UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT ***(Date of earliest event reported)*****: November 16, 2007** ***(August 30, 2007)***

QUANTA SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

1-13831	**74-2851603**
(Commission File No.)	*(IRS Employer Identification No.)*

1360 Post Oak Boulevard, Suite 2100
Houston, Texas 77056
(Address of principal executive offices, including ZIP code)

(713) 629-7600
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This Amendment No. 1 amends the Current Report on Form 8-K that Quanta Services, Inc. ("***Quanta***") filed with the Securities and Exchange Commission ("***SEC***") on September 6, 2007, concerning the completion of its acquisition of InfraSource Services, Inc. ("***InfraSource***"), to include the financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K and to include exhibits under Item 9.01(d) of Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements of InfraSource as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006 are attached as Exhibit 99.1 to this Current Report on Form 8-K/A and are filed herewith. The unaudited consolidated financial statements of InfraSource as of June 30, 2007, and for the three and six month periods ended June 30, 2007 and 2006 are attached as Exhibit 99.2 to this Current Report on Form 8-K/A, and are filed herewith.

(b) Pro Forma Financial Information.

Unaudited pro forma condensed financial statements and explanatory notes relating to Quanta's acquisition of InfraSource as of June 30, 2007, for the year ended December 31, 2006, and for the six month period ended June 30, 2007 are attached to this Current Report on Form 8-K/A as Exhibit 99.3 and are filed herewith.

(d) Exhibits.

Exhibit No.	Exhibit
23.1	Consent of PricewaterhouseCoopers LLP
99.1	Audited consolidated financial statements of InfraSource as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006
99.2	Unaudited consolidated financial statements of InfraSource as of June 30, 2007 and for the three and six month periods ended June 30, 2007 and 2006
99.3	Unaudited pro forma condensed consolidated financial statements and explanatory notes as of June 30, 2007, for the year ended December 31, 2006, and for the six month period ended June 30, 2007

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 16, 2007

QUANTA SERVICES, INC.

By: /s/ Derrick A. Jensen
Name: Derrick A. Jensen
Title: Vice President, Controller and Chief Accounting Officer

Exhibit Index

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Current Report on Form 8-K/A and in the Registration Statements on Form S-8 (Nos. 333-47069, 333-56849, 333-103570, 333-143923 and 333-142279) and Form S-3 (File Nos. 333-81419, 333-90961, 333-39744, 333-111738, 333-114938, 333-119134 and 333-136819) of Quanta Services, Inc. of our report dated March 13, 2007, relating to the consolidated financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in InfraSource Services, Inc.'s Annual Report on Form 10-K, as amended, for the year ended December 31, 2006.

PRICEWATERHOUSECOOPERS LLP

Philadelphia, Pennsylvania
November 16, 2007

Exhibit 99.1

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of InfraSource Services, Inc.:

We have completed integrated audits of InfraSource Services, Inc.’s 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of InfraSource Services, Inc. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

Internal control over financial reporting

Also, in our opinion, management’s assessment, included in the accompanying Management’s Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management’s assessment and on the effectiveness of the Company’s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management’s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Philadelphia, PA
March 13, 2007

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2005	December 31, 2006
	(In thousands, except per share data)	
Current assets:		
Cash and cash equivalents	$ 31,639	$ 26,209
Contract receivables (less allowances for doubtful accounts of $3,184 and $3,770, respectively)	136,610	166,780
Costs and estimated earnings in excess of billings	84,360	59,012
Inventories	5,131	5,443
Deferred income taxes	4,683	8,201
Other current assets	7,678	6,384
Current assets — discontinued operations	3,033	746
Total current assets	273,134	272,775
Property and equipment (less accumulated depreciation of $55,701 and $73,302, respectively)	143,881	154,578
Goodwill	138,054	146,933
Intangible assets (less accumulated amortization of $19,861 and $20,865, respectively)	1,884	900
Deferred charges and other assets, net	12,117	5,529
Assets held for sale	—	517
Noncurrent assets — discontinued operations	319	—
Total assets	$ 569,389	$ 581,232
Current liabilities:		
Current portion of long-term debt	$ 889	$ 42
Current portion of capital lease obligations	—	35
Short-term credit facility borrowings	—	1,077
Other liabilities — related parties	11,299	766
Accounts payable	50,923	47,846
Accrued compensation and benefits	20,402	27,951
Other current and accrued liabilities	20,434	22,096
Accrued insurance reserves	30,550	36,166
Billings in excess of costs and estimated earnings	15,012	23,245
Deferred revenues	6,590	6,188
Current liabilities — discontinued operations	1,501	—
Total current liabilities	157,600	165,412
Long-term debt, net of current portion	83,019	50,014
Capital lease obligations, net of current portion	—	56
Deferred revenues	17,826	16,347
Other long-term liabilities — related party	420	900
Deferred income taxes	3,320	3,750
Other long-term liabilities	5,298	5,568
Non-current liabilities — discontinued operations	50	—
Total liabilities	267,533	242,047
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.001 par value (authorized — 12,000,000 shares; 0 shares issued and outstanding)	—	—
Common stock $.001 par value (authorized — 120,000,000 shares; issued 39,396,694 and 40,263,739 shares, respectively, and outstanding — 39,366,824 and 40,233,869, respectively)	39	40
Treasury stock at cost (29,870 shares)	(137)	(137)
Additional paid-in capital	278,387	288,517
Deferred compensation	(1,641)	—
Retained earnings	24,640	50,785
Accumulated other comprehensive income (loss)	568	(20)
Total shareholders' equity	301,856	339,185
Total liabilities and shareholders' equity	$ 569,389	$ 581,232

The accompanying notes are an integral part of these consolidated financial statements.

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006
	(In thousands, except per share data)		
Revenues	$ 632,604	$ 853,076	$ 992,305
Cost of revenues	531,632	750,248	846,646
Gross profit	100,972	102,828	145,659
Selling, general and administrative expenses	63,210	73,737	94,787
Merger related costs	(228)	218	—
Provision for uncollectible accounts	(299)	156	1,500
Amortization of intangible assets	12,350	4,911	1,004
Income from operations	25,939	23,806	48,368
Interest income	513	388	953
Interest expense	(10,178)	(8,157)	(6,908)
Loss on early extinguishment of debt	(4,444)	—	—
Write-off of deferred financing costs	—	—	(4,296)
Other income, net	2,366	6,663	4,144
Income from continuing operations before income taxes	14,196	22,700	42,261
Income tax expense	5,796	9,734	16,391
Income from continuing operations	8,400	12,966	25,870
Discontinued operations:			
Income (loss) from discontinued operations (net of income tax provision (benefit) of $365, $(699) and $1, respectively)	580	(1,069)	2
Gain on disposition of discontinued operation (net of income tax provision of $410, $1,372 and $165, respectively)	596	1,832	273
Net income	$ 9,576	$ 13,729	$ 26,145
Basic income (loss) per share:			
Income from continuing operations	$ 0.24	$ 0.33	$ 0.65
Income (loss) from discontinued operations	0.01	(0.03)	0.00
Gain on disposition of discontinued operation	0.02	0.05	0.01
Net income	$ 0.27	$ 0.35	$ 0.66
Weighted average basic common shares outstanding	35,172	39,129	39,757
Diluted income (loss) per share:			
Income from continuing operations	$ 0.23	$ 0.32	$ 0.64
Income (loss) from discontinued operations	0.01	(0.03)	0.00
Gain on disposition of discontinued operation	0.02	0.05	0.01
Net income	$ 0.26	$ 0.34	$ 0.65
Weighted average diluted common shares outstanding	36,139	39,943	40,364

The accompanying notes are an integral part of these consolidated financial statements.

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006
		(In thousands)	
Net income	$ 9,576	$ 13,729	$ 26,145
Foreign currency translation adjustments, net of tax benefit of $0, $0 and $0	—	88	(108)
Fair value adjustments on derivatives, net of tax benefit of $271, $89 and $(360)	394	72	(480)
Comprehensive income	$ 9,970	$ 13,889	$ 25,557

The accompanying notes are an integral part of these consolidated financial statements.

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

	Common Stock		Treasury Stock		Additional Paid-In	Deferred	Accumulated Other Comprehensive Income		Retained	
							Fair Value Adjustment on	Foreign Currency Translation		
	Shares	Amount	Shares	Amount	Capital	Compensation	Derivatives	Adjustment	Earnings	Total
	(In thousands, except share amounts)									
Balance as of December 31, 2003	19,914,840	$ 20	—	$ —	$ 91,695	$ (215)	$ 14	$ —	$ 1,335	$ 92,849
Common Stock issued:										
Acquisition of Maslonka	4,330,820	4	—	—	50,667	—	—	—	—	50,671
Company management	37,367		—	—	437	—	—	—	—	437
Principal shareholders	5,894,583	6	—	—	27,079	—	—	—	—	27,085
Initial public offering	8,500,000	9	—	—	100,773	—	—	—	—	100,782
Vesting of early exercised options	154,786	—	—	—	715	—	—	—	—	715
Unearned compensation	—	—	—	—	212	(212)	—	—	—	—
Amortization of unearned compensation	—	—	—	—	—	98	—	—	—	98
Stock options exercised	70,847	—	—	—	326	—	—	—	—	326
Income tax benefit from options exercised	—	—	—	—	664	—	—	—	—	664
Issuance of shares under employee stock purchase plan	39,485	—	—	—	386	—	—	—	—	386
Net income					—	—	—	—	9,576	9,576
Other comprehensive income	—	—	—	—	—	—	394	—	—	394
Balance as of December 31, 2004	38,942,728	$ 39	—	$ —	$ 272,954	$ (329)	$ 408	$ —	$ 10,911	$ 283,983
Vesting of early exercised options	103,263	—	—	—	475	—	—	—	—	475
Treasury stock	29,870	—	(29,870)	(137)	137	—	—	—	—	—
Unearned compensation	—	—	—	—	2,092	(2,092)	—	—	—	—
Amortization of unearned compensation	—	—	—	—	—	780	—	—	—	780
Stock options exercised	176,997	—	—	—	888	—	—	—	—	888
Income tax benefit from options exercised	—	—	—	—	545	—	—	—	—	545
Issuance of shares under employee stock purchase plan	143,836	—	—	—	1,296	—	—	—	—	1,296
Net income	—	—	—	—	—	—	—	—	13,729	13,729
Other comprehensive income	—	—	—	—	—	—	72	88	—	160
Balance as of December 31, 2005	39,396,694	$ 39	(29,870)	$ (137)	$ 278,387	$ (1,641)	$ 480	$ 88	$ 24,640	$ 301,856
Vesting of early exercised options	196,651	—	—	—	904	—	—	—	—	904
Reclass of deferred compensation	—	—	—	—	(1,641)	1,641	—	—	—	—
Stock options exercised and vested restricted stock	548,971	1	—	—	3,584	—	—	—	—	3,585
Income tax benefit from options exercised	—	—	—	—	2,343	—	—	—	—	2,343
Issuance of shares under employee stock purchase plan	121,423	—	—	—	1,480	—	—	—	—	1,480
Stock compensation expense	—	—	—	—	3,460	—	—	—		3,460
Net income	—	—	—	—	—	—	—	—	26,145	26,145
Other comprehensive loss	—	—	—	—	—	—	(480)	(108)	—	(588)
Balance as of December 31, 2006	40,263,739	$ 40	(29,870)	$ (137)	$ 288,517	$ —	$ —	$ (20)	$ 50,785	$ 339,185

The accompanying notes are an integral part of these consolidated financial statements.

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 9,576	$ 13,729	$ 26,145
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Income from and gain on sale of discontinued operations — net of taxes	(1,176)	(763)	(275)
Depreciation	24,728	27,540	25,601
Amortization of intangibles	12,350	4,911	1,004
Gain on sale of assets	(1,412)	(2,714)	(3,365)
Deferred income taxes	(7,614)	3,390	(3,650)
Loss on early extinguishment of debt	4,444	—	—
Stock based compensation	—	711	3,460
Write-off of deferred financing costs	—	—	4,296
Reversal of litigation judgment	—	(4,279)	—
Other	900	(1,519)	97
Changes in operating assets and liabilities, net of effects of acquisitions:			
Contract receivables, net	(22,877)	(31,319)	(30,936)
Contract receivables due from related parties, net	14,617	—	—
Costs and estimated earnings in excess of billings, net	(14,431)	(20,436)	34,033
Inventories	(1,913)	788	(312)
Other current assets	(3,221)	3,366	1,905
Deferred charges and other assets	(2,079)	866	607
Accounts payable	6,410	19,228	(4,269)
Other current and accrued liabilities	(10,794)	9,020	8,770
Accrued insurance reserves	6,282	4,508	5,616
Deferred revenue	6,150	2,122	(1,880)
Other liabilities	(242)	535	1,113
Net cash flows provided by operating activities from continuing operations	19,698	29,684	67,960
Net cash flows provided by (used in) operating activities from discontinued operations	2,601	(275)	94
Net cash flows provided by operating activities	22,299	29,409	68,054
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(44,163)	(6,460)	(18,355)
Proceeds from restricted cash	—	5,000	—
Proceeds from derivatives	—	—	273
Proceeds from sale of discontinued operations	9,562	7,164	2,569
Proceeds from sales of equipment	3,655	5,388	7,693
Additions to property and equipment	(25,061)	(30,471)	(38,499)
Net cash flows used in investing activities from continuing operations	(56,007)	(19,379)	(46,319)
Net cash flows used in investing activities from discontinued operations	(1,048)	(284)	(94)
Net cash flows used in investing activities	(57,055)	(19,663)	(46,413)
Cash flows from financing activities:			
Net borrowings under short-term credit facility	—	—	1,077
Borrowings of long-term debt	—	—	75,000
Repayments of long-term debt and capital lease obligations	(84,301)	(1,904)	(108,851)
Debt issuance costs	(1,588)	(169)	(1,440)
Excess tax benefits from stock-based compensation	—	—	2,018
Proceeds from exercise of stock options	2,962	2,184	5,125
Proceeds from sale of common stock	128,039	—	—
Net cash flows provided by (used in) financing activities from continuing operations	45,112	111	(27,071)
Net cash flows used in financing activities from discontinued operations	(1,000)	—	—
Net cash flows provided by (used in) financing activities	44,112	111	(27,071)
Cash and cash equivalents:			
Net decrease in cash and cash equivalents	9,356	9,857	(5,430)
Cash and cash equivalents provided by (transferred to) discontinued operations	(553)	559	—
Cash and cash equivalents — beginning of period	12,419	21,222	31,639
Effect of exchange rates on cash	—	1	—
Cash and cash equivalents — end of period	$ 21,222	$ 31,639	$ 26,209

The accompanying notes are an integral part of these consolidated financial statements.

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006
		(In thousands)	
Supplemental cash flow information:			
Interest	$ 8,159	$ 6,946	$ 5,773
Taxes	17,267	12,129	20,167
Supplemental Disclosure of Non-Cash Investing and Financing Activities:			
Distribution of property and equipment owed to related party	$ 7,218	$ —	$ —
Loss on early extinguishment of the note payable to Exelon	4,444	—	—
Distribution to related party for contingent earn out	—	—	7,089
Accounts payable balance related to purchases of property and equipment	1,652	1,078	2,231
Fair value of assets acquired	68,579	2,386	1,826
Goodwill	64,021	2,595	7,545
Liability to sellers for taxes and cash holdback	(7,204)	3,145	2,159
Liabilities assumed	(23,300)	(797)	(263)
Equity issued to sellers	(50,671)	—	—
Cash paid for acquisition, net of cash acquired	(51,425)	(7,329)	(11,267)

The accompanying notes are an integral part of these consolidated financial statements.

1. Background and Summary of Significant Accounting Policies

Organization and Description of Business: InfraSource Services, Inc. ("InfraSource") was organized on May 30, 2003 as a Delaware corporation. InfraSource and its wholly owned subsidiaries are referred to herein as "the Company," "we," "us," or "our." We operate in two business segments. Our Infrastructure Construction Services ("ICS") segment provides design, engineering, procurement, construction, testing, maintenance and repair 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 Telecommunication Services ("TS") segment 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 customers, school districts and other entities with high bandwidth telecommunication needs. We operate in multiple service territories throughout the United States and we do not have significant operations or assets outside the United States.

On September 24, 2003, we acquired all of the voting interests of InfraSource Incorporated and certain of its wholly owned subsidiaries, pursuant to a merger transaction (the "Merger"). On May 12, 2004, we completed an IPO of 8,500,000 shares of common stock.

At the time of the IPO, our principal stockholders were OCM/GFI Power Opportunities Fund, L.P. and OCM Principal Opportunities Fund, L.P. (collectively, the "former Principal Stockholders"), both Delaware limited partnerships. In 2006, the former Principal Stockholders and certain other stockholders completed two secondary underwritten public offerings of our common stock. The first occurred on March 24, 2006, in which they sold 13,000,000 shares of our common stock at $17.50 per share (plus an additional 1,950,000 shares sold following exercise of the underwriters' over-allotment option). The second occurred on August 9, 2006, in which they sold 10,394,520 shares of our common stock at $17.25 per share (plus an additional 559,179 shares sold following exercise of the underwriters' over-allotment option). We did not issue any primary shares and did not receive any of the proceeds from those offerings. As of December 31, 2006, the former Principal Stockholders no longer own any of our common stock.

Basis of Presentation: The accompanying consolidated financial statements reflect our financial position as of December 31, 2005 and 2006 and our results of operations and cash flows for the years ended December 31, 2004, 2005 and 2006.

During the years ended December 31, 2004, 2005, and 2006 we committed to plans to sell substantially all of the assets of Utility Locate & Mapping Services, Inc. ("ULMS"), Electric Services, Inc. ("ESI") and Mechanical Specialties, Inc. ("MSI"), respectively. In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the financial position, results of operations and cash flows of OSP Consultants, Inc and Subsidiaries ("OSP"), ULMS, ESI and MSI are reflected as discontinued operations in our accompanying financial statements through their respective dates of disposition (see Note 3). We do not allocate corporate debt and interest expense to discontinued operations. Only debt amounts that are specific to the discontinued operations will be reflected in discontinued operations.

The consolidated financial statements include our accounts and the accounts of our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Reclassifications: Certain amounts in the accompanying financial statements have been reclassified for comparative purposes.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities; amounts contained in certain of the notes to the consolidated financial statements; and the revenues and expenses reported for the periods covered by the financial statements. Although such assumptions are based on management's best knowledge of current events and actions we may undertake in the future, actual results could differ significantly from those estimates and assumptions. Our more significant estimates relate to revenue recognition, self insurance reserves, share-based compensation, valuation of goodwill and intangible assets, and income taxes.

Changes in Estimates: In the ordinary course of accounting for items discussed above, we make changes in estimates as appropriate, and as we become aware of circumstances surrounding those estimates. Such changes and refinements in estimates are reflected in reported results of operations in the period in which the changes are made and, if material, their effects are disclosed in the notes to our consolidated financial statements.

Revenue Recognition: Revenues from services provided to customers are reported as earned and are recognized when services are performed. Unbilled revenues represent amounts earned and recognized in the period for which billings are issued in a subsequent period and are included in costs and estimated earnings in excess of billings.

