MYR GROUP INC
Form 424B3
November 13, 2008

FILE NO. 333-148864
FILED UNDER RULE 424(b)(3)

PROSPECTUS SUPPLEMENT No. 4
to Prospectus dated August 12, 2008

MYR GROUP INC.

This prospectus supplement supplements the prospectus dated August 12, 2008, as supplemented, relating to the resale of up to 19,690,777 shares of our common stock by certain of our stockholders. The prospectus was filed as part of our Registration Statement on Form S-1 (File No. 333-148864).

MYR Group Inc. Quarterly Report on Form 10-Q for the Nine Months Ended September 30, 2008

MYR Group Inc.'s ("MYR") Quarterly Report on Form 10-Q for the nine months ended September 30, 2008 filed with the Securities and Exchange Commission is set forth below commencing after this cover page.

Investing in our common stock involves risks. You should read the section of our Prospectus entitled "Risk Factors" beginning on page 13 and page 39 of each of our Quarterly Reports on Form 10-Q for the six months ended June 30, 2008 and the nine months ended September 30, 2008, respectively, for discussion of certain risk factors that you should consider before investing in our common stock.

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

You should rely on information contained in this prospectus supplement, the prospectus or in any related free writing prospectus filed with the Securities and Exchange Commission and used or referred to in an offering to you of these securities. Neither we nor the selling stockholders have authorized anyone to provide you with different information. The selling stockholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus supplement is accurate as of any date other than the date on the front of this prospectus supplement.

November 13, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 1-083257

MYR GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-3158643**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Three Continental Towers **1701 West Golf Road** **Suite 1012** **Rolling Meadows, IL**	**60008-4007**
(Address of principal executive offices)	(Zip Code)

(847) 290-1891

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of November 12, 2008 there were 19,712,811 outstanding shares of the registrant's $0.01 par value common stock.

WEBSITE ACCESS TO COMPANY'S REPORTS

MYR Group Inc.'s internet website address is *www.myrgroup.com*. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act will be available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission.

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MYR Group Inc.

Unaudited Condensed Consolidated Balance Sheets

As of December 31, 2007 and September 30, 2008

(in thousands of dollars, except share data)	As of December 31, 2007	As of September 30, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 34,547	$ 23,019
Accounts receivable, net of allowances of $1,213 and $1,752, respectively	99,570	107,225
Costs and estimated earnings in excess of billings on uncompleted contracts	27,851	34,199
Construction materials inventory		270
Deferred income tax assets	10,110	10,263
Receivable for insurance claims in excess of deductibles	7,358	9,029
Refundable income taxes	5,136	
Other current assets	2,315	2,317
Total current assets	186,887	186,322
Property and equipment, net of accumulated depreciation of $10,791 and $18,385 respectively	57,609	70,204
Goodwill	46,599	46,599
Intangible assets, net of accumulated amortization of $884 and $1,135, respectively	12,208	11,957
Other assets	2,488	2,330
Total assets	$ 305,791	$ 317,412
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 30,834	$ 25,910
Billings in excess of costs and estimated earnings on uncompleted contracts	35,880	35,560
Accrued self insurance	30,409	35,362
Other current liabilities	37,638	33,340
Total current liabilities	134,761	130,172
Long term debt, net of current maturities	30,000	30,000
Deferred income tax liabilities	8,662	8,665
Other liabilities	1,432	915
Total liabilities	174,855	169,752
Commitments and contingencies		
Stockholders' equity		
Preferred stock $0.01 par value per share; 4,000,000 authorized shares; none issued and outstanding at December 31, 2007 and September 30, 2008		
Common stock $0.01 par value per share; 100,000,000 authorized shares; 34,229,576 and 19,712,811 shares issued and 19,712,811 and 19,712,811 shares outstanding at December 31, 2007, and at September 30, 2008, respectively	342	197
Additional paid-in capital	315,732	141,059

Retained earnings (accumulated deficit)		(9,630)		6,404
Treasury stock, at cost (14,516,765 and 0 shares, respectively)		(175,508)		
Total stockholders' equity		130,936		147,660
Total liabilities and stockholders' equity	$	305,791	$	317,412

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

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MYR Group Inc.

