752	$ (2,452)	$ 20,374	$ 19,406	$ (16,429)	$ (436)
Investing activities from continuing operations	(12,459)	(210,366)	(56,277)	(16,453)	(2,233)	(12,847)
Financing activities from continuing operations	(10,188)	224,831	45,112	111	6,039	888
Depreciation and amortization	20,917	7,902	37,179	32,572	8,405	7,168
Capital expenditures, net of disposals	(12,459)	(2,500)	(21,676)	(25,145)	(7,195)	(9,371)
EBITA as adjusted (a non-GAAP financial measure)(2)(3)	7,106	11,985	43,185	32,207	4,195	7,870
EBITDA as adjusted (a non-GAAP financial measure)(2)(3)	28,023	17,287	68,014	59,868	10,988	14,781

	As of March 31, 2006 (unaudited) (in thousands)
Consolidated Balance Sheet Data:	
Cash and cash equivalents	$ 11,891
Working capital	120,410
Total assets	560,028
Total debt	83,685
Total shareholders equity	306,930

(1) Represents fees and expenses related to the Merger, including severance and retention costs and professional service fees.

(2) For the year ended December 31, 2005, amounts include a $10.1 million loss, after giving effect to assumed claims collections, relating to one of our underground utility construction projects.

(3) We believe investors understanding of our operating performance is enhanced by disclosing the following non-GAAP financial measures:

- EBITA from continuing operations before extraordinary items, net (EBITA from continuing operations), which we define as net income before discontinued operations, income tax expense, interest expense, interest income and amortization;
- EBITA from continuing operations, as adjusted (EBITA as adjusted), which we define as EBITA from continuing operations, adjusted for certain significant items that, in management s opinion, are not indicative of our core operating performance;
- EBITDA from continuing operations before extraordinary items, net (EBITDA from continuing operations), which we define as EBITA from continuing operations before depreciation; and

- EBITDA from continuing operations, as adjusted (EBITDA as adjusted), which we define as EBITA, as adjusted before depreciation.

The significant non-core items for the periods shown and the reasons we adjust for them are discussed in more detail in the table and associated footnotes below. We believe it is helpful to an understanding of our business to assess the effects of these items on our results of operations in order to evaluate our

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performance from period to period on a more consistent basis. This presentation should not be construed as an indication that similar charges will not recur or that our future results will be unaffected by other charges and gains we consider to be outside the ordinary course of our business.

A reconciliation of EBITA from continuing operations, EBITA as adjusted, EBITDA from continuing operations and EBITDA as adjusted to net income (loss), the most directly comparable GAAP performance measure, is provided below:

	For the Period January 1 to September 23, 2003 (Predecessor entity InfraSource Incorporated and Subsidiaries)	**For the Period May 30 to December 31, 2003**	**For the Year Ended December 31, 2004**	**2005**	**For the Three Months Ended March 31, 2005 (unaudited)**	**2006**
	(in thousands)					
Net income (loss) (GAAP)	$ (23,518)	$ 1,335	$ 9,576	$ 13,729	$ 2,742	$ 2,466
Extraordinary item, net of tax		(76)				
(Gain) on disposition of discontinued operations, net of tax			(596)	(1,832)		
Loss (income) from discontinued operations, net of tax	12,316	(281)	(480)	1,033	322	
Income tax expense (benefit)	(5,240)	716	5,856	9,709	2,042	1,665
Interest expense and amortization of debt discount	27	3,966	10,178	8,157	1,456	2,111
Interest income	(1,376)	(60)	(572)	(426)	(194)	(236)
Amortization of intangible assets		2,600	12,350	4,911	1,612	257
EBITA from continuing operations (a non-GAAP financial measure)(a)	(17,791)	8,200	36,312	35,281	7,980	6,263
Insurance reserve adjustment(b)	8,655					
Merger related expenses(c)	16,242					
Litigation judgment and related costs(d)		3,785		(3,785)	(3,785)	
IPO and secondary related expenses(e)			2,429			737
Loss on early extinguishment of debt(f)			4,444			
Stock compensation expenses(g)				711		870
EBITA as adjusted (a non-GAAP financial measure)(a)	$ 7,106	$ 11,985				