Revenues from fixed-price contracts are recorded on a percentage-of-completion basis, using primarily the cost-to-cost method based on the percentage of total costs incurred to date in proportion to total estimated costs to complete the contract. This method is used as management considers expended costs to be the best available measure of progress on these contracts.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Costs of installation or manufacturing include all direct material and labor costs and indirect costs related to the manufacturing process, such as indirect labor, supplies, tools and repairs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are reasonably estimated.

Revenues from master service agreements (“MSAs”) and maintenance contracts are based on unit prices or time and materials and are recognized as the units are completed (“units of production” method). Revenues earned on short-term projects and under contracts providing for substantial performance of services are recorded under the completed contract method. Revenues earned pursuant to fiber-optic facility licensing agreements, including initial fees are recognized ratably over the expected length of the agreements, including likely renewal periods. Advanced billings on fiber-optic agreements are recognized as deferred revenue on our balance sheets.

In accordance with industry practice, the classification of construction contract-related current assets and current liabilities are based on our contract performance cycle, which may exceed one year. Accordingly, retainage receivables, which are classified as current, will include certain amounts which may not be collected within one year. The balances billed but not paid by customers pursuant to retainage provisions in certain contracts will be due upon completion of the contracts and acceptance by the customer. Based on our experience with similar contracts in recent years, the majority of the retention balance at each balance sheet date will be collected within the subsequent fiscal year. Current retainage balances are included in contract receivables. Costs and estimated earnings in excess of billings primarily relate to revenues for completed but unbilled units under unit-based contracts, as well as unbilled revenues recognized under the percentage-of-completion method for non-unit based contracts. For those contracts in which billings exceeded contract revenues recognized to date, such excesses are included in billings in excess of costs and estimated earnings in the accompanying balance sheets.

Contract receivables are recorded at the invoiced amount and do not bear interest. We provide an allowance for doubtful accounts when collection of an account or note receivable is considered doubtful. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, the customer’s access to capital, the customer’s willingness or ability to pay, general economic conditions and the ongoing relationship with the customer. We review our allowance for doubtful accounts quarterly. Amounts are written off against the allowance when deemed uncollectible. We do not have any off balance sheet credit exposure related to our customers.

Cash and Cash Equivalents: Cash and cash equivalents include instruments with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates market value.

Restricted Cash: Restricted cash included a time deposit that was pledged for a letter of credit, which matured in March 2005.

Book Overdrafts: During 2006, the Company revised the classification for book overdrafts (outstanding checks on zero balance disbursement bank accounts that are funded from an investment account maintained with another financial institution upon presentation for payment) in the consolidated balance sheets and statement of cash flows. Prior to this revision, these amounts were reported as a reduction to cash and accounts payable. We had $7.4 million and $6.7 million of book overdrafts at December 31, 2005 and 2006, respectively, and these amounts are included in cash and accounts payable. Additionally, this revision (decreased) increased net cash flows provided by operating activities from continuing operations by ($0.4) million and $7.4 million for the years ended December 31, 2004 and 2005, respectively.

Inventories: Inventories consist primarily of materials and supplies used in the ordinary course of business and are stated at the lower of cost or market, as determined by the first-in, first-out or the specific identification method.

Other Current Assets: Other current assets consist primarily of prepaid insurance, taxes and expenses. These costs are expensed ratably over the related periods of benefit.

Property and Equipment: Property and equipment are stated at cost. Depreciation is generally calculated using the straight-line method over the estimated useful lives of the assets, which principally range from three to ten years for furniture, vehicles, machinery and equipment, and 25 to 40 years for buildings. The useful life of leasehold improvements is based on the term of the lease. For certain assets, we utilize other methods of depreciation, including accelerated and units of production methods, as these methods more accurately reflect cost recovery related to these assets. For small tools used in the completion of services, depreciation is based on the composite group remaining life method of depreciation, with straight-line composite rates determined on the basis of equal life groups for certain categories of tools acquired in a given period. Under this method, normal asset retirements, net of salvage value, are charged to accumulated depreciation. Assets under capital leases and leasehold improvements are amortized over the lesser of the lease term or the asset's estimated useful life. Major modifications which extend the useful life of the assets are capitalized and amortized over the adjusted remaining useful life of the assets. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed and any resultant gains or losses are recognized in current operations.

Capitalized Software: In accordance with Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", we capitalize costs associated with internally developed and/or purchased software systems for new products and enhancements to existing products that have reached the application development stage and meet recoverability tests. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining internal-use software, payroll and payroll-related expenses for employees who are directly associated with and devote time to the internal-use software project and interest costs incurred, if material, while developing internal-use software. Capitalization of such costs begins when the preliminary project stage is complete and ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Those capitalized costs are amortized on a straight-line basis over the economic useful life, beginning when the asset is ready for its intended use. Capitalized costs are included in property and equipment on the consolidated balance sheets.

Goodwill and Intangible Assets: Pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets" goodwill is subject to an assessment for impairment using a two-step fair value-based test with the first step performed at least annually, or more frequently if events or circumstances exist that indicate that goodwill may be impaired. We complete an annual analysis of our reporting units at each fiscal year end. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is then performed. The second step compares the carrying amount of the reporting unit's goodwill to the fair value of the goodwill. If the fair value of the goodwill is less than the carrying amount, an impairment loss would be recorded as a reduction to goodwill and a corresponding charge to operating expense.

We amortize intangible assets, consisting of construction backlog and volume agreements from acquired businesses as those assets are utilized or on a straight line basis over the one to five year life of those agreements (see Note 8). During the year ended December 31, 2004, we revised our estimates for intangible asset amortization related to backlog and volume agreements to more accurately reflect revenue derived from those intangibles. In the first quarter of 2004, we began calculating amortization expense using actual volume, rather than volume estimates derived from third-party valuations. For the year ended December 31, 2004, the change in our volume based estimate resulted in a $0.8 million decrease in net income and a $0.02 decrease in both basic and diluted net income per share.

Deferred Charges and Other Assets: Deferred charges and other assets consist primarily of debt issuance costs, dark fiber inventory, refundable security deposits and insurance claims in excess of deductibles. Costs associated with debt are capitalized and amortized into interest expense over the lives of the respective debt instruments.

Accounting for the Impairment of Long-Lived Assets: We account for impairment of long-lived assets in accordance with SFAS No. 144, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We evaluate at each balance sheet date whether events and circumstances have occurred that indicate possible impairment. No such impairment was recorded as of December 31, 2005 or 2006. Assets to be disposed of are reclassified to assets held for sale at the lower of their carrying value amount or fair value net of selling costs.

Income Taxes: We follow the liability method of accounting for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes.” Income taxes consist of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is recorded against a deferred tax asset when it is determined to be more likely than not that the asset will not be realized.

SFAS No. 109 requires an intra-period tax allocation of the income tax expense or benefit for the year among continuing operations, discontinued operations, extraordinary items, other comprehensive income, and items charged or credited directly to shareholders’ equity. SFAS No. 123R (see *Share-Based Compensation*) requires that if tax deductions for stock based compensation exceed the cumulative book compensation cost recognized, the excess tax benefit will be recognized as additional paid-in capital. The Company calculates the intra-period tax allocation to shareholders’ equity for excess tax benefits related to stock based compensation in accordance with SFAS No. 123R by including only the direct effects of the tax deduction for stock based compensation.

Translation of Financial Statements: Balance sheets for foreign operations are translated into U.S. dollars at the year-end exchange rates, while statements of operations are translated at average rates. Adjustments resulting from financial statement translations are included as cumulative translation adjustments in accumulated other comprehensive income (loss). The functional currency of our foreign subsidiary is the Canadian dollar.

Other Comprehensive Income (Loss): Other comprehensive income (loss) includes all changes in equity during a period except those resulting from investments by and distributions to stockholders. For the years ended December 31, 2004, 2005 and 2006, we have recorded other comprehensive income (loss) of $0.4 million, $0.1 million and $(0.5) million, respectively, related to the fair value of the interest rate swap and cap we entered into in October 2003 (see Note 11). Also during the year ended December 31, 2005 and

2006, we recorded other comprehensive income (loss) of $0.1 million and $(0.1) million for the foreign currency translation adjustment related to our Canadian operations.

Share-Based Compensation: On January 1, 2006, we adopted SFAS No. 123R "Share-Based Payment," which requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors including employee stock options, restricted stock and employee stock purchases related to the Employee Stock Purchase Plan ("employee stock purchases") based on estimated fair values. SFAS No. 123R supersedes our previous accounting under Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." In March 2005, the SEC issued Staff Accounting Bulletin ("SAB") No. 107 "Share-Based Payment," relating to SFAS No. 123R. We have applied the provisions of SAB No. 107 in adopting SFAS No. 123R.

Prior to the adoption of SFAS No. 123R, we accounted for share-based awards to employees and directors using the intrinsic value method in accordance with APB No. 25 as allowed under SFAS No. 123. Under the intrinsic value method, no share-based compensation expense was recognized in our consolidated statements of operations, other than restricted stock awards and stock options granted to employees and directors below the fair market value of the underlying stock at the grant-date.

We adopted SFAS No. 123R using the modified prospective transition method. Our consolidated financial statements as of and for the year ended December 31, 2006 include the impact of SFAS No. 123R. In accordance with the modified prospective transition method, our consolidated financial statements for prior periods have not been restated and do not include the impact of SFAS No. 123R. Pre-tax share-based compensation expense recognized under SFAS No. 123R for the year ended December 31, 2006 was $3.5 million, (refer to Note 18 for additional information). For the years ended December 31, 2004 and 2005, we recorded pre-tax share-based compensation expense of $0.1 million and $0.8 million related to stock options which were granted to employees and directors prior to our IPO which were determined to be below the fair market value of the underlying stock at the date of grant and also restricted stock awards. For the year ended December 31, 2006 share-based compensation expense included in cost of revenues is $0.3 million and in selling, general and administrative expenses is $3.2 million.

During the year ended December 31, 2006, share-based compensation expense lowered our results of operations as follows:

	For the Year Ended December 31, 2006
	(In thousands except per share amounts)
Income from continuing operations before income taxes	$ 3,149
Income from continuing operations	1,890
Net income	1,890
Basic net income per share	$ 0.05
Diluted net income per share	0.05

SFAS No. 123R requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. We value share-based awards using the Black-Scholes option pricing model and recognize compensation expense on a straight-line basis over the requisite service periods. Share-based compensation expense recognized during the current period is based on the value of the portion of share-based awards that is ultimately expected to vest. SFAS No. 123R requires forfeitures to be estimated at the time of grant in order to estimate the amount of share-based awards that will ultimately vest. The forfeiture rate is based on historical activity. Share-based compensation expense recognized in our consolidated statements of operations for the year-ended December 31, 2006 includes (i) compensation expense for share-based awards granted prior to but not vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the pro forma provisions of SFAS No. 123 and (ii) compensation expense for the share-based awards granted subsequent to December 31, 2005 based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. Share-based compensation expense recognized for 2006 is based on awards ultimately expected to vest, net of estimated forfeitures. Previously in our pro forma information required under SFAS No. 123 for the periods prior to fiscal 2006, we accounted for forfeitures as they occurred. Prior to the adoption of SFAS No. 123R, we presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in our consolidated statement of cash flows. SFAS No. 123R requires the cash flows resulting from the tax deductions in excess of the compensation cost recognized for those options (excess tax benefit) to be classified as financing cash flows.

The following table illustrates the effect on net income and earnings per share for the period prior to adoption of SFAS No. 123R, as if we had applied the fair value recognition provisions of SFAS No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure."

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2005
	(In thousands)	
Net income as reported	$ 9,576	$ 13,729
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(821)	(1,277)
Add: Total stock-based employee compensation expense, net of related tax effects included in the determination of net income as reported	218	464
Pro forma net income	$ 8,973	$ 12,916
Basic and diluted income per share:		
Basic net income per share as reported	$ 0.27	$ 0.35
Basic net income per share pro forma	0.26	0.33
Diluted net income per share as reported	0.26	0.34
Diluted net income per share pro forma	0.25	0.32

Derivatives: We utilize derivative financial instruments to reduce interest rate and fuel price risks. We do not hold derivative financial instruments for trading purposes. All derivatives are accounted for in accordance with SFAS No. 133 "Accounting for Derivatives and Hedging Activities," as amended by SFAS Nos. 137, 138 and 149. All interest rate related derivatives are recognized on the balance sheet at fair value. The fair value is estimated based on the amount we would receive or pay to terminate the contracts. We designate our derivatives based upon criteria established by SFAS No. 133. Changes in the fair value of derivatives are recorded in earnings or other comprehensive income, based on whether the instrument is designated as part of a hedge transaction and, if so, the type of hedge transaction.

Earnings Per Share: Earnings per share are calculated in accordance with SFAS No. 128, "Earnings Per Share". Basic earnings per share includes only the weighted average number of common shares outstanding during the period, as adjusted for the effect of the bonus element (see Note 17). Diluted earnings per share includes the weighted average number of common shares and the dilutive effect of stock options and other potentially dilutive securities outstanding during the period, when such instruments are dilutive.

Multiemployer Benefit Plans: Certain of our subsidiaries utilize unionized labor, and as such are required to make contractor contributions to the multiemployer retirement plans of certain unions. Were we to cease participation in those unions, a liability could potentially be assessed related to any underfunding of these plans. The amount of any such assessment, were such an assessment to be made, is not subject to reasonable estimation. However, we have never received any such assessments, and do not consider future assessments to be likely.

Fair Value of Financial Instruments: The carrying values of cash and cash equivalents, contract receivables, other current assets, accounts payable, accrued liabilities and other current liabilities approximate fair value due to the short-term nature of those instruments. The carrying value of the capital lease obligations approximate fair value because they bear interest rates currently available to us for debt with similar terms and remaining maturities. The fair value of our debt instruments are discussed in Note 10.

Warranty Costs: We do not have a general warranty program. For certain contracts, we warrant labor for new installations and construction and servicing of existing infrastructure. An accrual for warranty costs is recorded based upon management's estimate of future costs. As of December 31, 2005 and 2006, accrued warranty costs were $0.2 million and included in other current and accrued liabilities.

Collective Bargaining Agreements: Certain of our subsidiaries are party to various collective bargaining agreements for certain of their employees. The agreements require such subsidiaries to pay specified wages and provide for certain benefits to their union employees. Those agreements expire at various times.

Litigation Costs: Legal settlements are accrued if they are probable and can be reasonably estimated. Costs incurred for litigation are expensed as incurred.

Self-Insurance: The InfraSource Group was insured for workers' compensation and employer's liability, auto liability and general liability claims, subject to a deductible of $0.5 million per occurrence for the period January 1, 2004 through September 30, 2004. As of October 1, 2004, we have agreements to insure us for workers' compensation and employer's liability, auto liability and general liability, subject to a deductible of $0.75 million, $0.5 million and $0.75 million per occurrence, respectively. Losses up to the stop loss amounts are accrued based upon our estimate of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. The accruals are based upon known facts, actuarial estimates and historical trends. Management believes such accruals to be adequate; however, a change in experience or actuarial assumptions could nonetheless materially affect results of operations in a particular period. In addition, claims covered by the insurance carrier are accrued, with corresponding receivable amounts in our consolidated balance sheets.

During the year ended December 31, 2005 we recorded an adjustment to reduce insurance expense by $1.3 million as a result of updated actuarial estimates reflecting favorable loss development in our self insured retentions. At December 31, 2005 and 2006, the amounts accrued for self-insurance claims by us were $30.6 million and $36.2 million, respectively.

New Accounting Pronouncements:

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109," which clarifies the accounting for uncertainty in tax positions. FIN No. 48 requires that the impact of a tax position be recognized if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon the ultimate settlement. The provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006, with any cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We do not expect that the adoption of FIN No. 48 will result in a significant charge to our opening retained earnings at January 1, 2007 or have a significant impact on our results of operations for fiscal years beginning after the effective date.

The SEC issued SAB No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements," in September 2006. SAB No. 108 provides guidance on how the effects of the carryover or reversal of prior year financial statement misstatements should be considered in quantifying a current year misstatement. Prior practice allowed the evaluation of materiality on the basis of (1) the error quantified as the amount by which the current year income statement was misstated ("rollover method") or (2) the cumulative error quantified as the cumulative amount by which the current year balance sheet was misstated ("iron curtain method"). The guidance provided in SAB No. 108 requires both methods to be used in evaluating materiality. SAB No. 108 allows a one-time transitional cumulative effect adjustment to beginning retained earnings with appropriate disclosure of the nature and amount of each individual error corrected in the cumulative adjustment, as well as a disclosure of the cause of the error and that the error had been deemed to be immaterial in the past. SAB No. 108 was effective for us beginning with the fiscal year ended December 31, 2006. SAB No. 108 did not have a material effect on our financial position or results of operations for the year ended December 31, 2006.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” This statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We have not determined the effect, if any, the adoption of this statement will have on our results of operations or financial position.

2. Merger and Acquisitions

Acquisition of ITS: On January 27, 2004, we acquired all of the voting interests of Maslonka & Associates, Inc. or Maslonka (which we re-branded as “InfraSource Transmission Services Company,” or “ITS”), a complementary infrastructure services business, for total purchase price consideration of $83.2 million, which included the issuance of 4,330,820 shares of our common stock, cash, transaction costs and purchase price contingencies. The value of the shares issued to Maslonka stockholders was determined to be approximately $50.7 million. The allocation of the purchase price was subject to a working capital adjustment and settlement of holdback adjustments to the purchase price in accordance with the terms of the acquisition agreement. Under terms of the holdback provisions, we withheld $6.6 million in cash and 957,549 shares of common stock. We finalized the working capital adjustment in July 2005 and released half of the holdback equal to $3.3 million in cash and 478,775 shares of common stock to the sellers in accordance with the acquisition agreement. The balance of the cash holdback, including accrued interest, and the remaining 478,774 shares were released in January 2006. Of the cash holdback amount, $5.5 million was contingent upon ITS’s achievement of certain performance targets as well as satisfaction of any indemnification obligations owed to us. In the fourth quarter of 2004, based on an evaluation of the performance targets detailed in the acquisition agreement, we recorded the $5.5 million additional contingent purchase price. During the year ended December 31, 2005, the working capital settlement and remaining purchase price adjustments caused an increase to the goodwill balance of $0.4 million. ITS results were included in our consolidated results beginning January 27, 2004.

Additionally, at the time of the acquisition, ITS had an outstanding letter of credit collateralized with a $5.0 million time deposit account provided by the Maslonka stockholders, which we acquired in the acquisition. As required under the acquisition agreement, we reimbursed the Maslonka stockholders for the $5.0 million in the third quarter of 2004. After giving effect to the holdback and the reimbursement of the time deposit account, the amount paid at closing was $26.7 million in cash and 3,373,271 shares of common stock. We financed the cash portion of the ITS acquisition with cash on hand and the issuance of 5,931,950 shares of common stock to our then principal stockholders and certain members of our management team for cash of $27.5 million.