Unaudited Condensed Consolidated Statements of Operations

Three and Nine months ended September 30, 2007 and 2008

(in thousands of dollars, except share and per share data)	Three months ended September 30, 2007	Three months ended September 30, 2008	Nine months ended September 30, 2007	Nine months ended September 30, 2008
Contract revenues	$ 154,515	$ 178,858	$ 453,915	$ 462,791
Contract costs	135,531	153,580	403,714	397,345
Gross profit	18,984	25,278	50,201	65,446
Selling, general and administrative expenses	12,994	13,382	35,401	37,536
Amortization of intangible assets	84	84	685	251
Gain on sale of property and equipment	(281)	(72)	(514)	(557)
Income from operations	6,187	11,884	14,629	28,216
Other income (expense)				
Interest income	300	179	953	838
Interest expense	(411)	(393)	(696)	(1,309)
Other, net	(99)	(52)	(167)	(159)
Income before provision for income taxes	5,977	11,618	14,719	27,586
Income tax expense	2,450	5,005	6,161	11,552
Net income	$ 3,527	$ 6,613	$ 8,558	$ 16,034
Income per common share:				
Basic	$ 0.21	$ 0.34	$ 0.52	$ 0.81
Diluted	$ 0.21	$ 0.32	$ 0.52	$ 0.77
Weighted average number of common shares and potential common shares outstanding:				
Basic	16,446,842	19,712,811	16,446,842	19,712,811
Diluted	16,446,842	20,696,419	16,446,842	20,712,231

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

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MYR Group Inc.

Unaudited Condensed Consolidated Statements of Stockholders' Equity

Nine months ended September 30, 2008

(in thousands of dollars)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total
Balance at January 1, 2008	$	$ 342	$ 315,732	$ (9,630)	$ (175,508)	$ 130,936
Net income				16,034		16,034
Retirement of outstanding treasury stock		(145)	(175,363)		175,508	
Stock-based compensation expenses related to awards			688			688
Payment received on note from stockholder			2			2
Balance at September 30, 2008	$	$ 197	$ 141,059	$ 6,404	$	$ 147,660

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

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MYR Group Inc.

Unaudited Condensed Consolidated Statements of Cash Flows

Three and Nine months ended September 30, 2007 and 2008

	Three months ended September 30,		Nine months ended September 30,	
(in thousands of dollars)	**2007**	**2008**	**2007**	**2008**
Cash flows from operating activities				
Net income	$ 3,527	$ 6,613	$ 8,558	$ 16,034
Adjustments to reconcile net income to net cash flows provided by operating activities				
Depreciation	2,386	2,700	7,438	7,829
Amortization of intangible assets	84	84	685	251
Stock-based compensation expense related to awards		229		688
Other non-cash items	81	22	540	64
Deferred income taxes	(96)	(150)	(1,174)	(150)
Gain on sale of property and equipment	(281)	(72)	(514)	(557)
Changes in operating assets and liabilities				
Accounts receivable, net	569	(15,866)	(16,398)	(7,655)
Costs and estimated earnings in excess of billings on uncompleted contracts	6,029	(8,540)	(4,175)	(6,348)
Construction materials inventory	6,382	753		(270)
Receivable for insurance claims in excess of deductibles	106	(2,014)	1,654	(1,671)
Other assets	3,389	1,271	4,210	5,228
Accounts payable	(8,672)	3,981	(501)	(2,911)
Billings in excess of costs and estimated earnings on uncompleted contracts	(4,156)	3,050	11,392	(320)
Accrued self insurance	103	4,427	(1,071)	4,953
Other liabilities	(1,059)	7,293	(4,799)	(259)
Net cash flows provided by operating activities	8,392	3,781	5,845	14,906
Cash flows from investing activities				
Proceeds from sale of property and equipment	401	74	634	1,578
Purchases of property and equipment	(4,400)	(6,276)	(21,926)	(23,458)
Net cash flows used in investing activities	(3,999)	(6,202)	(21,292)	(21,880)
Cash flows from financing activities				
Proceeds on term loan	50,000		50,000	
Equity financing costs		(280)		(2,258)
Debt issuance costs	(457)		(457)	
Payment on note payable to FirstEnergy				(2,298)
Notes receivable from purchase of common stock	(16)		128	2
Dividends paid	(50,000)		(50,000)	
Net cash flows used in financing activities	(473)	(280)	(329)	(4,554)
Increase (decrease) in cash and cash equivalents	3,920	(2,701)	(15,776)	(11,528)
Cash and cash equivalents				
Beginning of period	6,527	25,720	26,223	34,547
End of period	$ 10,447	$ 23,019	$ 10,447	$ 23,019

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

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MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands of dollars, except share and per share data)

1. Organization and Business

MYR Group Inc. (the "Company") consists of the following wholly owned subsidiaries: The L. E. Myers Co., a Delaware corporation; Hawkeye Construction Inc., an Oregon corporation; Harlan Electric Company, a Michigan corporation; Sturgeon Electric Company, Inc., a Michigan corporation; MYRcom, Inc., a Delaware corporation; ComTel Technology, Inc., a Colorado corporation; MYRpower, Inc., a Delaware corporation and Great Southwestern Construction, Inc., a Colorado corporation.

The Company performs construction services in two business segments: Transmission and Distribution ("T&D"), and Commercial and Industrial ("C&I"). T&D customers include more than 125 electric utilities, cooperatives and municipalities nationwide. The Company's broad range of services includes design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair throughout the continental United States. The Company also provides C&I electrical contracting services to facility owners and general contractors in the western United States.

2. Basis of Presentation

Interim Condensed Consolidated Financial Information

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with Accounting Principles Board ("APB") No. 28, *Interim Financial Reporting*, and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not include all the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the financial position of the Company as of September 30, 2008, and the results of operations, changes in stockholders' equity and cash flows for the three and nine months ended September 30, 2007 and 2008. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results for the full year or the results for any future periods. The condensed consolidated balance sheet as of December 31, 2007 has been derived from the audited financial statements as of that date. It is suggested that these condensed financial statements be read in conjunction with the audited financial statements and related footnotes for the year ended December 31, 2007, included in the Company's Form S-1, as amended.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. The most significant estimates are related to the accounts receivable reserve, estimates to complete on contracts, self insurance reserves, valuation allowance on deferred income taxes, tax reserves, recoverability of

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MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

2. Basis of Presentation (Continued)

goodwill and intangibles and estimates surrounding stock-based compensation. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes methods used to measure fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal periods. In February 2008, the FASB issued FASB Staff Position No. FAS 157-1, *Application of FASB Statement* No. *No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,* ("FSP FAS 157-1") and FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP FAS 157-2"). FSP FAS 157-1 clarifies the FASB position that SFAS No. 157 does not apply to the various accounting pronouncements that address fair value measurements of leases with the exception of assets acquired and liabilities assumed in a business combination that would be subject to measurement requirements under SFAS 141 or SFAS 141R. FSP FAS 157-1 is effective upon the adoption of SFAS No. 157. FSP FAS 157-2 defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for all nonfinancial assets and nonfinancial liabilities. The partial adoption of SFAS No. 157 effective January 1, 2008 did not have a material impact on our consolidated financial statements. The adoption of the remaining provisions of SFAS No. 157 and FSP FAS 157-1 on January 1, 2009 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*. SFAS No. 141R will require an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of SFAS No. 141R on January 1, 2009 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Also, in December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. SFAS No. 160 is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The adoption of SFAS No. 160 on January 1, 2009 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities An Amendment to FASB Statement No. 133*. SFAS No. 161 enhances required disclosures regarding derivatives and hedging activities. SFAS No. 161 is effective for fiscal years and

MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

2. Basis of Presentation (Continued)

interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 on January 1, 2009 is not expected to have a material impact on the Company's consolidated financial position, result of operations or cash flows.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*. FSP FAS 142-3 improves the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007). FSP FAS 142-3 is effective for fiscal years and interim periods beginning after December 15, 2008. The adoption of FSP FAS 142-3 on January 1, 2009 is not expected to have a material impact on the Company's consolidated financial position, result of operations or cash flows.

3. Supplemental Cash Flows

Supplemental disclosures of cash flow information for the three months ended September 30, 2007 and 2008 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2008**	**2007**	**2008**
Cash paid during the period for:				
Income taxes	$3,817	$3,148	$6,296	$5,499
Interest expense	411	371	696	1,245
Noncash investing activities:				
Acquisition of property and equipment for which payment is pending		74		74

As of December 31, 2007, the Company had purchased $2,086 of property and equipment for which payment was pending, all of which was paid during the nine months ended September 30, 2008. As of September 30, 2008, the Company had $74 of additional property and equipment for which payment was pending.