Intangible assets consisting of construction backlog were valued at $11.5 million and were amortized over the life of the related contracts. The amortization of those intangible assets as well as the goodwill of $62.8 million is not deductible for tax purposes. ITS is part of ICS and all related goodwill is included in the ICS segment.

The aggregate purchase price for the ITS acquisition is as follows:

	(In thousands)
Cash paid to sellers, including cash holdback	$ 21,643
Transaction costs	565
Repayment of debt and capital leases	10,314
Equity issued to sellers	50,671
Total purchase price consideration	$ 83,193

The purchase price was allocated to the assets acquired and liabilities assumed as follows:

	(In thousands)
Contract receivables	$ 6,172
Costs and estimated earnings in excess of billings	6,437
Deferred tax asset — current	1,542
Other current assets	1,166
Property and equipment	9,561
Goodwill	62,803
Intangible assets	11,500
Other non-current assets	5,319
Accounts payable and accrued expenses	(15,509)
Long-term debt	(1,000)
Deferred tax liability	(4,798)
Total net assets acquired	$ 83,193

Acquisition of Utili-Trax: On August 18, 2004, we acquired substantially all of the assets and assumed certain liabilities of Utili-Trax Contracting Partnerships, LLC ("Utili-Trax"), which provides underground and overhead construction services for electric cooperatives and municipal utilities throughout the upper Midwest, for total purchase price consideration of $5.3 million in cash, including transaction costs. The intangible asset valued at $0.9 million relates to a customer volume agreement which is being amortized over the life of the contract. The amortization of intangible assets and goodwill are deductible for tax purposes. The results of Utili-Trax were included in our consolidated results beginning August 18, 2004. Since Utili-Trax is part of our ICS segment, all resulting goodwill is included in the ICS segment.

The purchase price was allocated to the assets acquired and liabilities assumed as follows:

	(In thousands)
Contract receivables	$ 469
Costs and estimated earnings in excess of billings	616
Other current assets	88
Property and equipment	2,399
Goodwill	1,298
Intangible asset	935
Accounts payable and accrued expenses	(501)
Total net assets acquired	$ 5,304

Acquisition of EnStructure: On September 3, 2004, we acquired substantially all of the assets and assumed certain liabilities of EnStructure Corporation's ("EnStructure") operating companies: Sub-Surface Construction Company, Flint Construction Company and Iowa Pipeline Associates, for total purchase price consideration of $20.9 million in cash, including transaction costs. EnStructure, formerly the construction services business of SEMCO Energy, Inc., provides construction services within the utilities, oil and gas markets throughout the Midwestern, Southern and Southeastern regions of the United States. Intangible assets consisting of construction backlog and a volume agreement have been valued at $1.3 million and are being amortized over the life of the related contracts which range one to five years. The amortization of those intangible assets is deductible for tax purposes. The results of EnStructure were included in our consolidated results beginning September 3, 2004.

The fair value of the EnStructure net assets exceeded the purchase price. In accordance with SFAS No. 141, we decreased the eligible assets by the excess amount. The allocation of the purchase price to the assets acquired and liabilities assumed is as follows:

	(In thousands)
Contract receivables	$ 7,351
Costs and estimated earnings in excess of billings	1,401
Other current assets	237
Property and equipment	11,976
Intangible assets	1,310
Other current liabilities	(1,351)
Total net assets acquired	$ 20,924

Acquisition of EHVPC: On November 14, 2005, we acquired all of the voting interests of EHV Power Corporation ("EHVPC"), a Canadian company that specializes in splicing of underground high voltage electric transmission cables, for total purchase price consideration of $4.1 million, which includes transaction costs, a $0.6 million holdback payment which is payable in 2007 and settlement of the working capital adjustment in the second quarter of 2006. Payment of the holdback is not contingent on future events, with the exception of any indemnification obligations owed to us. Goodwill is not deductible for tax purposes. The results of EHVPC are included in our consolidated results beginning November 14, 2005. As EHVPC is part of our ICS segment, all resulting goodwill is included in the ICS segment.

The purchase price has been allocated to the assets acquired and liabilities assumed as follows:

	(In thousands)
Contract Receivables	$ 1,133
Other current assets	412
Property and equipment	585
Goodwill	2,303
Accounts payable and accrued expenses	(305)
Long-term debt	(28)
Total net assets acquired	$ 4,100

Acquisition of RUE: On December 15, 2006, we acquired all of the voting interests of Realtime Utility Engineers, Inc. ("RUE"), a company that provides substation and transmission line engineering services for electric utilities, for total purchase price consideration of $9.3 million in cash, including transaction costs. We held back $1.3 million of purchase price consideration, of which $0.4 million is scheduled to be paid upon filing of the final 2006 seller-period tax returns and $0.9 million is scheduled to be paid 18 months after the date of acquisition. Those holdback amounts are reflected as liabilities on the balance sheet as their payment is not contingent on future performance or the achievement of future milestones by RUE. Final purchase price allocation remains subject to a working capital adjustment expected to occur during the first quarter of 2007 and valuation of intangible assets. The purchase agreement contains a provision allowing the sellers to realize additional purchase price consideration, payable as 93,186 shares of InfraSource Services, Inc. unregistered common stock, contingent upon achieving certain earnings-based targets in fiscal years 2007, 2008 and 2009. The results of RUE were included in our consolidated results beginning December 15, 2006. As RUE is part of the ICS segment, the resulting goodwill of $7.8 million is included in the ICS segment and is not tax deductible.

The aggregate preliminary purchase price for the RUE acquisition is as follows:

	(In thousands)
Cash paid to sellers, net of cash acquired	$ 7,700
Transaction costs	390
Working capital settlement paid at closing	(54)
Liability to sellers for cash holdback of purchase price	1,300
	$ 9,336

The preliminary purchase price was allocated to the assets acquired and liabilities assumed, on the basis of estimated fair values as of December 31, 2006, as follows:

	(In thousands)
Cash	$ 301
Contract receivables	735
Other current assets	1,781
Property and equipment	562
Goodwill	7,813
Intangibles	20
Other long-term assets	28
Other current liabilities	(874)
Capital leases — current	(35)
Other long-term liabilities	(900)
Deferred tax — liability	(39)
Capital leases — long-term	(56)
Total net assets acquired	$ 9,336

These estimates may change based upon further analysis which may include third party appraisals of certain intangible assets.

Pro Forma Financial Information: The following table provides pro forma unaudited consolidated statements of operations data as if the ITS, Utili-Trax and EnStructure acquisitions had occurred on January 1, 2004:

	Pro Forma Results for the Year Ended December 31, 2004 (Unaudited) (In thousands)
Contract revenues	$ 691,837
Net loss	(12,634)
Earnings Per Share Data:	
Weighted average basic and diluted common shares outstanding	35,939
Basic and diluted net loss per share	$ (0.35)

Pro forma results of operations for the years ended December 31, 2004 presented above have been adjusted to reflect ITS, Utili-Trax and EnStructure historical operating results prior to their acquisitions, after giving effect to adjustments directly attributable to the transactions that are expected to have a continuing effect. Such adjustments include (1) amortization of intangible assets acquired and recorded in accordance with the provisions of SFAS No. 141, and related income tax effects; (2) the effects of depreciation expense resulting from changes in lives and book basis of certain fixed assets; (3) the elimination of interest expense resulting from the repayment of ITS debt and additional interest expense associated with a note issued to the seller and related income tax effects; and (4) the issuance of common stock to the sellers in the ITS acquisition and to the Principal Stockholders and certain members of our management to finance a portion of the purchase price.

The pro forma results for the year ended December 31, 2004 include a charge of $31.3 million for deferred compensation expense, which was recorded in ITS's historical results of operations, and $1.5 million for transaction costs related to the ITS acquisition.

EHVPC and RUE were not significant acquisitions and therefore are not reflected in our pro forma information. The above pro forma information is not necessarily indicative of the results of operations that would have occurred had the 2004 acquisitions been made as of January 1, 2004, or of results that may occur in the future.

3. Discontinued Operations

In the third quarter of 2004, we committed to a plan to sell substantially all of the assets of Utility Locate & Mapping Services, Inc. ("ULMS"). On August 1, 2005, we sold certain assets of ULMS for a cash purchase price of approximately $0.4 million. We also received an advance of $0.3 million from the buyer for contingent consideration. The sale of ULMS assets resulted in a loss of $0.2 million (net of $0.2 million tax), which is included in gain on disposal of discontinued operations in our consolidated statement of operations for the year ended December 31, 2005. ULMS was part of our ICS segment.

In the second quarter of 2005, we committed to a plan to sell substantially all of the assets of ESI. On August 1, 2005, we sold the stock of ESI for a cash purchase price of approximately $6.5 million, subject to a working capital adjustment. The sale of the stock of ESI resulted in a gain of $2.0 million (net of $1.6 million tax), which is included in gain on disposal of discontinued operations in our consolidated statement of operations for the year ended December 31, 2005. ESI was part of the ICS segment.

In the third and fourth quarters of 2006, we sold certain assets of Mechanical Specialties, Inc. ("MSI") for a cash purchase price of approximately $2.6 million, resulting in a gain, net of taxes, of $0.3 million, included in gain on disposition of discontinued operations in our consolidated statement of operations for the year ended December 31, 2006. The remaining inventory of MSI is eligible for sale to the buyer at cost for a period of one year from the date of sale. Any remaining inventory will be liquidated upon termination of the one-year agreement. MSI was part of the ICS segment.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the financial position, results of operations and cash flows of ULMS, ESI and MSI are reflected as discontinued operations in the accompanying consolidated financial statements through their respective dates of disposition.

The tables below present balance sheet and statement of operations information for the previously mentioned discontinued operations.

Balance Sheet information:

	December 31, 2005	December 31, 2006
	(In thousands)	
Contract receivables, net	$ 1,152	$ —
Other current assets	1,881	687
Deferred income taxes	—	59
Total current assets	3,033	746
Property and equipment, net	319	—
Total assets	$ 3,352	$ 746
Accounts payable and other liabilities	$ 1,501	$ —
Deferred income taxes — long term	50	—
Total liabilities	1,551	—
Net assets	$ 1,801	$ 746

Statement of operations information:

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2005	For the Year Ended December 31, 2006
	(In thousands)	(In thousands)	(In thousands)
Contract revenues	$ 50,106	$ 25,220	$ 8,858
Pre-tax income (loss)	945	(1,768)	3

4. Contract and Notes Receivables

Contract receivables consist of the following:

	As of December 31, 2005	2006
	(In thousands)	
Contract receivables	$ 124,904	$ 148,207
Retainage	14,890	22,343
	139,794	170,550
Less: allowance for doubtful accounts	3,184	3,770
	$ 136,610	$ 166,780

At December 31, 2005 and 2006, we had an outstanding receivable of $5.5 million and $4.5 million, net of reserves of $2.0 million and $3.0, respectively, in connection with an infrastructure project for which certain amounts are in dispute. Total outstanding receivables for all projects from this customer amounted to $12.6 million and $9.2 million at December 31, 2005 and 2006, respectively. We are vigorously seeking collection of all past due amounts.

At December 31, 2005 and 2006 we had approximately $1.5 million and $1.2 million, respectively, of notes receivables due from customers. The current portion of $1.1 million and $0.5 million at December 31, 2005 and 2006, respectively, was included in other current assets. The long-term portion of $0.4 million and $0.7 million at December 31, 2005 and 2006, respectively, was included in deferred charges and other assets.

5. Construction Contracts

Construction contracts in progress are as follows:

	As of December 31,	
	2005	2006
	(In thousands)	
Costs incurred on contracts	$ 998,448	$ 1,220,725
Estimated earnings less foreseeable losses	137,932	184,498
	1,136,380	1,405,223
Billings to date	1,067,032	1,369,456
Net costs and estimated earnings in excess of billings	$ 69,348	$ 35,767

	As of December 31,	
	2005	2006
	(In thousands)	
These amounts are included in the accompanying consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess in billings	$ 84,360	$ 59,012
Billings in excess of costs and estimated earnings	(15,012)	(23,245)
	$ 69,348	$ 35,767

6. Costs and Estimated Earnings In Excess of Billings and Contract Losses

Included in costs and estimated earnings in excess of billings are costs related to claims and unapproved change orders of approximately $12.4 million and $3.1 million at December 31, 2005 and 2006, respectively. During the year ended December 31, 2006, we recovered claim amounts of $9.6 million existing at December 31, 2005. Estimated revenue related to claims and in amounts up to but not exceeding costs incurred is recognized when realization is probable and amounts are estimable. Profit from claims is recorded in the period such amounts are agreed to with the customer.

Included in our results of operations for the year ended December 31, 2006 is an $8.9 million contract loss related to an electric transmission project, which assumes collection of a portion of current and projected claims, and the associated reversal of pre-tax profit of $1.6 million recognized in prior periods. This project began in August 2005 and is substantially complete. Consistent with our revenue recognition policy for contracts that are in a forecasted loss position, we recognized the expected loss on this project of $5.0 million in the second quarter of 2006. Subsequently we identified and recorded additional charges on this project of $3.9 million during the third and fourth quarters of 2006. The $8.9 million loss is attributable primarily to lower than expected productivity due to ineffective supervision, insufficient access to experienced labor, customer and supplier issues and extremely hot weather.

Included in our results of operations for the year ended December 31, 2005 is a $10.1 million contract loss, after giving effect to assumed claims collections, related to an underground utility construction project. This project, which began in late January 2005 and was substantially completed in November 2005, had an original contract value of approximately $18.0 million. Consistent with our revenue recognition policy for contracts that are in a forecasted loss position, in the second quarter of 2005, we recognized the entire loss expected at that time of $8.5 million which was increased to $10.1 million as of December 31, 2005. The loss was attributable primarily to lower than expected productivity, higher materials costs, and unforeseen delays.

7. Property and Equipment

The components of property and equipment are as follows:

	As of December 31, 2005	As of December 31, 2006
	(In thousands)	
Land and buildings	$ 10,656	$ 6,800
Machinery and equipment	121,803	141,640
Vehicles	57,603	60,359
Office equipment and furniture	5,968	9,888
Capitalized software	1,420	5,215
Capital leases	—	91
Leasehold improvements	2,132	3,887
	199,582	227,880
Less: accumulated depreciation	55,701	73,302
	$ 143,881	$ 154,578

Depreciation expense, including depreciation under capital leases, was $24.7 million, $27.5 million and $25.6 million for the years ended December 31, 2004, 2005 and 2006, respectively.

8. Goodwill and Intangible Assets

Our goodwill and intangible assets are comprised of:

	As of December 31, 2005	As of December 31, 2006
	(In thousands)	
Goodwill	$ 138,054	$ 146,933
Intangible assets:		
Construction backlog	$ 17,184	$ 17,184
Volume agreements	4,561	4,561
Non-compete agreements	—	20
Total intangible assets	21,745	21,765
Accumulated amortization:		
Construction backlog	(16,690)	(17,183)
Volume agreements	(3,171)	(3,682)
Non-compete agreements	—	—
Total accumulated amortization	(19,861)	(20,865)
Intangible assets, net	$ 1,884	$ 900

Our goodwill by segment is as follows:

	Infrastructure Construction Services	Telecommunication Services	Total
		(In thousands)	
Balance, December 31, 2003	$ 63,233	$ 5,644	$ 68,877
Goodwill resulting from the ITS acquisition	62,723	—	62,723
Goodwill resulting from the Utili-Trax acquisition	1,298	—	1,298
Goodwill adjustments related to the Merger	(1,292)	2,872	1,580
Balance, December 31, 2004	125,962	8,516	134,478
Goodwill resulting from the EHVPC acquisition	2,226	—	2,226
Goodwill adjustments related to the Merger	(559)	1,494	935
Goodwill adjustments related to the ITS acquisition	415	—	415
Balance, December 31, 2005	128,044	10,010	138,054
Goodwill resulting from the RUE acquisition	7,813	—	7,813
Goodwill adjustments related to the Merger	945	383	1,328
Goodwill adjustment related foreign exchange	73	—	73
Goodwill adjustments related to the ITS acquisition	(335)	—	(335)
Balance, December 31, 2006	$ 136,540	$ 10,393	$ 146,933

In accordance with SFAS 142, we perform a test for potential impairment annually or more frequently if events or circumstances indicate that goodwill impairment may exist (see Note 1). We completed our annual goodwill impairment test for the year ended December 31, 2006 and determined no impairment charge was necessary. No impairment was recorded for the year ended December 31, 2005.

During the year ended December 31, 2004 we acquired $13.7 million of intangible assets related to the acquisitions of ITS, EnStructure, and Utili-Trax. During the year ended December 31, 2006 we acquired $0.02 million of intangible assets related to the acquisition of RUE. We determine the fair value of the acquired intangibles using independent third party valuations. The volume agreements are being amortized either on a straight line basis or as the assets are utilized, if total volume is quantifiable, over a three to five year period. The construction backlog is being amortized as assets are utilized over a one to three year period. We recognized amortization expense for intangible assets of $12.4 million, $4.9 million and $1.0 million, during the years ended December 31, 2004, 2005 and 2006, respectively.

The estimated aggregate amortization expense for the next five succeeding fiscal years is:

	(In thousands)
For the year ended December, 31,	
2007	$ 486
2008	241
2009	162
2010	3
2011	8
Total	$ 900

9. Deferred Charges and Other Assets

Deferred charges and other assets at December 31, 2005 and December 31, 2006 were as follows:

	As of December 31, 2005	As of December 31, 2006
	(In thousands)	
Deferred financing cost, net of amortization	$ 5,341	$ 1,733
Dark fiber inventory	1,616	1,337
Refundable deposits	1,233	1,015
Insurance claims in excess of deductibles	3,136	722
Long-term receivables	365	693
Other	426	29
Total deferred and other long term assets	$ 12,117	$ 5,529

For the years ended December 31, 2004, 2005 and 2006 amortization expense was $1.1 million, $1.4 million and $0.9 million, respectively. Additionally, as a result of the refinancing of the previous credit facility (see Note 10), we recorded a $4.3 million charge in the second quarter of 2006 to write off the related deferred financing costs.

10. Debt

Long-term debt outstanding at December 31, 2005 and December 31, 2006 is as follows:

	As of December 31, 2005	As of December 31, 2006
	(In thousands)	
Term loan	$ 83,817	$ —
Revolving lines of credit	—	51,077
Bank notes	91	56
	83,908	51,133
Less: current portion	(889)	(1,119)
Total long-term debt, net of current portion	$ 83,019	$ 50,014

On June 30, 2006, we entered into a new credit agreement (“Senior Credit Facility”) which provides a secured revolving credit facility of $225.0 million which may be used for revolving credit borrowings, swing loans, not to exceed $10.0 million, and standby letters of credit, not to exceed $100.0 million. We have the right to seek additional commitments to increase the aggregate commitments up to $350.0 million, subject to compliance with applicable covenants. The Senior Credit Facility replaces our previous secured credit facility, which included an $85.0 million revolving credit commitment and $84.0 million in term loan commitments.