4. Contracts in Process

The net asset (liability) position for contracts in process consisted of the following at December 31, 2007 and September 30, 2008 as follows:

	2007	**2008**
Cost incurred on uncompleted contracts	$772,454	$878,973
Estimated earnings	86,515	112,174
	858,969	991,147
Less: Billings to date	866,998	992,508
	$ (8,029)	$ (1,361)

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MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

4. Contracts in Process (Continued)

The net asset (liability) position for contracts in process is included in the accompanying consolidated balance sheets at December 31, 2007 and September 30, 2008 as follows:

	2007	2008
Cost and estimated earnings in excess of billings on uncompleted contracts	$ 27,851	$ 34,199
Billings in excess of costs and estimated earnings on uncompleted contracts	(35,880)	(35,560)
	$ (8,029)	$ (1,361)

5. Property and Equipment

In September 2007, the Company acquired a new parcel of land for approximately $900. The Company completed the building of a new facility in the Salt Lake City, Utah area in July 2008. As of September 30, 2008, the Company had capitalized approximately $3,151 related to the new facility.

On January 24, 2008, the Company sold an existing parcel of land in Salt Lake City, Utah for $966. The net gain resulting from the disposal of this property was approximately $47.

6. Credit Agreement

On August 31, 2007, the Company entered into a new five year syndicated credit agreement (the "2007 Credit Agreement") for an initial facility of $125,000, providing $75,000 for revolving loans and letters of credit and $50,000 for a term loan.

The 2007 Credit Agreement is collateralized by substantially all of the assets of the Company. In accordance with the terms of the agreement, as amended on April 21, 2008, the Company has the ability to increase the revolving or term loan portions of the facility up to an aggregate of $175,000 in minimum increments of $5,000. In addition, the Company has the ability to decrease the revolving commitments at any time in minimum decrements of $1,000. Company borrowings under this 2007 Credit Agreement are charged interest at the Alternate Base Rate which is the greater of the Prime Rate or the Federal Funds rate plus 0.5% and an additional 0.0% to 0.25% based on the Company's leverage ratio or LIBOR plus 1.0% to 1.75% based on the Company's leverage ratio. Upon the execution of the 2007 Credit Agreement, the Company borrowed $50,000 under the term loan facility. In December 2007, the Company repaid $20,000 of the term loan and renegotiated the repayment terms to remove the quarterly repayment schedule. The entire term loan is due on August 31, 2012. At September 30, 2008, the Company has $30,000 outstanding under the term loan at an interest rate of 4.75% and $15,000 of letters of credit outstanding under the revolving portion of the facility at an interest fee rate of 1.125%. The Company has $60,000 remaining available under the revolving portion of the 2007 Credit Agreement at September 30, 2008.

The 2007 Credit Agreement is guaranteed by certain material subsidiaries of the Company ("Guarantor Subsidiaries"). The Guarantor Subsidiaries are all wholly-owned subsidiaries and are composed of the following entities: Harlan Electric Company, The L. E. Myers Co., Hawkeye Construction, Inc., Sturgeon Electric Company, Inc., and Great Southwestern Construction, Inc. All

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MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

6. Credit Agreement (Continued)

non-guarantor subsidiaries are considered immaterial to the Company. The guarantees are full, unconditional, joint and several. There are no restrictions on the subsidiary guarantees and the Company does not own independent assets or operations. The Company is subject to certain financial covenants under the 2007 Credit Agreement: a leveraged debt ratio and a minimum interest coverage test. At September 30, 2008, the Company was in compliance with all covenants.

Additional borrowings and the issuance of additional letters of credit under the 2007 Credit Agreement are subject to certain continuing representations and warranties by the Company, including the absence of any development or event which has had or could reasonably be expected to have a material adverse effect to the Company's business or its financial condition.

7. Income Taxes

The difference between the U.S. federal statutory tax rate of 35% and the Company's effective tax rates for the three and nine month periods ended September 30, 2007 and 2008 is principally due to state income taxes.