The proceeds from borrowings under the Senior Credit Facility were used to repay $83.6 million of outstanding debt existing as of June 30, 2006 under our previous amended and restated credit facility which was terminated upon repayment. Amounts outstanding at December 31, 2006 were $50.0 million in revolving credit borrowing and $33.6 million in letters of credit. The carrying amount of the long-term debt approximates fair value because it bears interest at rates currently available to us for debt with similar maturities and collateral requirements. As a result of the refinancing of the previous credit facility, we recorded a $4.3 million charge in the second quarter of 2006 to write-off the related deferred financing costs. As of December 31, 2006, we were in compliance with all terms and conditions of our Senior Credit Facility.

Under the Senior Credit Facility, committed loans bear interest at either the Eurodollar Rate (British Bankers Association LIBOR Rate) or a Base Rate (equal to the higher of the Federal Funds Rate plus 1/2 of 1% or the Bank of America prime rate) plus an applicable margin of 1-2% for Eurodollar borrowings and 0-1% for prime based borrowings, based on our consolidated leverage ratio, as defined in the agreement. We are subject to a commitment fee of between .175 — .35%, and letter of credit fees between 1-2% based on our consolidated leverage ratio. We can prepay, without penalty, all or a portion of any committed loans under the Senior Credit Facility and re-borrow up to the aggregate commitments. The maturity date of the Senior Credit Facility is June 30, 2012.

The Senior Credit Facility contains certain restrictive covenants, including financial covenants to maintain our consolidated interest coverage ratio at not less than 2.00:1.00 in each period of four trailing fiscal quarters; consolidated leverage ratio not greater than 3:25:1.00 in any four quarters prior to the issuance of subordinated debt in an amount equal to or greater than $25.0 million, and 4.00:1.00 for any four quarters from and after such issuance; and consolidated senior leverage ratio greater than 2.50:1.00 in any four quarters from and after issuing subordinated debt or senior unsecured debt equal to or greater than $25.0 million. There are also additional restrictions, including other indebtedness, liens, fundamental changes, disposition of property, restricted payments and investments. The Senior Credit Facility is secured by a pledge of substantially all of our assets.

In connection with the November 14, 2005 acquisition of EHVPC we assumed an undrawn short-term operating loan agreement which provides revolving credit up to $1.6 million pursuant to certain minimum lending margin requirements. Under the agreement, committed loans will bear interest at prime plus 2.125 %. At December 31, 2006, $1.1 million was outstanding, leaving $0.5 available for additional borrowing. During 2006 the weighted average interest rate was 8.10%.

Maturities of long-term debt are as follows:

	(In thousands)
For the year ended December, 31,	
2007	$ 1,119
2008	14
2009	—
2010	—
2011	50,000
Total	$ 51,133

On September 24, 2003, in connection with the Merger, we issued a $29.0 million subordinated promissory note payable to Exelon that was increased to $30.0 million in December 2003 upon completion of our acquisition of ULMS. The subordinated note payable was to mature on September 30, 2011, and was subject to a fixed interest rate of 4% through September 24, 2008, increasing to 6% from September 25, 2008 through maturity, if we were to pay interest costs in cash. We had the option and elected to pay such interest expenses in kind with fixed interest rates at 6%.

The subordinated note payable did not require principal repayments prior to maturity; however, the subordinated note payable required accelerated principal repayment upon the occurrence of certain events. Due to its terms, the subordinated note payable and related interest payable were recorded at a discounted amount, reflective of estimated fair market value based upon applicable market rates for similar securities, with the related note discount amortized as an adjustment to our interest expense throughout the term of the subordinated note payable. The face amount of the subordinated note payable plus interest payments of $21.3 million were discounted utilizing an effective interest rate of 9.64% on the $29.0 million portion and 8.55% on the $1.0 million portion. The note discount at inception was approximately $26.5 million, resulting in an initial carrying value of $23.1 million, net of discount.

Concurrent with the closing of the IPO, we extinguished the $30.0 million subordinated note to Exelon. Because the carrying amount of the Exelon note was recorded at a discount to reflect the fair value based upon applicable market rates for similar securities, we recorded a loss on the early extinguishment of this debt in the amount of $5.7 million in the second quarter of 2004. As part of our arrangement with Exelon to repay the principal portion of the $30.0 million subordinated note at the IPO date, Exelon agreed to forgive the accrued and unpaid interest on the subordinated note if within six months of the IPO date we had not initiated certain transactions. We did not initiate any such transactions specified in the arrangement prior to the expiration of the six-month period; therefore in the fourth quarter of 2004, we recorded a $1.1 million reduction to loss on early extinguishment of debt expense for accrued interest that was forgiven.

For the year ended December 31, 2004, the loss on early extinguishment of debt net of interest forgiven was $4.5 million. Approximately $4.4 million of this amount was included in continuing operations. The remaining $0.1 million of this balance, which related to the portion of debt assumed in the acquisition of ULMS in December 2003, was reflected in income from discontinued operations due to our decision to sell ULMS.

11. Derivative Financial Instruments

We do not enter into financial instruments for trading or speculative purposes. We have used derivative financial instruments to mitigate the potential impact of increases in interest rates on floating-rate long-term debt. The principal financial instruments used are interest rate swaps and an interest rate caps. The swaps involve the exchange of fixed and variable interest rate payments without exchanging the notional amount.

On October 10, 2003 we entered into an interest rate swap on a $70.0 million notional amount where we paid a fixed rate of 2.395% in exchange for three month LIBOR until October 10, 2006. Effective October 11, 2005, the notional amount of the interest rate swap decreased to $30.0 million. We also purchased a 4.00% interest rate cap that matured October 10, 2006 on $20.0 million of the notional amount. Effective October 11, 2005, the notional amount of the interest rate cap increased to $40.0 million. Both agreements qualified as cash flow hedges. The effective portion of the gain or loss on the derivative instrument was reported in other comprehensive income (loss). The ineffective portion of all hedges was recognized in continuing operations. For the years ended December 31, 2004 and 2005, the ineffective portion in our statement of operations was less then $0.1 million. At December 31, 2005, the fair value of the interest rate swap and interest rate cap was an asset of $0.7 million and $0.2 million, respectively.

At June 30, 2006, upon the repayment of our old credit facility (see note 10), our interest rate swap and interest rate cap no longer qualified as cash flow hedges. Therefore we reclassified the remaining other comprehensive income of $0.5 million related to those derivatives to interest expense on June 30, 2006.

We periodically purchase caps to limit our exposure to price increases in gasoline and diesel fuel. These derivative instruments have not been designated as cash flow hedges, therefore changes in fair value are recorded in current period earnings.

12. Income Taxes

The components of income tax (benefit) expense — continuing operations are as follows:

	Year Ended December 31, 2004 (In thousands)	Year Ended December 31, 2005 (In thousands)	Year Ended December 31, 2006 (In thousands)
Current:			
Federal	$ 8,200	$ 3,529	$ 15,969
State	3,245	2,316	3,872
Foreign	—	65	319
Total Current	11,445	5,910	20,160
Deferred:			
Federal	(3,868)	3,858	(2,969)
State	(1,781)	(33)	(1,042)
Foreign	—	(1)	242
Total Deferred	(5,649)	3,824	(3,769)
	$ 5,796	$ 9,734	$ 16,391

The components of net deferred tax assets (liabilities) are as follows:

	As of December 31, 2005	As of December 31, 2006
	(In thousands)	
Accrued expenses	$ 1,154	$ 2,461
Inventory	92	168
Deferred rent credits and accrued rent	—	1,169
Accrued insurance reserves	4,032	6,274
State net operating loss carry forwards	1,542	1,354
Federal net operating loss carry forwards	366	—
Stock-based compensation	—	1,028
Deferred revenues	10,272	8,892
Other	—	73
Deferred tax assets	17,458	21,419
Net valuation allowance	—	(170)
Deferred tax assets less valuation allowance	17,458	21,249
Fixed assets	(10,005)	(9,602)
Goodwill and intangible assets	(5,639)	(6,864)
Other	(451)	(332)
Deferred tax liabilities	(16,095)	(16,798)
Net deferred tax assets	$ 1,363	$ 4,451

Included in the accompanying consolidated balance sheets under the following captions:

Current deferred income taxes	$ 4,683	$ 8,201
Non-current deferred income taxes	(3,320)	(3,750)
	$ 1,363	$ 4,451

The reconciliation of the expected income tax (benefit) expense — continuing operations (computed by applying the federal statutory tax rate to income before taxes) to actual income tax expense is as follows:

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006
		(In thousands)	
Expected federal income tax (benefit) provision at statutory rate	$ 4,969	$ 7,945	$ 14,791
State income taxes, net of federal income tax (benefit) provision	860	1,527	1,721
Income tax credits	—	(151)	(233)
Non-deductible meals and entertainment	283	468	501
Non-taxable life insurance proceeds	(350)	—	—
Change in valuation allowance	—	—	178
Qualified production activity deduction	—	(60)	(292)
Tax-exempt interest income	—	—	(324)
Other	34	5	49
	$ 5,796	$ 9,734	$ 16,391

As of December 31, 2005, we had $1.0 million of federal net operating loss (“NOL”) carryforwards available to offset future taxable income, which we fully utilized in 2006. The federal NOL carryforward was acquired with ITS. We also have various state NOL carryforwards, which expire at various dates between 2008 and 2026. The determination of the state NOL carryforwards are dependent upon the subsidiaries’ taxable income or loss, apportionment percentages and other respective state laws, which can change from year to year and impact the amount of such carryforwards. Although we have been profitable on a consolidated basis, we have recorded a net valuation allowance of $0.2 million against various state NOLs where we believe it is more likely than not that the subsidiary incurring the loss will not be able to realize the tax benefit from the loss. This is a net increase of $0.2 million during the year.

As described in Note 2, we acquired all of the voting interests of EHVPC, a Canadian company, on November 14, 2005. In accordance with APB Opinion 23, as modified by SFAS 109, we have not recorded a deferred tax liability for the excess of the book over tax basis in the shares of the foreign subsidiary, because we do not expect this difference to reverse in the foreseeable future. The cumulative temporary difference and unrecognized deferred tax liability at December 31, 2006 are approximately $2.0 million and $0.7 million, respectively. We may have to recognize this deferred tax liability in the future if our plans change regarding either selling the shares of EHVPC or repatriating the earnings of EHVPC.

In the ordinary course of business, our tax returns are subject to examination by various taxing authorities, which may result in future tax and interest assessments. We have accrued a liability when we believe it is probable that we will be assessed. Differences between the estimated and actual amounts determined upon ultimate resolution of any examination are not expected to have a material adverse effect on our consolidated financial position.

13. Concentration of Credit Risk

Financial instruments that may potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents and contract receivables. We maintain substantially all of our cash investments with what we believe to be high credit quality financial institutions. As a policy, we do not collateralize our receivables; however, if collectibility becomes questionable, appropriate liens may be filed.

Our top ten customers accounted for approximately 46%, 45% and 44% of consolidated revenues for the years ended December 31, 2004, 2005 and 2006, respectively. Exelon accounted for approximately 17%, 18% and 14% of consolidated revenues for the years ended December 31, 2004, 2005 and 2006, respectively.

At December 31, 2005 and 2006 accounts receivable due from Exelon, inclusive of amounts due from a prime contractor for Exelon work, represented $12.2 million or 9% and $11.4 million or 7%, respectively, of total accounts receivable balance. No other customer represented 10% or more of accounts receivable or of revenue as of and for the years ended December 31, 2005 and 2006.

14. Other Income, Net

Other income, net consists primarily of gains (losses) on sale of property and equipment. Other income, net for the year ended December 31, 2005 includes a reversal of a $3.8 million charge for a litigation judgment recorded in 2003.

15. Related Party Transactions

On June 28, 2006, we entered into a Second Amendment to Registration Rights Agreement (the “Second Amendment”) to allow the former Principal Stockholders to request that we file with the SEC a registration statement on Form S-3 for an underwritten public offering (the “Offering”) of shares of our common stock within 180 days following March 20, 2006 (the date of the final prospectus relating to our previous offering). In connection with the Offering, our stockholders participating in the Offering paid their own expenses as well as their pro rata share of our expenses incurred in connection with the Offering.

In addition, on June 28, 2006, in connection with the Second Amendment, we entered into an Agreement (the “Agreement”) with our former Principal Stockholders and Ian Schapiro and Michael Harmon, two members of the our board of directors, to set forth certain agreements of the parties following the closing of the Offering. Pursuant to the Agreement, Messrs. Schapiro and Harmon, representatives of the former Principal Stockholders, agreed to work with us in good faith to determine a mutually acceptable transition plan for their board of directors and committee responsibilities. Having accomplished those objectives, Messrs. Schapiro and Harmon resigned from our Board effective October 31, 2006. In addition, the former Principal Stockholders entered into non-disclosure agreements with us and agreed to certain limited restrictive covenant obligations following the closing of the Offering.

As of December 31, 2005, we had $7.1 million due to the former owners of Blair Park Inc. and Sunesys, Inc. (collectively “Blair Park”) accrued in other liabilities — related parties on our consolidated balance sheet for additional contingent purchase price consideration. Blair Park was acquired by InfraSource Incorporated in 2001. The balance was paid in the second quarter of 2006.

As of December 31, 2005, we had $4.2 million due to the Maslonka stockholders, including Martin Maslonka, then an employee and holder of more than 5% of our common stock, accrued in other liabilities — related parties on our consolidated balance sheet. Of this amount, $3.3 million was holdback consideration from the acquisition of ITS (see Note 2). The remaining net balance related to payments we made on the stockholders’ behalf which required cash settlement. In January 2006, we paid the sellers of the Maslonka business $3.5 million in cash, including interest, and released shares of our common stock held back pursuant to the terms of the acquisition agreement.

ITS issued a $1.0 million installment promissory note in favor of Martin Maslonka. The promissory note had an annual interest rate of 8.5%, with equal monthly interest payments. The promissory note which was scheduled to mature on June 30, 2006 was repaid in December 2005.

We lease our ITS headquarters in Mesa, Arizona and our ITS Texas field office in San Angelo, Texas from EC Source, LLC, which is wholly owned by Martin Maslonka. Our leases for those two properties will run through February 2009, subject to a five-year renewal option, and we expect to incur total annual lease payments of $0.2 million.

We lease office and warehouse space from Coleman Properties of which three officers of Blair Park are general partners. The lease for this space continues through October 2008. Our annual payments under this agreement are approximately $0.1 million.

We also lease ducts in two river bores under the Delaware River from Coleman Properties. The lease commenced on May 1, 2005 and has a term of five years, with an option to extend. Annual lease payment is $0.02 million for each pair of fiber installed in the conduit up to a maximum of $0.2 million per year if additional ducts are leased.

As of December 31, 2006, we had $0.4 million due to the EHVPC stockholders, who are currently our employees, accrued in other liabilities — related parties on our consolidated balance sheet. This amount is a portion of the holdback consideration from the acquisition of EHVPC, which is payable in 2007 and not contingent on future events, with the exception of any indemnification obligations owed to us.

We lease office and warehouse facilities in Michigan which are owned by an employee and his family members. Our leases for those properties are through March 2011 and May 2007 for which we expect to incur total annual lease payments of $0.3 million.

As of December 31, 2006, we had $1.3 million due to the RUE stockholders, who are currently our employees, accrued in other liabilities and other long term liabilities — related parties on our consolidated balance sheet. Of this amount, $0.4 million is payable upon filing of the final 2006 seller period tax returns with the remaining $0.9 million due 18 months from the date of acquisition. Those holdback amounts are reflected as liabilities on the balance sheet as their payment is not contingent on future performance or the achievement of future milestones by RUE.

16. Stockholders' Equity

Common stock: At our inception, the Board of Directors authorized 2,500,000 shares of common stock with a par value of $.001 per share. On March 24, 2004, the Board of Directors authorized an approximate 21.7625 to one stock split and an increase in the authorized common stock from 2,500,000 shares to 120,000,000. Par value of the common stock remained $.001 per share. The effect of the stock split has been retroactively reflected in our accompanying consolidated financial statements, and all applicable references as to the number of common shares and per share information have been restated.

Preferred stock: On March 24, 2004, the Board of Directors authorized 12,000,000 shares of preferred stock with a par value of $0.001 per share. No shares were issued through December 31, 2006.

Treasury stock: On June 29, 2005, we exercised our right to repurchase all 29,870 shares of unvested restricted stock held by one of our former Board members, John R. Marshall, for $4.60 per share, which represents the price at which he exercised options to acquire those shares.

Sales of Common Stock: On December 8, 2005 our former Principal Stockholders sold 1,137,074 shares of our common stock for $11.50 per share in a private transaction. In 2006, the former Principal Stockholders and certain other stockholders completed two secondary underwritten public offerings of our common stock. The first occurred on March 24, 2006, in which they sold 13,000,000 shares of our common stock at $17.50 per share (plus an additional 1,950,000 shares sold following exercise of the underwriters' over-allotment option). The second occurred on August 9, 2006, in which they sold 10,394,520 shares of our common stock at $17.25 per share (plus an additional 559,179 shares sold following exercise of the underwriters' over-allotment option). We did not issue any primary shares; therefore, we did not receive any of the proceeds from those offerings.

As of December 31, 2006, the former Principal Stockholders no longer own any of our common stock.

During the three months ended March 31, 2004, certain members of our management and Board of Directors consummated early exercises of unvested stock option awards representing a total of 489,547 shares of common stock. Pursuant to the terms of the related stock option agreements, we have the option to repurchase any unvested shares prior to the date they vest at the original strike price of the option grant. In accordance with the provisions of EITF No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44," unvested shares are not considered outstanding for accounting purposes and are not included in the calculation of basic earnings per share until shares issued pursuant to those option grants vest. As of December 31, 2006, early exercises of unvested options with respect to 454,699 shares have vested, and are considered outstanding for accounting purposes and 29,870 were repurchased and reflected as treasury stock. The remaining 4,978 shares vest in accordance with the terms of the option grants. The net proceeds from the early exercise of those option grants, which totaled $0.02 million at December 31, 2006, are included in other long-term liabilities in the consolidated balance sheet.

17. Computation of Per Share Earnings

The following table is a reconciliation of the numerators and denominators of the basic and diluted income per share computation.

	Year Ended December 31, 2004 (In thousands)	Year Ended December 31, 2005 (In thousands)	Year Ended December 31, 2006 (In thousands)
Income from continuing operations	$ 8,400	$ 12,966	$ 25,870
Income (loss) from discontinued operations, net of income tax provision (benefit) of $365, $(699), and $1, respectively	580	(1,069)	2
Gain on disposition of discontinued operations, net of income tax provision of $410, $1,372 and $165, respectively	596	1,832	273
Net income	$ 9,576	$ 13,729	$ 26,145
Weighted average basic common shares outstanding	35,172	39,129	39,757
Potential common stock arising from stock options and employee stock purchase plan	967	814	607
Weighted average diluted common shares outstanding	36,139	39,943	40,364
Basic net income per share	$ 0.27	$ 0.35	$ 0.66
Diluted net income per share	0.26	0.34	0.65

In connection with the funding of the acquisition of ITS in January 2004, we offered to sell 5,931,951 shares of common stock to all existing stockholders at a price per share that is less than fair value per share (bonus element). In accordance with SFAS No. 128, the number of shares of common stock used in computing basic and diluted earnings per share for the year ended December 31, 2004 has been increased to include the effect of the bonus element.