The Company adopted the provisions of FASB Interpretation ("FIN") No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. The adoption of FIN No. 48 did not have a material effect on the Company's financial statements. For the nine months ended September 30, 2008, the Company recorded an additional $123 in unrecognized tax benefits related to current year positions. The Company's policy is to recognize interest and penalties related to income tax liabilities as a component of income tax expense in the consolidated statements of operations. The Company does not anticipate that total unrecognized tax benefits will change significantly in the future.

The Company is subject to taxation in various jurisdictions. The Company continues to remain subject to examination by U.S. federal authorities for the years 2004 through 2007 and for various state authorities for the years 2003 through 2007.

8. Related Party Transactions

The consolidated financial statements for the three and nine months ended September 30, 2007 include legal costs of $7 and $389, respectively, incurred on behalf of the Company by ArcLight, its former parent. These costs have been included in the Company's selling, general and administrative expenses and as a contribution to capital by ArcLight. There were no such costs incurred during the three and nine months ended September 30, 2008.

At December 31, 2007, the Company had a stockholder note receivable outstanding of $2, which was reflected as a reduction to stockholders' equity. During the nine months ended September 30, 2008, the Company received a cash payment to settle this note.

9. Commitments and Contingencies

Letters of Credit

At December 31, 2007 and September 30, 2008 the Company had one outstanding irrevocable standby letter of credit totaling $15,000, at each date, related to the Company's payment obligation under its insurance programs.

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MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

9. Commitments and Contingencies (Continued)

On July 12, 2006, the Company issued an irrevocable standby letter of credit for $12,000 to its bonding company, which expired on March 25, 2008. The bonding company permanently eliminated the requirement of the Company to post letters of credit as collateral to guarantee performance under the various contracts and to ensure payment to the Company's suppliers and subcontractors.

Leases

The Company leases real estate and construction equipment under operating leases with terms ranging from one to five years. Future minimum lease payments for these operating leases subsequent to September 30, 2008 are $2,811 for the remainder of 2008, $9,140 for 2009, $6,729 for 2010, $3,768 for 2011, $1,655 for 2012, and $252 thereafter.

The Company has guaranteed the residual value of the underlying assets under certain equipment operating leases at the date of termination of such leases. The Company has agreed to pay any differences between this residual value and the fair market value of each underlying asset as of the lease termination date. As of September 30, 2008, the maximum guaranteed residual value was approximately $3.3 million. The Company does not believe that significant payments will be made as a result of the difference between the fair market value of the leased equipment and the guaranteed residual value. However, there can be no assurance that future payments will not be required.

Total rent expense for the three months ended September 30, 2007 and 2008 was $7,341 and $6,947, respectively. Total rent expense for the nine months ended September 30, 2007 and 2008 was $23,579 and $21,613, respectively.

Self Insurance

The Company has a self-insured retention for the following policies: workers' compensation, general liability and automobile liability. The Company's deductible for each line of coverage is the first $1,000 per claim up to the claim aggregate amount as defined per each policy. The claim aggregate for each policy is calculated as the cumulative excess over the first $500 of each claim incurred, up to the deductible amount per claim. The claim aggregate amount for each policy is as follows: $1,500 for workers' compensation, $1,500 for general liability and $1,000 for automobile liability. Once a policy's claim aggregate is reached per line of coverage, the deductible for that policy is reduced to $500 per claim.

Health insurance benefits are subject to a $100 deductible for qualified individuals. Losses up to the stop loss amounts are accrued based upon the Company's estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported.

The insurance accruals are based on known facts, actuarial estimates and historical trends. While recorded accruals are based on the ultimate liability, which includes amounts in excess of the stop loss deductible, a corresponding receivable for amounts in excess of the stop loss deductible are recorded in the accompanying consolidated balance sheets.

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MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

9. Commitments and Contingencies (Continued)

Employment Agreements

In December 2007, the Company entered into employment agreements with six executive officers (each an "Employment Agreement"). The Employment Agreements generally terminate upon a named executive officer's (a) death, (b) disability, (c) termination for "cause" or without "good reason" (as both are defined in the Employment Agreements), (d) termination without cause or for good reason or (e) termination without cause or for good reason following a "change of control" (as defined in the Employment Agreements). If termination results from any of the foregoing, each named executive officer would be entitled to all compensation earned and all benefits and reimbursements due through the date of termination. As of September 30, 2008, the Company had a contingent termination payment liability of approximately $1,462 related to the Employment Agreements which is included in other current liabilities in the consolidated balance sheet. No adjustments to this liability have been recorded during the nine months ended September 30, 2008. While the ultimate liability upon termination varies based upon the circumstances related to the termination, the Company has recorded the amount the named executive officers have full eligibility to receive under the Employment Agreements if they terminate employment without cause or for good reason at any time. As of September 30, 2008, no named executive officer had exercised that right.

Surety Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its future performance on contractual commitments. The Company has indemnified its sureties for any expenses paid out under these performance bonds. As of September 30, 2008, the total amount of outstanding performance bonds was approximately $358,343, and the estimated cost to complete these bonded projects was approximately $90,126.

Litigation and Other Legal Matters

The Company is from time to time party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of business. These actions typically seek among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, the Company records reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe that any of these proceedings, separately or in the aggregate, would be expected to have a material adverse effect on the Company's financial position, results of operation or cash flows.

In 2005, one of the Company's subsidiaries was convicted of a criminal misdemeanor for a violation of certain Occupational Safety and Health Administration, or OSHA, safety regulations that occurred in 1999. The Company was assessed a fine of $500, which is included in contract costs in the consolidated statement of operations for the year ended December 31, 2005. The Company paid the $500 fine in 2005. The subsidiary was sentenced to a three-year probation period, as currently in effect, which ends December 8, 2008. The Company believes that it is in compliance with the terms of the probation. The Company has appealed this decision, but cannot predict whether the appeal will be successful. The conviction and subsequent probation have not had a material impact on the subsidiary

MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

9. Commitments and Contingencies (Continued)

or on the Company generally and the Company does not believe either will have a material adverse effect on the Company or the subsidiary in the future.

Liability Settlement

In June 2008, the Company settled an outstanding liability with its former parent, FirstEnergy for $2,498. The amount of this liability at December 31, 2007 was $2,501, which was included in other current liabilities in the accompanying consolidated balance sheet. This liability related to the sale of a subsidiary, whereby the Company owed FirstEnergy for the amounts collected on a note receivable from the purchaser. As part of the final settlement agreement, FirstEnergy agreed to give the Company a $200 credit for reimbursement of certain administrative costs surrounding the sale of the subsidiary and the subsequent monitoring of certain provisions. In June 2008, the Company paid FirstEnergy a net amount of $2,298, of which the credit of $200 and the remaining amount of the liability of $3 were recorded as reductions to selling, general and administrative expenses in the accompanying consolidated statement of operations.

10. Stockholders' Equity

Management Stockholders Agreement

The Company and its former owners entered into a management stockholders agreement that provided certain members of management the right to purchase common shares of the Company's common stock. The Company has imputed an 8% rate of return on the purchase price of the management shares and recorded compensation expense of $65 and $142 for the three and nine months ended September 30, 2007, respectively, which is included in selling, general and administrative expenses in the consolidated statement of operations.

In December 2007, the management stockholders agreement was amended to eliminate the 8% annual rate of return provision, as well as the Company's obligation to repurchase shares. As a result of the amendment, the Company adjusted the liability related to the management shares subject to redemption to stockholders' equity in the consolidated balance sheet. This adjustment was treated as a liability-to-equity modification on an award under SFAS 123R, whereby the Company changed the classification of the management shares subject to redemption from a liability-classified award to an equity-classified award, recognizing compensation expense in the fourth quarter of 2007. Therefore, no compensation expense related to this agreement has been recorded for the three and nine months ended September 30, 2008.

Treasury Stock

On January 19, 2008, the Company retired 14,516,765 shares of the Company's treasury stock, resulting in the elimination of treasury stock, a reduction in the par value of common stock of $145 and a reduction in additional paid-in-capital of $175,363.