Included in potential common stock arising from stock options for the years ended December 31, 2004, 2005 and 2006 are early exercises of unvested stock option awards, which are excluded from the weighted average basic common shares outstanding. For the years ended December 31, 2004, 2005 and 2006 there were 738,540 shares, 601,849 shares and 591,589 shares, respectively, under option grants excluded from the calculation of diluted earnings per share as the effect of such shares would have been anti-dilutive.

18. Benefit Plans

We and certain of our subsidiaries have union affiliations. Certain field employees are members of local unions. Wages and benefits paid to those employees are established by negotiated contracts which expire at various times.

Retirement Plan: We have a defined contribution plan benefiting all subsidiaries, qualifying under section 401(k) of the Internal Revenue Code, for the majority of all office and supervisory employees. The plan allows eligible employees to contribute up to 15% of their pre-tax base compensation. Matching contributions made by us are 50% of pre-tax contribution up to 6% of the employees' annual compensation. Additionally, some of the subsidiaries maintain profit sharing plans for certain employees. Expenses related to our defined contribution and profit sharing plans for the year ended December 31, 2004, 2005 and 2006 were $1.5 million, $1.6 million and $1.8 million, respectively. We and our subsidiaries also provide for payments made to various retirement plans for construction employees under the terms of union agreements and for other benefits of former employees.

Deferred Compensation Plan: The Deferred Compensation Plan allows participants to elect to make pre-tax deferrals of up to 75% of their annual base salary and 100% of their bonuses in coordination with amounts contributed to the qualified 401(k) plan. In addition, each participant may elect to defer an excess amount equal to any amount distributed or paid to the participant from our 401(k) plan during the calendar year to correct a failure to satisfy the nondiscrimination requirements of the Code. The Deferred Compensation Plan allows us to make matching contributions with respect to participants who elect to defer a portion of their annual base salary. A participant's interest in its matching contributions vest in accordance with the vesting schedule set forth in our 401(k) plan. A participant's deferrals and matching contributions, if any, are credited to a bookkeeping account and accrue earnings and losses as if held in certain investments selected by the participant. Amounts credited to a participant's account will be distributed upon the earlier of the participant's (i) retirement or (ii) separation from service, provided, however, if the separation of service occurs prior to the participant's attainment of age 65, the distribution may be delayed until the participant has attained 65 if the participant has timely elected to so defer such payment. Our Deferred Compensation Plan is unfunded, and participants are unsecured general creditors of the Company as to their accounts.

Effective January 1, 2004, the Deferred Compensation Plan was amended to (1) add a vesting requirement for our matching contributions, (2) add an early distribution provision, (3) make a single sum the automatic form of payment and (4) clarify certain provisions.

Stock Compensation Plans:

Our stock based compensation expense includes the following:

	For the Year Ended December 31, 2004	For the Year Ended December 31, 2005	For the Year Ended December 31, 2006
		(In thousands)	
Stock option expense	$ —	$ —	$ 2,718
Restricted stock expense	—	711	252
Employee stock purchase plan expense	—	—	490
Total stock based compensation expense	$ —	$ 711	$ 3,460

Stock Options: Our 2003 Omnibus Stock Incentive Plan as amended effective April 29, 2004 (the "2003 Stock Plan"), was originally adopted on September 23, 2003 to allow the grant of stock options and restricted stock to designated key employees and directors. The options currently issued under the 2003 Stock Plan include time-based options that vest over four years. All options have a maximum term of ten years. The 2003 Stock Plan was terminated upon completion of the IPO. Options previously issued under the 2003 Stock Plan remain outstanding.

Our 2004 Omnibus Stock Incentive Plan as amended (the "2004 Stock Plan") was adopted on April 29, 2004 to allow the grant of stock options, stock appreciation rights, restricted stock, and deferred stock or performance shares to employees and directors. The options currently issued under the 2004 Stock Plan vest over a period of four years. All options have a maximum term of ten years. The aggregate number of shares reserved for issuance under the 2004 Stock Plan is 800,000 plus an amount to be added annually on the first day of our fiscal year (beginning 2005) equal to the lesser of (i) 1,000,000 shares or (ii) two percent of our outstanding shares of common stock on the last day of the immediately preceding fiscal year. As of December 31, 2006, 2.4 million shares have been reserved for issuance under the 2004 Stock Plan.

For the purpose of calculating the fair value of our stock options, we estimate expected stock price volatility based on our common stock's historical volatility. The risk-free interest rate assumption included in the calculation is based upon observed interest rates appropriate for the expected life of our employee stock options. The dividend yield assumption is based on our intent not to issue a dividend. We are currently using the simplified method to calculate expected holding periods as provided for under SAB No. 107.

Stock-based compensation expense recognized in the year ended December 31, 2006 was based on awards ultimately expected to vest, net of estimated forfeitures. SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. In accordance with SFAS No. 123, pro forma information for the periods prior to 2006 was based on recognizing the effect of forfeitures as they occurred.

The weighted-average grant-date fair value of options granted during the year ended December 31, 2004, 2005 and 2006 was $3.3 million, $2.1 million and $1.7 million, respectively. The total intrinsic value of options exercised during the year ended December 31, 2004, 2005 and 2006 was $0.6 million, $1.1 million and $6.3 million, respectively.

The fair value of each option grant was estimated on the grant-date using the Black-Scholes option pricing model with the following assumptions:

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006
Weighted Average Assumptions:			
Expected volatility	41%	48%	42%
Dividend yield	0%	0%	0%
Risk-free interest rate	3.70%	4.26%	4.72%
Annual forfeiture rate	0%	0%	7%
Expected holding period (in years)	6.00	6.00	6.25

The following tables summarize information for the options outstanding and exercisable for the years ended December 31, 2004, 2005 and 2006:

	Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (In thousands)
Balance, December 31, 2003	1,961,517	$ 4.60		
Granted	880,179	12.03		
Exercised — Vested	(70,847)	4.60		
Exercised — Unvested	(489,547)	4.60		
Cancelled	(68,601)	5.62		
Balance, December 31, 2004	2,212,701	$ 7.53		
Granted	701,563	11.48		
Exercised	(176,997)	5.02		
Cancelled	(331,526)	7.84		
Balance, December 31, 2005	2,405,741	$ 8.81		
Granted	591,589	19.15		
Exercised	(507,084)	7.07		
Cancelled	(259,257)	10.19		
Balance, December 31, 2006	2,230,989	$ 11.79		
Fully vested options and options expected to ultimately vest as of December 31, 2006	2,088,844	$ 11.51	8.1	$ 21,440
Options exercisable as of December 31, 2006	648,407	$ 8.24	7.3	$ 8,605

	As of December 31, 2006				
	Stock Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Stock Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
$ 4.60 — $ 4.60	643,619	6.75	$ 4.60	340,850	$ 4.60
$ 7.88 — $11.99	558,771	8.76	11.33	124,274	11.21
$13.00 — $16.01	456,923	7.44	13.13	183,283	13.00
$16.93 — $20.55	571,676	9.71	19.26	—	—
	2,230,989			648,407	

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on our closing stock price of $21.77 on December 31, 2006, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of shares related to in-the-money options exercisable on December 31, 2006 was 648,407.

As of December 31, 2006, there was approximately $9.0 million of total unrecognized compensation cost related to non-vested stock options. That cost is expected to be recognized over a weighted average period of 8.5 years. The total estimated fair value of shares vested during the year ended December 31, 2006 is $2.4 million.

Restricted Stock

Time- based: The following table presents a summary of the number of time-based shares of non-vested restricted stock as of December 31, 2006 and changes during the years ended December 31, 2004, 2005 and 2006:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested time-based shares at December 31, 2004	—	$ —
Shares issued	167,556	13.13
Shares forfeited	—	—
Shares vested	—	—
Non-vested time-based shares at December 31, 2005	167,556	13.13
Shares issued	52,101	19.09
Shares forfeited	(100,437)	13.13
Shares vested	(41,889)	13.13
Non-vested time-based shares at December 31, 2006	77,331	$ 17.15

As of December 31, 2006, there was approximately $1.0 million of total unrecognized compensation cost related to time-based non-vested restricted stock. That cost is expected to be recognized over a weighted average period of 4.5 years. The total fair value of shares vested during the year ended December 31, 2006 was $0.6 million.

Performance-based: In November 2006, we granted 87,200 shares of performance-based restricted stock which vest on the seventh anniversary of the award unless vesting is accelerated due to the achievement of certain performance targets. Currently, the cost is recognized straight-line over seven years. Quarterly, we assess the progress of the Company's performance as compared with targets. If we determine the performance targets will be met, the remaining expense will be recognized on an accelerated basis.

Employee Stock Purchase Plan

In April 2004, our board of directors adopted the 2004 Employee Stock Purchase Plan for all employees meeting its eligibility criteria. Under this plan, eligible employees may purchase shares of our common stock, subject to certain limitations, at 85% of the market value. Purchases are limited to 15% of an employee's eligible compensation, up to a maximum of 2,000 shares per purchase period. The maximum aggregate number of shares reserved for issuance under the plan is 2,000,000 plus an amount to be added annually on the first day of each fiscal year equal to the lesser of (i) 600,000 shares or (ii) one percent of our outstanding shares of common stock on the last day of the immediately preceding fiscal year. As of December 31, 2006, 2.8 million shares have been reserved for issuance under the 2004 Employee Stock Purchase Plan.

19. Segment Information

We operate in two business segments. Our ICS segment provides design, engineering, procurement, construction, testing and maintenance services for utility infrastructure. The ICS customers include electric power utilities, natural gas utilities, telecommunication customers, government entities and heavy industrial companies, such as petrochemical, processing and refining businesses. The 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. The TS customers include communication service providers, large industrial and financial services customers, school districts and other entities with high bandwidth telecommunication needs. Within the TS segment, we are regulated as a public telecommunication utility in various states. We operate in multiple territories throughout the United States and we do not have significant operations or assets outside the United States. We acquired a Canadian entity in November 2005 which represents approximately 2% of revenues for the year ended December 31, 2006 and 2% of total assets as of December 31, 2006.

Business segment performance measurements are designed to facilitate evaluation of operating unit performance and assist in allocation of resources for the reportable segments. The primary financial measures we use to evaluate our segment operations are contract revenues and income from operations as adjusted, a non-GAAP financial measure. Income from operations as adjusted excludes expenses for the amortization of intangibles related to our acquisitions and share-based compensation because we believe those expenses do not reflect the core performance of our business segments operations. We began excluding share-based compensation expense from income from operations as adjusted in the second quarter of 2006. We did not reclassify share-based compensation expense for the 2005 periods, since the expense was insignificant. A reconciliation of income from operations as adjusted to the nearest GAAP equivalent, income from continuing operations before income taxes is provided below.

We do not allocate corporate costs to our business segments for internal management reporting. Corporate and eliminations includes corporate costs, revenue related to administrative services we provide to one of our customers and the elimination of an insignificant amount of intra-company revenues. The following tables present segment information by period:

For the Year Ended December 31, 2004	Infrastructure Construction Services	Telecommunication Services	Corporate and Eliminations	Total
		(In thousands)		
Revenues	$ 602,458	$ 30,282	$ (136)	$ 632,604
Income (loss) from operations as adjusted	37,190	13,258	(12,159)	38,289
Depreciation	21,490	2,868	370	24,728
Amortization	12,350	—	—	12,350
Total assets	376,927	75,110	72,385	524,422
Capital expenditures	13,542	10,999	520	25,061
Reconciliation:				
Income (loss) from operations as adjusted	$ 37,190	$ 13,258	$ (12,159)	$ 38,289
Less: Amortization	12,350	—	—	12,350
Income (loss) from operations	24,840	13,258	(12,159)	25,939
Interest income	223	1	289	513
Interest expense and amortization of debt discount	(8,013)	(1,122)	(1,043)	(10,178)
Loss on early extinguishment of debt	(3,656)	(703)	(85)	(4,444)
Other income, net	2,324	37	5	2,366
Income (loss) before income taxes	$ 15,718	$ 11,471	$ (12,993)	$ 14,196

For the Year Ended December 31, 2005	Infrastructure Construction Services	Telecommunication Services	Corporate and Eliminations	Total
		(In thousands)		
Revenues	$ 809,320	$ 40,511	$ 3,245	$ 853,076
Income (loss) from operations as adjusted	24,378	17,337	(12,998)	28,717
Depreciation	23,815	3,524	201	27,540
Amortization	4,911	—	—	4,911
Total assets	392,781	92,758	83,850	569,389
Capital expenditures	13,471	15,861	1,139	30,471
reconciliation:				
Income (loss) from operations as adjusted	$ 24,378	$ 17,337	$ (12,998)	$ 28,717
Less: Amortization	4,911	—	—	4,911
Income (loss) from operations	19,467	17,337	(12,998)	23,806
Interest income	148	1	239	388
Interest expense and amortization of debt discount	(6,964)	(241)	(952)	(8,157)
Other income (expense), net	2,840	(26)	3,849	6,663
Income (loss) before income taxes	$ 15,491	$ 17,071	$ (9,862)	$ 22,700

For the Year Ended December 31, 2006	Infrastructure Construction Services	Telecommunication Services	Corporate and Eliminations	Total
		(In thousands)		
Revenues	$ 946,321	$ 40,383	$ 5,601	$ 992,305
Income (loss) from operations as adjusted	50,778	18,923	(16,869)	52,832
Depreciation	21,059	4,259	283	25,601
Share based compensation	1,767	216	1,477	3,460
Amortization	1,004	—	—	1,004
Total assets	423,646	90,298	67,288	581,232
Capital expenditures	16,211	19,472	2,816	38,499
reconciliation:				
Income (loss) from operations as adjusted	$ 50,778	$ 18,923	$ (16,869)	$ 52,832
Less: Amortization and share based compensation	2,771	216	1,477	4,464
Income (loss) from operations	48,007	18,707	(18,346)	48,368
Interest income	4,168	1,816	(5,031)	953
Interest expense	(5,543)	(1,042)	(323)	(6,908)
Write-off of deferred financing costs	(3,535)	(677)	(84)	(4,296)
Other income, net	4,007	11	126	4,144
Income before income taxes	$ 47,104	$ 18,815	$ (23,658)	$ 42,261

The following table presents information regarding revenues by end market:

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006
		(In thousands)	
Electric Transmission	$ 131,040	$ 160,669	$ 259,553
Electric Substation	103,287	138,646	204,067
Utility Distribution and Industrial Electric	121,130	171,055	144,745
Natural Gas	211,901	265,513	268,551
Telecommunications	52,190	101,191	105,544
Other	13,056	16,002	9,845
	$ 632,604	$ 853,076	$ 992,305

Electric, gas and other end market revenues are entirely part of the ICS segment, while telecommunications end market revenue is included in both the ICS and TS segments. Approximately 58%, 40% and 38% of the telecommunications end market revenues for the years ended December 31, 2004, 2005 and 2006, respectively, were from the TS segment.

20. Commitments and Contingencies

We rent office space and equipment under non-cancelable operating leases, certain of which contain rent holidays and purchase option terms. Operating lease payments are expensed as incurred. Our future minimum lease commitments for all non-cancelable leases as of December 31, 2006 are as follows:

	Operating Leases
	(In thousands)
For the twelve months ending December 31,	
2007	$ 17,020
2008	13,589
2009	10,614
2010	7,331
2011	3,025
Thereafter	6,675
Total minimum lease payments	$ 58,254

Our rent expense was $15.6 million, $15.6 million and $19.2 million, respectively, for the years ended December 31, 2004, 2005 and 2006. See Note 15 for information regarding leasing transactions with related parties.

We also construct and lease fiber-optic telecommunications facilities to our customers pursuant to operating lease agreements, typically with lease terms from five to twenty-five years, including certain renewal options. Under those agreements, customers lease a portion of the capacity of a fiber-optic facility, with the facility owned and maintained by us. The book value of the fiber-optic facilities is $69.3 million, net of accumulated depreciation of $5.7 million and $89.9 million, net of accumulated depreciation of $9.4 million as of December 31, 2005 and 2006, respectively, and is included in property and equipment, net of accumulated depreciation, in the accompanying consolidated balance sheet. Minimum future rentals related to fiber-optic facility leasing agreements as of December 31, 2006 are as follows:

	(In thousands)
For the twelve months ending December 31,	
2007	$ 28,308
2008	24,005
2009	22,030
2010	15,579
2011	8,317
Thereafter	34,057
Fixed non-cancelable minimum lease revenues	$ 132,296

21. Litigation

On September 21, 2005, a petition, as amended, was filed against InfraSource, certain of its officers and directors and various other defendants in the Harris County, Texas District Court seeking unspecified damages. The plaintiffs allege that the defendants violated their fiduciary duties and committed constructive fraud by failing to maximize shareholder value in connection with certain acquisitions which closed in 1999 and 2000 and the Merger and committed other acts of misconduct following the filing of the petition. At this time, it is too early to form a definitive opinion concerning the ultimate outcome of this litigation. Management of InfraSource plans to vigorously defend against this claim.

Pursuant to our service contracts, we generally indemnify our customers for the services we provide under such contracts. Furthermore, because our services are integral to the operation and performance of the electric power transmission and distribution infrastructure, we may become subject to lawsuits or claims for any failure of the systems that we work on, even if our services are not the cause for such failures, and we could be subject to civil and criminal liabilities to the extent that our services contributed to any property damage or blackout. The outcome of those proceedings could result in significant costs and diversion of management’s attention to our business. Payments of significant amounts, even if reserved, could adversely affect our reputation and liquidity position.

From time to time, we are a party to various other lawsuits, claims, other legal proceedings and are subject, due to the nature of our business, to governmental agency oversight, audits, investigations and review. Such actions may seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. Under such governmental audits and investigations, we may become subject to fines and penalties or other monetary damages. With respect to such lawsuits, claims, proceedings and governmental investigations and audits, we accrue reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe any of the pending proceedings, individually or in the aggregate, will have a material adverse effect on our results of operations, cash flows or financial condition.

22. Quarterly Data — Unaudited

The following tables present certain quarterly financial operating results for the years ended December 31, 2005 and 2006:

	2005 Period Ended			
	March 31	June 30	September 30	December 31
	(In thousands)			
Revenues	$ 177,667	$ 228,403	$ 226,575	$ 220,431
Gross Profit	20,054	18,643	31,718	32,413
Income (loss) from continuing operations	3,035	(1,394)	5,266	6,059
Income (loss) from discontinued operations	(293)	(16)	1,300	(228)
Net Income (loss)	2,742	(1,410)	6,566	5,831
Basic net income (loss) per share	0.07	(0.04)	0.17	0.15
Diluted net income (loss) per share	0.07	(0.04)	0.16	0.15

	2006 Period Ended			
	March 31	June 30	September 30	December 31
	(In thousands)			
Revenues	$ 214,275	$ 254,261	$ 275,880	$ 247,889
Gross Profit	28,851	35,875	45,048	35,885
Income from continuing operations	2,453	5,161	10,982	7,274
Income (loss) from discontinued operations	13	166	(184)	280
Net Income	2,466	5,327	10,798	7,554
Basic and diluted net income per share	0.06	0.13	0.27	0.19

During the fourth quarter of 2006 the Company identified certain adjustments related to the prior periods. Because these amounts were not material to 2006 as a whole or to prior-period financial statements, the Company recorded these adjustments in the fourth quarter. These adjustments included entries to reduce revenues as well as cost of revenues. The impact of all out-of-period adjustments recorded in the fourth quarter was a reduction in revenue of $2.3 million, gross profit of $1.3 million, income from continuing operations of $0.5 million and net income of $0.5 million or $.01 per basic and fully diluted share.