11. Stock Option Plans

In March 2006, the Board of Directors approved the 2006 Stock Option Plan (the "2006 Plan") for the Company. Prior to December 2007 the Company recognized no cost associated with the 2006 Plan

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MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

11. Stock Option Plans (Continued)

as the Company assessed the probability of meeting performance conditions associated with these awards at 0%. In December 2007, the Company modified the outstanding stock option awards granted under the 2006 Plan by accelerating the vesting of the awards to 100% and recording all compensation expense associated with these awards in the fourth quarter 2007. No other stock option grants are expected to be awarded under the 2006 Plan as it has been replaced by the new Long-Term Incentive Plan (the "LTIP").

In November 2007, the Board of Directors approved the LTIP for the Company. The LTIP provides for grants of (a) incentive stock options qualified as such under U.S. federal income tax laws, (b) stock options that do not qualify as incentive stock options, (c) stock appreciation rights, (d) restricted stock awards, (e) performance awards, (f) phantom stock, (g) stock bonuses, (h) dividend equivalents, or (i) any combination of such awards. The LTIP permits the granting of 2,000,000 shares to directors, officers and employees of the Company.

The Company did not grant any options during the nine months ended September 30, 2008. The Company recognized stock compensation expense related to all stock options granted under the LTIP of approximately $229 and $688 for the three and nine months ended September 30, 2008, respectively, which is included in selling, general and administrative expenses in the consolidated statement of operations.

As of September 30, 2008, there was approximately $2,942 of total unrecognized compensation cost related to stock options granted under the LTIP. This remaining cost is expected to be recognized over a weighted average period of 3.22 years. Total unrecognized compensation cost will be adjusted for any future changes in estimated and actual forfeitures.

The Company used the Black-Scholes-Merton option-pricing model to estimate the fair value of each LTIP stock option grant as of the date of grant. The resulting compensation cost for fixed awards with graded vesting schedules is amortized on a straight-line basis over the vesting period for the entire award. The expected term of awards granted under the LTIP has been determined using the simplified method as outlined in the applicable SFAS No. 123R guidance (SAB No. 107, as amended by SAB No. 110), as the Company does not have sufficient historical exercise data due to the limited period of time that its equity shares have been publically-traded. The expected volatility is determined based on the average of comparable public companies, deemed competitors of the Company, historical stock prices over the most recent period commensurate with the expected term of the award. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term commensurate with the expected term of the award.

The fair value of each option granted has been estimated on the applicable grant using the Black-Scholes-Merton option-pricing model with the following weighted-average assumptions:

	Weighted Average
Expected stock price volatility	50.0%
Risk free interest rate	3.67%
Expected dividend yield	0.0%
Expected life of options	6.25 years

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MYR Group Inc.

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

(in thousands of dollars, except share and per share data)

11. Stock Option Plans (Continued)

A summary of the activity relating to the outstanding options of the Company under the various stock option plans for the nine months ended September 30, 2008 is presented below.

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding, December 31, 2007	1,913,673	$ 6.29		
Options granted				
Options exercised				
Options forfeited	(9,731)	$ 5.57		
Options outstanding, September 30, 2008	1,903,942	$ 6.29	8.1 years	$ 12,304
Exercisable at September 30, 2008	1,365,942	$ 3.65	7.7 years	$ 12,304

The aggregate intrinsic value above represents the total pre-tax intrinsic value which would have been received by our stock option holders had all option holders exercised their options as of that date. The stock price used to calculate the pre-tax intrinsic value was $12.66, which was the last trading price on or before September 30, 2008.

The following table summarizes information with respect to all stock options outstanding under all of our share-based compensation plans as of September 30, 2008:

	Options Outstanding			Options Exercisable	
Exercise Price Ranges	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Number of Options	Weighted-Average Exercise Price
$3.65 - $3.87	1,365,942	$ 3.65	7.7 years	1,365,942	$ 3.65
$13.00	538,000	13.00	9.2 years		
	1,903,942	$ 6.29	8.1 years	1,365,942	$ 3.65

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MYR Group Inc.

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12. Segment Information

The information in the following table for the three and nine months ended September 30, 2007 and 2008 is derived from the segment's internal financial reports used for corporate management purposes.

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2008**	**2007**	**2008**
Contract revenues:				
T&D	$113,364	$134,267	$331,546	$338,800
C&I	41,151	44,591	122,369	123,991
	$154,515	$178,858	$453,915	$462,791
Operating income (loss):				
T&D	$ 10,190	$ 14,305	$ 22,477	$ 34,262
C&I				