Amounts may differ from amounts previously reported due primarily to discontinued operations and to a lesser extent reclassifications.

Exhibit 99.2

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	December 31, 2006	June 30, 2007
	(Unaudited) (In thousands, except share data)	
Current assets:		
Cash and cash equivalents	$ 26,209	$ 18,868
Contract receivables (less allowances for doubtful accounts of $3,770 and $4,865, respectively)	166,780	144,359
Costs and estimated earnings in excess of billings	59,012	76,397
Inventories	5,443	4,421
Deferred income taxes	8,201	7,006
Other current assets	6,384	11,900
Current assets — discontinued operations	746	184
Total current assets	272,775	263,135
Property and equipment (less accumulated depreciation of $73,302 and $81,218, respectively)	154,578	176,183
Goodwill	146,933	147,276
Intangible assets, net	900	747
Deferred charges and other assets, net	5,529	4,862
Assets held for sale	517	400
Total assets	$ 581,232	$ 592,603
Current liabilities:		
Current portion of long-term debt and short-term borrowings	$ 1,154	$ 10,055
Other liabilities — related parties	766	940
Accounts payable	47,846	33,744
Accrued compensation and benefits	27,951	24,111
Other current and accrued liabilities	22,096	25,586
Accrued insurance reserves	36,166	35,272
Billings in excess of costs and estimated earnings	23,245	20,977
Deferred revenues	6,188	6,611
Total current liabilities	165,412	157,296
Long-term debt, net of current portion	50,070	50,043
Deferred revenues	16,347	15,617
Other long-term liabilities — related party	900	—
Deferred income taxes	3,750	2,233
Other long-term liabilities	5,568	6,494
Total liabilities	242,047	231,683
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.001 par value (authorized — 12,000,000 shares; 0 shares issued and outstanding)	—	—
Common stock, $.001 par value (authorized — 120,000,000 shares; issued 40,263,739 and 41,045,771 shares, respectively, and outstanding — 40,233,869 and 41,015,901, respectively)	40	41
Treasury stock, at cost (29,870 shares)	(137)	(137)
Additional paid-in capital	288,517	301,727
Retained earnings	50,785	58,774
Accumulated other comprehensive income (loss)	(20)	515
Total shareholders' equity	339,185	360,920
Total liabilities and shareholders' equity	$ 581,232	$ 592,603

The accompanying notes are an integral part of these condensed consolidated financial statements.

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2007	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
	(Unaudited) (In thousands, except per share data)			
Revenues	$ 254,261	$ 239,572	$ 468,536	$ 443,376
Cost of revenues	218,386	200,531	403,810	375,940
Gross profit	35,875	39,041	64,726	67,436
Selling, general and administrative expenses	22,612	23,831	45,305	49,439
Merger related costs	—	483	—	4,057
Provision for uncollectible accounts	41	780	31	943
Amortization of intangible assets	237	93	494	153
Income from operations	12,985	13,854	18,896	12,844
Interest income	173	144	409	472
Interest expense	(1,682)	(1,050)	(3,793)	(2,093)
Write-off of deferred financing costs	(4,296)	—	(4,296)	—
Other income, net	1,487	2,074	1,584	2,187
Income from continuing operations before income taxes	8,667	15,022	12,800	13,410
Income tax expense	3,506	5,863	5,172	5,240
Income from continuing operations	5,161	9,159	7,628	8,170
Discontinued operations:				
Income (loss) from discontinued operations (net of income tax expense (benefit) of $112, $4, $111 and $(7), respectively)	166	6	165	(11)
Net income	$ 5,327	$ 9,165	$ 7,793	$ 8,159
Basic income per share:				
Income from continuing operations	$ 0.13	$ 0.23	$ 0.19	$ 0.20
Income (loss) from discontinued operations	—	—	0.01	—
Net income	$ 0.13	$ 0.23	$ 0.20	$ 0.20
Weighted average basic common shares outstanding	39,735	40,590	39,626	40,434
Diluted income per share:				
Income from continuing operations	$ 0.13	$ 0.22	$ 0.19	$ 0.20
Income (loss) from discontinued operations	—	—	—	—
Net income	$ 0.13	$ 0.22	$ 0.19	$ 0.20
Weighted average diluted common shares outstanding	40,336	41,252	40,242	41,014

The accompanying notes are an integral part of these condensed consolidated financial statements.

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Shareholders' Equity

(Unaudited)
(In thousands, except share amounts)

	Common Stock		Treasury Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	
	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Earnings	Total
Balance as of December 31, 2006	40,263,739	$ 40	(29,870)	$ (137)	$ 288,517	$ (20)	$ 50,785	$ 339,185
Cumulative effect of adopting new accounting pronouncement	—	—	—	—	—	—	(170)	(170)
Repurchase and retirement of common stock	(2,600)	—	—	—	(87)	—	—	(87)
Stock options exercised and restricted stock vested	581,211	1	—	—	4,595	—	—	4,596
Income tax benefit from stock options exercised	—	—	—	—	5,404	—	—	5,404
Adjustment for shares of restricted stock issued under employee stock plan	137,231	—	—	—	—	—	—	—
Issuance of restricted stock	12,100	—	—	—	—	—	—	—
Issuance of shares under employee stock purchase plan	54,090	—	—	—	1,001	—	—	1,001
Share-based compensation expense	—	—	—	—	2,297	—	—	2,297
Net income	—	—	—	—	—	—	8,159	8,159
Other comprehensive income	—	—	—	—	—	535	—	535
Balance as of June 30, 2007	41,045,771	$ 41	(29,870)	$ (137)	$ 301,727	$ 515	$ 58,774	$ 360,920

The accompanying notes are an integral part of these condensed consolidated financial statements.

INFRASOURCE SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	$ 7,793	$ 8,159
Adjustments to reconcile net income to cash provided by operating activities:		
Loss (income) from discontinued operations — net of taxes	(165)	11
Depreciation	13,603	10,666
Amortization of intangibles	494	153
Gain on sale of assets	(1,355)	(2,232)
Deferred income taxes	(643)	(1,510)
Share-based compensation	1,825	2,297
Write-off of deferred financing costs	4,296	—
Provision for uncollectible accounts	31	943
Excess tax benefits from share-based compensation	(416)	(5,131)
Other	604	1,124
Changes in operating assets and liabilities:		
Contract receivables, net	17	21,478
Costs and estimated earnings in excess of billings, net	(4,986)	(19,653)
Inventories and other current assets	966	677
Deferred charges and other assets	446	312
Accounts payable	(5,389)	(14,173)
Other liabilities — related parties	(12)	—
Other current liabilities	10,980	(536)
Other liabilities	150	1,135
Net cash flows provided by operating activities of continuing operations	28,239	3,720
Net cash flows provided by operating activities of discontinued operations	34	550
Net cash flows provided by operating activities	28,273	4,270
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(10,565)	(835)
Proceeds from derivatives	—	62
Proceeds from sales of equipment	2,331	3,060
Additions to property and equipment	(18,886)	(33,405)
Net cash flows used in investing activities of continuing operations	(27,120)	(31,118)
Net cash flows used in investing activities of discontinued operations	34	—
Net cash flows used in investing activities	(27,154)	(31,118)
Cash flows from financing activities:		
Borrowings of short and long-term debt	75,000	10,000
Repayments of long-term debt and capital lease obligations	(83,833)	(1,127)
Debt issuance costs	(1,133)	—
Repurchase of common stock	—	(87)
Excess tax benefits from share-based compensation	416	5,131
Proceeds from exercise of stock options and employee stock purchases	1,908	5,596
Net cash flows provided by (used in) financing activities	(7,642)	19,513
Cash and cash equivalents:		
Net decrease in cash and cash equivalents	(6,523)	(7,335)
Cash and cash equivalents — beginning of period	31,639	26,209
Effect of exchange rates on cash	8	(6)
Cash and cash equivalents — end of period	$ 25,124	$ 18,868
Supplemental Disclosure of Non-Cash Investing Activities:		
Accounts payable balance related to purchases of property and equipment	$ 1,444	$ 3,118

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

InfraSource Services, Inc. ("InfraSource") was organized on May 30, 2003 as a Delaware corporation. InfraSource and its wholly owned subsidiaries are referred to herein as "the Company," "we," "us," or "our". The Company operates in two business segments. Our Infrastructure Construction Services ("ICS") segment provides design, engineering, procurement, construction, testing, maintenance, and repair services for utility infrastructure. 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 Telecommunication Services ("TS") segment leases point-to-point telecommunications infrastructure in select markets and provides design, procurement, construction and maintenance services for telecommunications infrastructure. TS customers include communication service providers, large industrial and financial services customers, school districts and other entities with high bandwidth telecommunication needs. The Company operates in multiple service territories throughout the United States and does not have significant operations or assets outside the United States.

On September 24, 2003, the Company acquired all of the voting interests of InfraSource Incorporated and certain of its wholly owned subsidiaries, pursuant to a merger transaction (the "Exelon Merger"). On May 12, 2004, the Company completed an IPO of 8,500,000 shares of common stock.

At the time of the IPO, the Company's principal stockholders were OCM/GFI Power Opportunities Fund, L.P. and OCM Principal Opportunities Fund, L.P. (collectively, the "former Principal Stockholders"), both Delaware limited partnerships. In 2006, the former Principal Stockholders and certain other stockholders completed two secondary underwritten public offerings of our common stock. The first occurred on March 24, 2006, in which they sold 13,000,000 shares of common stock at $17.50 per share (plus an additional 1,950,000 shares sold following exercise of the underwriters' over-allotment option). The second occurred on August 9, 2006, in which they sold 10,394,520 shares of common stock at $17.25 per share (plus an additional 559,179 shares sold following exercise of the underwriters' over-allotment option). The Company did not issue any primary shares and did not receive any of the proceeds from those offerings. The former Principal Stockholders no longer own any of the Company's common stock.

Planned Merger:

On March 18, 2007, InfraSource entered into an Agreement and Plan of Merger (the "Merger Agreement") with Quanta Services, Inc., a Delaware corporation ("Quanta"), and Quanta MS Acquisition, Inc., a wholly owned subsidiary of Quanta ("Merger Sub") formed specifically for the purpose of the proposed merger. The Merger Agreement provides, upon the terms and subject to the conditions set forth in the Merger Agreement, for a strategic merger of InfraSource with Merger Sub, with InfraSource continuing as the surviving corporation and as a wholly owned subsidiary of Quanta (the "Merger"). As of the effective date of the Merger (the "Effective Date"), the stockholders of InfraSource (including holders of restricted stock) will receive shares of common stock of Quanta, par value $0.00001 per share, at a negotiated exchange rate (the "Exchange Ratio") of 1.223 shares of Quanta common stock for each share of InfraSource common stock, and all outstanding stock options issued under the Company's stock plans (see Note 7) will be converted, based on the Exchange Ratio, into stock options to receive shares of Quanta common stock. As of the Effective Date, three members of the Board of Directors of InfraSource will become members of the Board of Directors of Quanta. The Merger is expected to close on or about August 30, 2007, subject to receipt of stockholder approval by the stockholders of InfraSource and Quanta.

The Company has incurred and expects to incur substantial merger-related transaction costs related primarily to investment banking fees, legal fees and due diligence costs necessary to consummate the Merger. For the three and six months ended June 30, 2007, merger-related transaction costs totaled $0.5 million and $4.1 million, respectively. The Company has agreed to pay additional investment banking and legal fees of approximately

$7.8 million, payable in the event the Merger is consummated. The Company must pay a fee of $43 million to Quanta if the Merger is terminated under certain circumstances specified in the Merger Agreement.

Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements reflect the Company's financial position as of December 31, 2006 and June 30, 2007; results of operations for the three and six months ended June 30, 2006 and 2007; and cash flows for the six months ended June 30, 2006 and 2007. The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). These financial statements include all adjustments considered necessary for fair presentation of financial position, results of operations and cash flows for the interim periods presented. The December 31, 2006 condensed consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America. The results for interim periods are not necessarily indicative of results to be expected for a full year or future interim periods. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Report on Form 10-K for the year ended December 31, 2006.

Certain amounts in the accompanying statements have been reclassified for comparative purposes. As of December 31, 2006, the Company revised the classification for book overdrafts in the condensed consolidated balance sheets and statements of cash flows. Such book overdrafts were related to outstanding checks on zero balance disbursement bank accounts that are funded, upon presentation for payment, from an investment account maintained by the Company at another financial institution. As originally reported, cash and cash equivalents as of June 30, 2006 included $4.6 million of book overdrafts that have been reclassified to accounts payable in the condensed consolidated balance sheets for comparative purposes. Prior to the reclassification, those amounts were reported as a reduction in cash and accounts payable. Additionally, this revision increased net cash flows provided by operating activities by $2.7 million for the six months ended June 30, 2006.

2. Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109," which clarifies the accounting for uncertainty in tax positions. FIN No. 48 requires that the impact of a tax position be recognized if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon the ultimate settlement. The provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006, with any cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings.

The adoption of FIN No. 48 as of January 1, 2007 resulted in a reduction of opening retained earnings of $0.2 million. As of the adoption date, the Company had $0.6 million of unrecognized tax benefits, $0.2 million of which would reduce our effective tax rate if recognized. No significant increase or decrease in unrecognized tax benefits is currently anticipated during the next twelve months. As of date of adoption, interest and penalty assessment liabilities were less than $0.1 million. Interest assessments are recorded in interest expense and tax penalties are recognized in selling, general and administrative expenses. Tax years beginning in 2005 remain open and subject to examination by the Internal Revenue Service. Tax years beginning with the Company's inception in 2003 remain open and subject to examination by state taxing jurisdictions.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands fair value measurement disclosures. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. The Company has not determined the effect, if any, the adoption of this statement will have on results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Liabilities — Including an amendment of FASB Statement No. 115.” SFAS No. 159 allows companies to choose, at specific election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item’s fair value in subsequent reporting periods must be recognized in current earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of SFAS No. 159.

3. Discontinued Operations

In the third and fourth quarters of 2006, the Company sold certain assets of Mechanical Specialties, Inc. (“MSI”) for approximately $2.6 million in cash. In July 2007, the remaining inventory was purchased at cost by MSI’s buyer. MSI was part of the ICS segment. In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, MSI’s financial position, results of operations and cash flows were reflected as discontinued operations in the accompanying unaudited condensed consolidated financial statements through the disposition dates. The tables below present MSI’s balance sheet and statement of operations information.

Balance sheet information for MSI:

	December 31, 2006	June 30, 2007
	(In thousands)	
Inventory	$ 687	$ 134
Deferred income taxes	59	50
Total current assets	746	184
Total assets	$ 746	$ 184
Net assets	$ 746	$ 184

Statement of operations information for MSI:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2007	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
	(In thousands)			
Revenues	$ 3,766	$ 235	$ 6,731	$ 516
Income (loss) before income taxes	278	10	276	(18)

4. Costs And Estimated Earnings In Excess Of Billings

Included in costs and estimated earnings in excess of billings are costs related to claims and unapproved change orders of approximately $3.1 million and $9.6 million at December 31, 2006 and June 30, 2007, respectively. The increase was due primarily to claims on an industrial electric project resulting from inefficiencies caused by scheduling changes and also due to impacts of adverse weather conditions on an electric transmission project.

Estimated revenue related to claims, in amounts up to but not exceeding costs incurred, is recognized when realization is probable and amounts are estimable. Profit from claims is recorded in the period such amounts are agreed to with the customer.

5. Goodwill and Intangible Assets

Goodwill and intangible assets are comprised of:

	December 31, 2006	June 30, 2007
	(In thousands)	
Goodwill	$ 146,933	$ 147,276
Intangible assets:		
Volume agreements	4,561	2,061
Non-compete agreements	20	20
Total intangible assets	4,581	2,081
Accumulated amortization:		
Volume agreements	(3,681)	(1,333)
Non-compete agreements	—	(1)
Total accumulated amortization	(3,681)	(1,334)
Intangible assets, net	$ 900	$ 747

Goodwill by segments as of December 31, 2006 and June 30, 2007 are as follows:

	December 31, 2006	June 30, 2007
Infrastructure Construction Services	$ 136,540	$ 136,883
Telecommunications Services	10,393	10,393
Total	$ 146,933	$ 147,276

Expenses for the amortization of intangible assets were $0.2 million and $0.1 million for the three months ended June 30, 2006 and 2007, respectively, and $0.5 million and $0.2 million for the six months ended June 30, 2006 and 2007, respectively. The estimated aggregate amortization expense of intangible assets for the next five fiscal years is:

For the Year Ended December, 31,	(In thousands)
2007 (excludes the six months ended June 30, 2007)	$ 273
2008	301
2009	162
2010	3
Thereafter	8
Total	$ 747

6. Computation of Per Share Earnings

Income per share is computed in accordance with SFAS No. 128, “Earnings per Share” (“SFAS No. 128”). In accordance with SFAS No. 128, incremental potential common shares from stock options and restricted stock are included in the calculation of diluted income per share except when the effect would be antidilutive.

The following table presents the calculations of basic and diluted income per share.

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2007	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
		(In thousands)		
Income from continuing operations	$ 5,161	$ 9,159	$ 7,628	$ 8,170
Income (loss) from discontinued operations, net of tax expense (benefit) of $112, $4, $111 and $(7), respectively	166	6	165	(11)
Net income	$ 5,327	$ 9,165	$ 7,793	$ 8,159
Weighted average basic common shares outstanding	39,735	40,590	39,626	40,434
Effect of dilutive stock options and restricted stock	601	662	616	580
Weighted average diluted common shares outstanding	40,336	41,252	40,242	41,014
Basic income per share	$ 0.13	$ 0.23	$ 0.20	$ 0.20
Diluted income per share	$ 0.13	$ 0.22	$ 0.19	$ 0.20

For each of the three and six months ended June 30, 2006, there were 136,126 shares and for the six months ended June 30, 2007 there were 7,000 shares, under stock option grants excluded from the calculation of diluted income per share as the effect of these shares would have been antidilutive. Included in the effect of dilutive stock options for each of the three and six months ended June 30, 2006 and 2007 are early exercises of unvested stock option awards, which are excluded from the weighted average basic common shares outstanding calculation.

7. Share-based Compensation Plans

Share-based compensation expense included in results of operations is as follows:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2007	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
		(In thousands)		
Stock option expense	$ 639	$ 736	$ 1,301	$ 1,440
Restricted stock expense	115	251	218	632
Employee stock purchase plan expense	201	107	306	225
Total share-based compensation expense	$ 955	$ 1,094	$ 1,825	$ 2,297
Share-based compensation expense included in:				
Cost of revenues	$ 127	$ 102	$ 244	$ 198
Selling, general and administrative expenses	828	992	1,581	2,099
Total share-based compensation expense	$ 955	$ 1,094	$ 1,825	$ 2,297
Total tax benefit related to share-based compensation expense	$ 386	$ 427	$ 737	$ 898

The provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123R “Share-Based Payment” and related interpretative guidance issued by the Financial Accounting Standards Board (“FASB”) and the Securities and Exchange Commission (“SEC”) are applied to all share-based payment awards made to employees and directors. SFAS 123R requires the measurement and recognition of compensation expense for all share-based payment awards including employee stock options, restricted stock and employee stock purchases under the Employee Stock Purchase Plan based on the grant-date fair values of the awards. The value of the portion of a share-based payment award that is ultimately expected to vest is determined as of the award's grant date and is expensed over its requisite service period in the Company's condensed consolidated statements of operations. Estimates of expected share-based payment award forfeitures are made to determine the number of equity award instruments that are not expected to vest.

As discussed in Note 1 — Organization and Basis of Presentation, all outstanding stock options issued under the Company's stock plans will be converted, as of the Effective Date of the Merger and based on the Exchange Ratio, into stock options to receive shares of Quanta common stock. Immediately prior to the Effective Date, the Employee Stock Purchase Plan will be terminated in its entirety. Upon completion of the Merger, Quanta will assume the obligations and succeed to the rights of InfraSource under the Company's stock plans. Except with respect to 281,878 options and 30,210 shares of restricted stock, the vesting of outstanding stock options and restricted stock issued to employees under the Company's stock plans will not accelerate as a result of the Merger. The 281,878 options, the vesting of which will be accelerated, updates the previously disclosed information, including for the named executive officers, as described in footnote (3) of the "Outstanding Equity Awards at 2006 Fiscal Year-End Table" in the Company's annual report for the fiscal year ended December 31, 2006 on Form 10-K/A. Subsequent to the Merger, an employee's options or restricted stock may fully vest upon the employee's involuntary termination other than for cause. Outstanding stock options for 88,341 shares issued to non-employee directors under the Company's stock plans will vest upon completion of the Merger.

Stock Options

The 2003 Omnibus Stock Incentive Plan, as amended effective April 29, 2004 (the "2003 Stock Plan"), was adopted to allow the grant of stock options and restricted stock to designated key employees and directors. Options currently outstanding under the 2003 Stock Plan consist of time-based options that vest over four years following the respective grant dates. All options have a maximum term of ten years. The 2003 Stock Plan was terminated upon completion of the IPO. Options previously issued under the 2003 Stock Plan remain outstanding.

The 2004 Omnibus Stock Incentive Plan (the "2004 Stock Plan") was adopted to allow the grant of stock options, stock appreciation rights, restricted stock, and deferred stock or performance shares to employees and directors. Options granted under the 2004 Stock Plan vest over a period of four years and have a maximum term of ten years. The aggregate number of shares reserved for under the 2004 Stock Plan is 800,000 plus an amount added annually on the first day of each fiscal year (beginning 2005) equal to the lesser of (i) 1,000,000 shares or (ii) two percent of the number of shares of common stock outstanding on the last day of the immediately preceding fiscal year. As of June 30, 2007, 3.2 million shares have been reserved for issuance under the 2004 Stock Plan.

The Black-Scholes model is used to determine the fair value of stock option grants and its results are based on various assumptions including expected volatility, expected holding period, risk-free interest rate and dividend yield. Expected stock price volatility is based on the historical volatility of the Company's common stock. The risk-free interest rate assumption is based on observed interest rates appropriate for the term of the options. The dividend yield assumption is zero, as the Company does not currently intend to declare dividends. The Company currently uses the simplified method to calculate expected holding period, as provided for under SEC Staff Accounting Bulletin No. 107.

Presented below are calculated weighted averages of the assumptions used in determining the fair values of grants made during the six months ended June 30, 2006 and 2007:

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
Weighted Average Assumptions:		
Expected volatility	44%	40%
Dividend yield	0%	0%
Risk-free interest rate	4.93%	4.49%
Expected holding period (in years)	6.25	6.25

The weighted-average grant-date fair values of options granted during the six months ended June 30, 2006 and 2007 were $8.84 and $11.57 per share, respectively. As of June 30, 2007, there was approximately $6.9 million of unrecognized compensation costs related to unvested stock options. That cost is expected to be recognized over a weighted average period of 2.7 years.

The following table summarizes information for the options outstanding and exercisable for the six months ended June 30, 2007:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding as of December 31, 2006	2,230,989	$ 11.79		
Granted	7,000	24.81		
Exercised	(557,711)	8.24		
Cancelled	(79,877)	15.15		
Outstanding as of June 30, 2007	1,600,401	$ 12.92	7.9 years	$ 38,705
Exercisable as of June 30, 2007	272,076	$ 11.39	7.1 years	$ 6,995

The aggregate intrinsic value of options exercised during the six months ended June 30, 2006 and 2007 was $1.4 million and $14.6 million, respectively.

Restricted Stock

Time-based: The following table presents a summary of the status of the number of unvested time-based shares of restricted stock as of June 30, 2007 and changes therein during the six months ended June 30, 2007:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested shares at December 31, 2006	77,331	$ 17.15
Shares issued	12,100	24.81
Shares vested	(23,500)	20.41
Unvested shares at June 30, 2007	65,931	$ 17.39

As of June 30, 2007, there was approximately $0.5 million of unrecognized compensation costs related to unvested time-based restricted stock which is expected to be recognized over a weighted average period of 3.7 years.

The total fair value of shares vested during the six months ended June 30, 2006 and 2007 was $0.6 million and $0.5 million, respectively.

Performance-based: 87,200 shares of performance-based restricted stock granted in November 2006 will vest on the seventh anniversary of the grant date, unless vesting is accelerated due to the achievement of certain performance targets. Currently, the cost is recognized on a straight-line basis over seven years. The Company's performance relative to targets is assessed each quarter and, if such targets are expected to be achieved, the remaining expense will be recognized on an accelerated basis. If the Merger with Quanta occurs, the vesting schedule will change to time-based vesting and one-third of the shares will vest on each of the first three anniversaries of the closing date of the Merger, subject to earlier vesting upon termination of employment for each restricted stockholder who is party to a management agreement with the Company containing such provision.

The following table presents a summary of the status of the number of performance-based shares of unvested restricted stock as of June 30, 2007 and changes therein during the six months ended June 30, 2007:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested shares at December 31, 2006	87,200	$ 20.55
Shares forfeited	(3,800)	20.55
Unvested shares at June 30, 2007	83,400	$ 20.55

Employee Stock Purchase Plan

In April 2004, the 2004 Employee Stock Purchase Plan was adopted for the benefit of all employees meeting its eligibility criteria. Under this plan, eligible employees may purchase shares of common stock, subject to certain limitations, at 85% of the market value. Purchases are limited to 15% of an employee's eligible compensation, up to a maximum of 2,000 shares per purchase period. The maximum aggregate number of shares reserved for issuance under the plan is 2,000,000, plus an annual increase to be added on the first day of each fiscal year (beginning 2005) equal to the lesser of (i) 600,000 shares or (ii) one percent of the total shares of common stock outstanding on the last day of the immediately preceding fiscal year. As of June 30, 2007, 3.2 million shares have been reserved for issuance under the 2004 Employee Stock Purchase Plan. Immediately prior to the Effective Date of the Merger, the Employee Stock Purchase Plan will be terminated in its entirety. Enrollments for share purchases under the Employee Stock Purchase Plan ceased immediately following share purchases made on May 15, 2007.

8. Concentration of Credit Risk

A significant portion of the Company's revenues is derived from a small group of customers. Our top ten customers accounted for 54% and 42% of consolidated revenues for the three months ended June 30, 2006 and 2007, respectively, and 47% and 42% of consolidated revenues for the six months ended June 30, 2006 and 2007, respectively. Exelon Corporation ("Exelon") accounted for approximately 18% and 13% of consolidated revenues for the three months ended June 30, 2006 and 2007, respectively, and 17% and 12% of consolidated revenues for the six months ended June 30, 2006 and 2007, respectively.

At December 31, 2006 and June 30, 2007 accounts receivable due from Exelon, inclusive of amounts due from a prime contractor for Exelon work, represented 7% and 12%, respectively, of the total accounts receivable balance.

9. Comprehensive Income

The following table presents the components of comprehensive income for the periods presented:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2007	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
	(In thousands)			
Net income	$ 5,327	$ 9,165	$ 7,793	$ 8,159
Fair value adjustments on derivative instruments	(480)	39	(480)	39
Foreign currency translation adjustment	126	441	111	496
Comprehensive income	$ 4,973	$ 9,645	$ 7,424	$ 8,694

During the second quarter of 2007, the Company entered into a forward foreign currency contract arrangement to hedge purchases forecasted to occur through January 2008, effectively fixing the ultimate cost of such purchases. As this arrangement has been designated as a cash flow hedge for purposes of accounting recognition, the changes in the fair value of the forward contracts are recorded in other comprehensive income. Any gain or loss resulting from the settlements of the forward foreign currency contracts will be reclassified into earnings in the same period during which the hedged purchase affects earnings.

The Company’s Canadian operations are translated into U.S. dollars and a translation adjustment is recorded in other comprehensive income.

10. Segment Information

We operate in two business segments. Our ICS segment provides design, engineering, procurement, construction, testing, maintenance and repair services for utility infrastructure. ICS customers include electric power utilities, natural gas utilities, telecommunication customers, government entities and heavy industrial companies, such as petrochemical, processing and refining businesses. ICS services are provided by five 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. TS customers include communication service providers, large industrial and financial services customers, school districts and other entities with high bandwidth telecommunication needs. Within the TS segment, we are regulated as a public telecommunication utility in various states. We operate in multiple territories throughout the United States. We do not have significant operations or assets outside the United States.

Business segment performance measurement and resource allocation for the reportable segments are designed to facilitate evaluation of operating unit performance and based on many factors. The primary financial measures used to evaluate segment operations are revenues and income (loss) from operations as adjusted, a non-GAAP financial measure. Income (loss) from operations as adjusted excludes expenses for the amortization of intangibles related to acquisitions, share-based compensation and merger-related costs, because those expenses do not reflect the core performance of business segments’ operations. A reconciliation of income (loss) from operations as adjusted to the nearest GAAP equivalent, income (loss) from operations is provided below.

Corporate costs are not allocated to business segments for internal management reporting. Corporate and Eliminations includes corporate costs, revenue related to administrative services provided to one customer and the elimination of an insignificant amount of intra-company revenues. The following tables present segment information for the three and six month periods ended June 30, 2006 and June 30, 2007:

For the Three Months Ended June 30, 2006	Infrastructure Construction Services	Telecommunication Services	Corporate and Eliminations	Total
		(In thousands)		
Revenues	$ 241,227	$ 9,503	$ 3,531	$ 254,261
Income (loss) from operations as adjusted	13,273	4,743	(3,839)	14,177
Depreciation	5,657	1,007	59	6,723
Share-based compensation	604	38	313	955
Amortization	237	—	—	237
Total assets	398,480	90,959	83,738	573,177
Capital expenditures	3,700	5,527	101	9,328
Reconciliation:				
Income (loss) from operations as adjusted	$ 13,273	$ 4,743	$ (3,839)	$ 14,177
Less: Amortization and shared-based compensation	841	38	313	1,192
Income (loss) from operations	12,432	4,705	(4,152)	12,985
Interest income	558	553	(938)	173
Interest expense	(1,679)	(317)	314	(1,682)
Write-off of deferred financing costs	(3,535)	(677)	(84)	(4,296)
Other income, net	1,482	5	—	1,487
Income (loss) before income taxes	$ 9,258	$ 4,269	$ (4,860)	$ 8,667

For the Three Months Ended June 30, 2007	Infrastructure Construction Services	Telecommunication Services	Corporate and Eliminations	Total
		(In thousands)		
Revenues	$ 228,031	$ 11,606	$ (65)	$ 239,572
Income (loss) from operations as adjusted	14,162	6,510	(5,148)	15,524
Depreciation	4,001	1,300	202	5,503
Share-based compensation	475	88	531	1,094
Merger related costs	—	—	483	483
Amortization	93	—	—	93
Total assets	427,148	103,220	62,235	592,603
Capital expenditures	3,595	16,426	1,841	21,862
Reconciliation:				
Income (loss) from operations as adjusted	$ 14,162	$ 6,510	$ (5,148)	$ 15,524
Merger related costs	—	—	483	483
Less: Amortization and share-based compensation	568	88	531	1,187
Income (loss) from operations	13,594	6,422	(6,162)	13,854
Interest income	3,515	257	(3,628)	144
Interest expense	(929)	(169)	48	(1,050)
Other income, net	2,080	(6)	—	2,074
Income (loss) before income taxes	$ 18,260	$ 6,504	$ (9,742)	$ 15,022

For the Six Months Ended June 30, 2006	Infrastructure Construction Services	Telecommunication Services	Corporate and Eliminations	Total
		(In thousands)		
Revenues	$ 443,769	$ 19,576	$ 5,191	$ 468,536
Income (loss) from operations as adjusted	21,641	9,222	(9,648)	21,215
Depreciation	11,496	1,993	114	13,603
Share-based compensation	1,136	59	630	1,825
Amortization	494	—	—	494
Total assets	398,480	90,959	83,738	573,177
Capital expenditures	9,055	9,697	134	18,886
Reconciliation:				
Income (loss) from operations as adjusted	$ 21,641	$ 9,222	$ (9,648)	$ 21,215
Less: Amortization and shared-based compensation	1,630	59	630	2,319
Income (loss) from operations	20,011	9,163	(10,278)	18,896
Interest income	989	1,033	(1,613)	409
Interest expense	(3,382)	(642)	231	(3,793)
Write-off of deferred financing costs	(3,535)	(677)	(84)	(4,296)
Other income, net	1,456	2	126	1,584
Income (loss) before income taxes	$ 15,539	$ 8,879	$ (11,618)	$ 12,800

For the Six Months Ended June 30, 2007	Infrastructure Construction Services	Telecommunication Services	Corporate and Eliminations	Total
		(In thousands)		
Revenues	$ 420,261	$ 23,063	$ 52	$ 443,376
Income (loss) from operations as adjusted	17,703	11,991	(10,343)	19,351
Depreciation	7,792	2,510	364	10,666
Share-based compensation	980	180	1,137	2,297
Merger related costs	—	—	4,057	4,057
Amortization	153	—	—	153
Total assets	427,148	103,220	62,235	592,603
Capital expenditures	5,510	22,832	5,063	33,405
Reconciliation:				
Income (loss) from operations as adjusted	$ 17,703	$ 11,991	$ (10,343)	$ 19,351
Merger related costs	—	—	4,057	4,057
Less: Amortization and share-based compensation	1,133	180	1,137	2,450
Income (loss) from operations	16,570	11,811	(15,537)	12,844
Interest income	6,634	602	(6,764)	472
Interest expense	(1,804)	(334)	45	(2,093)
Other income, net	2,188	(2)	1	2,187
Income (loss) before income taxes	$ 23,588	$ 12,077	$ (22,255)	$ 13,410

The following table presents information regarding revenues by end market:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2007	Six Months Ended June 30, 2006	Six Months Ended June 30, 2007
Electric Transmission	$ 59,447	$ 60,830	$ 117,207	$ 119,178
Electric Substation	58,102	46,696	96,851	92,997
Utility Distribution and Industrial Electric	32,259	37,205	69,602	67,223
Total Electric	149,808	144,731	283,660	279,398
Natural Gas	72,303	56,913	126,229	94,730
Telecommunications	29,742	33,237	54,054	58,393
Other	2,408	4,691	4,593	10,855
	$ 254,261	$ 239,572	$ 468,536	$ 443,376

All electric, gas and other end market revenues are included in the ICS segment, while telecommunications end market revenue is included in both the ICS and TS segments. Approximately 32% and 35% of telecommunications end market revenues for the three months ended June 30, 2006 and 2007, respectively, were from the TS segment. Approximately 36% and 39% of telecommunications end market revenues for the six months ended June 30, 2006 and 2007, respectively, were from the TS segment.

11. Related Party Transactions

The Company leases office and warehouse space from Coleman Properties, of which three officers of one of our subsidiaries are general partners. The lease for this space continues through October 2008. Annual lease payments under this agreement are approximately $0.1 million.

The Company leases ducts in two river bores under the Delaware River from Coleman Properties. The lease commenced on May 1, 2005 with a term of five years and an option to extend. The annual lease payment is $0.02 million for each pair of fiber installed in the conduit up to a maximum of $0.2 million per year if additional ducts are leased.

The Company leases office and warehouse facilities in Michigan which are owned by an employee and his family members. Leases for these properties expire in 2011, with annual lease payments of $0.4 million.

As of June 30, 2007, $0.9 million due in June 2008 to Realtime Utility Engineers, Inc. ("RUE") stockholders, and currently employees of the Company, was accrued in other liabilities — related party.

12. Debt

In June 2007, the Company borrowed $10.0 million under its secured revolving credit facility to fund working capital needs. In July 2007, this borrowing was repaid in full.

13. Commitments and Contingencies

On September 21, 2005, a petition, as amended, was filed against InfraSource, certain of its officers and directors and various other defendants in the Harris County, Texas District Court seeking unspecified damages. The plaintiffs allege that the defendants violated their fiduciary duties and committed constructive fraud by failing to maximize shareholder value in connection with certain acquisitions which closed in 1999 and 2000 and the Exelon Merger and committed other acts of misconduct following the filing of the petition. At this time, it is too early to form a definitive opinion concerning the ultimate outcome of this litigation. InfraSource plans to vigorously defend against this claim.

Pursuant to service contracts, the Company generally indemnifies customers for the services provided under such contracts. Furthermore, because the Company's services are integral to the operation and performance of the electric power transmission and distribution infrastructure, we may become subject to lawsuits or claims for any failure of the systems that we work on, even if our services are not the cause for such failures, and we could be subject to civil and criminal liabilities to the extent that our services contributed to any property damage or blackout. The outcome of those proceedings could result in significant costs and diversion of management's attention to ongoing business activities. Payments of significant amounts, even if reserved, could adversely affect the Company's reputation and liquidity position.

From time to time, we are a party to various other lawsuits, claims, other legal proceedings and are subject, due to the nature of our business, to governmental agency oversight, audits, investigations and review. Such actions may seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. Under such governmental audits and investigations, we may become subject to fines and penalties or other monetary damages. With respect to such lawsuits, claims, proceedings and governmental investigations and audits, we accrue reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe any of the pending proceedings, individually or in the aggregate, will have a material adverse effect on results of operations, cash flows or financial condition.

Exhibit 99.3

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information, which is referred to as the pro forma financial information, has been prepared to give effect to the merger of Quanta and InfraSource. The pro forma financial information was prepared using the historical consolidated financial statements of Quanta and InfraSource.

The unaudited pro forma combined balance sheet as of June 30, 2007 combines the historical consolidated balance sheets of Quanta and InfraSource as of June 30, 2007 and gives effect to the merger as if it occurred on June 30, 2007.

The unaudited pro forma combined statement of operations for the fiscal year ended December 31, 2006 and for the six months ended June 30, 2007 combines the historical consolidated statements of operations of Quanta and InfraSource and gives effect to the merger as if it occurred on January 1, 2006.

Upon consummation of the merger on August 30, 2007, holders of shares of InfraSource common stock received 1.223 shares of Quanta common stock for each share of InfraSource common stock.

The pro forma adjustments are preliminary and have been made solely for purposes of developing the pro forma financial information necessary to comply with the requirements of the SEC. The merger's impact on the actual results reported by the combined company in periods following the merger may differ significantly from that reflected in these pro forma financial statements for a number of reasons, including but not limited to, the impact of the incremental costs incurred in integrating the two companies. As a result, the pro forma information is not necessarily indicative of what the combined company's financial condition or results of operations would have been had the merger been completed on the applicable dates of this pro forma financial information. In addition, the pro forma financial information does not purport to project the future financial condition and results of operations of the combined company.

Quanta and InfraSource stockholders should read the pro forma financial information in conjunction with Quanta's and InfraSource's audited historical consolidated financial statements, accompanying footnotes and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Quanta's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 and Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as well as any subsequently filed reports, and InfraSource's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 and Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended by Form 10-K/A.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

	June 30, 2007			
	Quanta	InfraSource	Pro Forma Adjustments	Pro Forma Combined
	(In thousands)			
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 405,792	$ 18,868	$ (60,098)(b)	$ 364,562
Accounts receivable, net	474,171	144,359	52,028(c)	670,558
Costs and estimated earnings in excess of billings on uncompleted contracts	49,788	76,397	(52,028)(c)	74,157
Inventories	23,394	4,421	—	27,815
Prepaid expenses and other current assets	33,860	19,090	—	52,950
Total current assets	987,005	263,135	(60,098)	1,190,042
Property and equipment, net	293,713	176,183	18,601(a)	488,497
Accounts and notes receivable, net	6,376	—	—	6,376
Other assets, net	33,821	5,262	—	39,083
Other intangible assets, net	7,808	747	164,453(a)(g)	173,008
Goodwill	353,707	147,276	815,497(a)	1,316,480
Total assets	$ 1,682,430	$ 592,603	$ 938,453	$ 3,213,486
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Current maturities of long-term debt	$ 33,380	$ 10,055	$ (10,055)(b)	$ 33,380
Accounts payable and accrued expenses	220,339	126,264	32,180(a)(c)	378,783
Billings in excess of costs and estimated earnings on uncompleted contracts	24,485	20,977	(4,049)(c)	41,413
Total current liabilities	278,204	157,296	18,076	453,576
Long-term debt, net of current maturities	—	50,043	(50,043)(b)	—
Convertible subordinated notes	413,750	—	—	413,750
Deferred income taxes and other non-current liabilities	181,665	24,344	57,030(a)	263,039
Total liabilities	873,619	231,683	25,063	1,130,365
Commitments and Contingencies				
Stockholders' Equity:				
Common stock	—	41	(40)(a)	1
Limited vote common stock	—	—	—	—
Additional paid-in capital	1,132,846	301,727	972,582(a)	2,407,155
Accumulated (deficit) earnings	(297,098)	59,289	(59,289)(a)	(297,098)
Treasury stock	(26,937)	(137)	137(a)	(26,937)
Total stockholders' equity	808,811	360,920	913,390	2,083,121
Total liabilities and stockholders' equity	$ 1,682,430	$ 592,603	$ 938,453	$ 3,213,486

See accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

	Year Ended December 31, 2006			
	Quanta	InfraSource	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except for per share information)			
Revenues	$ 2,131,038	$ 992,305	$ —	$ 3,123,343
Cost of services (including depreciation)	1,815,222	846,646	(10,625)(d)	2,651,243
Gross profit	315,816	145,659	10,625	472,100
Selling, general and administrative expenses	182,639	96,287	718(e)	281,647
			2,003(f)	
Amortization of intangible assets	363	1,004	37,324(g)	38,691
Goodwill impairment	56,812	—	—	56,812
Income (loss) from operations	76,002	48,368	(29,420)	94,950
Other income (expense):				
Interest expense and write-off of deferred financing costs	(26,823)	(11,204)	11,204(h)	(26,823)
Interest income	13,924	953	(3,433)(i)	11,444
Gain on early extinguishment of debt, net	1,598	—	—	1,598
Other, net	425	4,144	—	4,569
Income (loss) before income tax provision (benefit)	65,126	42,261	(21,649)	85,738
Provision (benefit) for income taxes	47,643	16,391	(8,443)(j)	55,591
Income (loss) from continuing operations	$ 17,483	$ 25,870	$ (13,206)	$ 30,147
Earnings (loss) per share from continuing operations:				
Basic earnings (loss) per share	$ 0.15	$ 0.65		$ 0.18
Diluted earnings (loss) per share	$ 0.15	$ 0.64		$ 0.18
Shares used in computing earnings (loss) per share:				
Basic	117,027	39,757	8,866(l)	165,650
Diluted	117,863	40,364	9,001(l)	167,228

See accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

	Six Months Ended June 30, 2007			
	Quanta	InfraSource	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except for per share information)			
Revenues	$ 1,132,480	$ 443,376	$ —	$ 1,575,856
Cost of services (including depreciation)	968,405	375,940	(3,178)(d)	1,341,167
Gross profit	164,075	67,436	3,178	234,689
Selling, general and administrative expenses	96,542	50,382	198(e)	147,536
			414(f)	
Amortization of intangible assets	1,464	153	13,202(g)	14,819
Merger related costs	—	4,057	(4,057)(k)	—
Income (loss) from operations	66,069	12,844	(6,579)	72,334
Other income (expense):				
Interest expense	(11,096)	(2,093)	2,093(h)	(11,096)
Interest income	9,952	472	(1,456)(i)	8,968
Other, net	111	2,187	—	2,298
Income (loss) before income tax provision (benefit)	65,036	13,410	(5,942)	72,504
Provision (benefit) for income taxes	11,966	5,240	(2,317)(j)	14,889
Income (loss) from continuing operations	$ 53,070	$ 8,170	$ (3,625)	$ 57,615
Earnings (loss) per share from continuing operations:				
Basic earnings (loss) per share	$ 0.45	$ 0.20		$ 0.34
Diluted earnings (loss) per share	$ 0.40	$ 0.20		$ 0.32
Shares used in computing earnings (loss) per share:				
Basic	118,306	40,434	9,017(l)	167,757
Diluted	149,736	41,014	9,148(l)	199,896

See accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
(In thousands, except for per share amounts and exchange ratio)

Note 1 — Basis of Presentation

The unaudited pro forma combined balance sheet as of June 30, 2007 combines the historical consolidated balance sheets of Quanta Services, Inc. (Quanta) and InfraSource Services, Inc. (InfraSource) as of June 30, 2007 and gives effect to the merger as if it occurred on June 30, 2007. The unaudited pro forma combined statements of operations for the fiscal year ended December 31, 2006 and for the six months ended June 30, 2007 combine the historical consolidated statements of operations of Quanta and InfraSource and give effect to the merger as if it occurred on January 1, 2006.

The unaudited pro forma combined financial statements, which are referred to as pro forma financial statements, are based on the historical financial statements of Quanta and InfraSource and give effect to the merger between Quanta and InfraSource under the purchase method of accounting. As a result, the pro forma financial statements are based on assumptions and adjustments, including assumptions relating to the allocation of the consideration paid to the assets acquired and liabilities assumed from InfraSource based on preliminary estimates of fair value. The final purchase price allocation may differ from that reflected in the pro forma financial statements after valuation procedures are performed and amounts are finalized.

The pro forma adjustments are preliminary and have been made solely for purposes of developing the pro forma financial statements for illustrative purposes. The merger's impact on the actual results reported by the combined company in periods following the merger may differ significantly from that reflected in these pro forma financial statements. These pro forma financial statements do not give effect to any potential cost savings or operating synergies that Quanta and InfraSource expect to result from the merger, nor do they give effect to any potential costs to be incurred in integrating the two companies.

Note 2 — Unaudited Pro Forma Adjustments

The purchase price allocation included in the pro forma financial statements is preliminary and is based on information that was available to management of Quanta and InfraSource at the time the pro forma financial statements were prepared. Accordingly, the purchase price allocation will change and the impact of such changes could be material. Management has not yet had the opportunity to complete its assessment of the fair values of the assets acquired and liabilities assumed. Accordingly, the allocation will change as additional information becomes available and is assessed by Quanta, and the impact of such changes may be material. In particular, estimates to complete for ongoing lump-sum projects that incorporate Quanta's assessment of progress towards completion, as well as the values and estimated lives for property and equipment and intangible assets, are preliminary and subject to material change based on the results of the final evaluations. Certain adjustments have been made to the historical InfraSource balance sheet and statement of operations to conform to Quanta's accounting policies. The following summarizes the adjustments made to derive the pro forma financial statements.

Unaudited Pro Forma Combined Balance Sheet

(a) Purchase price: For each share of InfraSource common stock outstanding, InfraSource stockholders received 1.223 shares of Quanta common stock (together with cash in lieu of fractional shares). Additionally, Quanta issued replacement stock options under a formula whereby each InfraSource optionee received options to purchase 1.223 shares of Quanta common stock for each underlying option to purchase shares of InfraSource common stock.

For purposes of the pro forma combined balance sheet included in this Report on Form 8-K/A, the pro forma purchase price paid to InfraSource stockholders is based on the number of shares of InfraSource common stock outstanding as of June 30, 2007, the date of the balance sheet under which the merger is being presented.

Under the provisions of Statement of Financial Accounting Standards No. 141, Business Combinations, Quanta is treated as the acquiror of InfraSource for accounting purposes. Accordingly, Quanta will allocate the purchase price paid to the fair value of the InfraSource assets acquired and liabilities assumed. The residual amount of the purchase price has been allocated to goodwill. The actual amounts recorded in the final purchase price allocation may differ materially from the pro forma amounts presented herein (in thousands):

Aggregate purchase price of InfraSource common stock(1)	$ 1,237,497
Accrued transaction costs(2)	28,131
Aggregate consideration	1,265,628
Estimated fair value of the net tangible assets acquired as of June 30, 2007(3)	(231,498)
Intangible assets(4)	(165,200)
Deferred tax liability, net(5)	57,030
Estimated fair value of InfraSource stock options(6)	36,813
Goodwill(7)	962,773
Historical InfraSource goodwill	(147,276)
Pro forma goodwill adjustment	$ 815,497

(1) The aggregate purchase price of InfraSource common stock is calculated as follows (in thousands, except ratios and per share information):

Exchange ratio	1.223
InfraSource shares outstanding (June 30, 2007)	41,016
Number of Quanta shares exchanged	50,162
Average closing price per share of Quanta common stock for the five trading days ended March 21, 2007*	$ 24.67
Total purchase price	$ 1,237,497

* For purposes of purchase price accounting, the value of the common shares issued is determined based on the guidance in EITF 99-12 "Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination" (EITF 99-12). EITF 99-12 states that the value of the common stock issued in a business combination should be calculated using the acquirer's average common stock price a few days before and a few days after the acquisition announcement date, which for Quanta was March 19, 2007. Accordingly, the purchase price is based on the average market price of Quanta's common stock over the five trading days ended March 21, 2007.

(2) Represents the estimated transaction costs related to the merger, which primarily include investment banker fees, professional fees and estimated severance costs.

(3) Represents the estimated fair value of net tangible assets of InfraSource calculated as historical stockholders' equity less historical goodwill and other intangibles, net. The historical value of InfraSource's tangible assets and liabilities approximates fair value based upon Quanta's initial evaluation other than property and equipment. The preliminary assessment of the fair value of the property and equipment acquired from InfraSource indicated an increase in the book value of approximately $18.6 million. Management has begun to gather detailed records and currently anticipates completing a full review of the tangible assets and liabilities acquired prior to December 31, 2007.

(4) Represents the adjustments to record intangible assets at estimated fair value including customer relationships ($112.1 million) and backlog ($53.1 million). Quanta estimated the fair value of these intangibles using the income approach, specifically the excess earnings method. Quanta's excess earnings analysis consisted of discounting to present value the projected cash flows attributable to customer relationships and backlog, with assumptions for growth, customer contract renewals, rates of return and other assumptions.

(5) Represents the net estimated deferred income tax benefit of the acquired intangible assets (other than goodwill).

(6) Represents the adjustment to the purchase price to record the fair value of the InfraSource stock options based on the acquisition measurement date.

(7) Goodwill represents the excess of the purchase price over the fair value of the acquired net assets. Quanta anticipates realizing meaningful operational and cost synergies, such as enhancing the combined service offerings, expanding the geographic reach and

resource base of the combined company, improving the utilization of personnel and fixed assets, the elimination of duplicate corporate functions, as well as accelerating revenue growth through enhanced cross-selling and marketing opportunities. Quanta believes these opportunities contribute to the recognition of substantial goodwill.

(b) Represents the assumed repayment of InfraSource's outstanding indebtedness under its credit facility as of June 30, 2007 of approximately $60.1 million, pursuant to the terms of the merger agreement.

(c) Certain adjustments have been made to the historical InfraSource balance sheet presentation to conform to Quanta's accounting policies. Unbilled accounts receivable of $52.0 million have been reclassified to accounts receivable, net and $4.0 million of unearned revenue has been reclassified to accounts payable and accrued expenses.

Unaudited Pro Forma Combined Statement of Operations

(d) Represents the adjustment to record the estimated reduction in depreciation expense for the year ended December 31, 2006 and for the six months ended June 30, 2007, as a result of the preliminary review of InfraSource's property and equipment. The preliminary review indicated that the fair market value of the property and equipment was approximately $18.6 million higher than InfraSource's book value. In addition, the useful lives and salvage values were increased to be consistent with Quanta's similar assets. These adjustments generated a net decrease to depreciation expense of $10.6 million and $3.2 million for the year ended December 31, 2006 and for the six months ended June 30, 2007.

(e) Represents the reclassification of certain items to conform InfraSource's presentation to Quanta's accounting policies. (See Note (h) for further explanation).

(f) Represents the adjustment to record estimated incremental non-cash stock-based compensation expense due to the increase in fair value of the InfraSource stock options and the InfraSource restricted stock based on the acquisition measurement date.

(g) Represents the adjustment to record estimated incremental amortization expense on identifiable intangible assets over their respective useful lives. The amortization of the intangible assets is based upon the estimated consumption of the economic benefits of each intangible asset or on a straight-line basis if the pattern of economic benefits consumption cannot be reliably estimated. Backlog is amortized utilizing the estimated pattern of the consumption of the economic benefit over the weighted average estimated life of 1.73 years for electrical and telecommunication projects. Customer relationships are amortized on a straight-line basis over the estimated useful life of 15 years. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," the unaudited pro forma combined statements of operations do not include goodwill amortization. The pro forma amortization expense associated with the other intangible assets recorded by Quanta for the year ended December 31, 2006, as a result of the acquisition of InfraSource is approximately $38.3 million. InfraSource's historical amortization expense of $1.0 million for the year ended December 31, 2006, associated with its intangible assets was eliminated as part of this pro forma presentation. The pro forma amortization expense associated with the other intangible assets recorded by Quanta, for the six months ended June 30, 2007, as a result of the acquisition of InfraSource is approximately $13.4 million. InfraSource's historical amortization expense of $0.2 million for the six months ended June 30, 2007, associated with its other intangible assets, was eliminated as part of this pro forma presentation. Upon completion of the third party valuation of the intangible assets as of the merger date, there exists a possibility that the final fair values of the intangible assets may change from the preliminary estimates and methods used in this pro forma presentation.

(h) Represents the elimination of the historical InfraSource interest expense of $6.2 million and the elimination of the write-off of deferred financing costs of $4.3 million for the year ended December 31, 2006 and the elimination of the historical InfraSource interest expense of $1.9 million for the six months ended June 30, 2007, as a result of the assumed repayment as of January 1, 2006 and 2007 of InfraSource's outstanding indebtedness under its credit facility pursuant to the terms of the merger agreement. Also, letter of credit fees of $0.7 million and $0.2 million for the year ended December 31, 2006 and for the six months ended June 30, 2007 have been reclassified to selling, general and administrative expenses to conform to Quanta's presentation.

(i) Represents the reduction of Quanta's historical interest income for the year ended December 31, 2006 and for the six months ended June 30, 2007, as a result of the assumed repayment as of January 1, 2006 and 2007 of InfraSource's outstanding indebtedness under its credit facility. The interest income reduction was calculated using the weighted average rate of return on Quanta's taxable investments for the year ended December 31, 2006 and for the six months ended June 30, 2007 multiplied by the estimated amounts required to repay InfraSource's average outstanding indebtedness under its credit facility of approximately $71.8 million for the year ended December 31, 2006 and $55.6 million for the six months ended June 30, 2007.

(j) Represents the adjustment to record a tax provision (benefit) on the pro forma combined income adjustments at the estimated incremental statutory income tax rate of the combined company.

(k) Represents the elimination of InfraSource's historical merger related costs of $4.1 million for the six months ended June 30, 2007, as these costs are nonrecurring and are directly attributable to the acquisition.

(l) Reflects the adjustment to convert each share of InfraSource common stock into 1.223 shares of Quanta common stock.

Note 3 — Unaudited Pro Forma Combined Earnings Per Share

The following table provides the computational data for the unaudited pro forma combined basic and diluted earnings per share for the period presented. Both the basic and diluted weighted average number of shares of InfraSource common stock outstanding have been adjusted to reflect the impact of the merger by applying the 1.223:1 exchange ratio to amounts historically reported by InfraSource (in thousands, except per share data):

	Pro Forma Earnings per Share	
	For the Year Ended December 31, 2006	For the Six Months Ended June 30, 2007
Unaudited pro forma combined income from continuing operations	$ 30,147	$ 57,615
Effect of convertible subordinated notes under the "if converted" method — interest expense addback, net of taxes	—	6,398
Net pro forma combined income from continuing operations for diluted earnings per share	$ 30,147	$ 64,013
Weighted average shares outstanding for basic earnings per share	165,650	167,757
Effect of dilutive stock options and restricted stock	1,578	1,487
Effect of convertible subordinated notes under the "if converted" method — weighted convertible share issuable	—	30,652
Weighted average shares, outstanding for diluted earnings per share	167,228	199,896
Pro forma combined basic earnings per share from continuing operations	$ 0.18	$ 0.34
Pro forma combined diluted earnings per share from continuing operations	$ 0.18	$ 0.32

The unaudited pro forma combined basic and diluted earnings per share do not purport to be indicative of the actual results that would have been achieved by the combined company for the periods presented or that will be achieved by the combined company in the future.