AMERICAN GRIDWORK PARTNERS

Retrofit, Not Ground-Up: How We Manage Data Center Risk

October 2026 · Benjamin Krall, President

The question I get most from investors right now: how much risk is the portfolio taking by signing data center contracts? The short answer is that we have been deliberate about how we enter this market. We are in an early but exciting stage of the AI infrastructure buildout, and we have positioned for it carefully.

The portfolio as a whole is working on hyperscaler data centers, and we target retrofit projects, not ground-up new builds. We convert existing manufacturing sites that already have power, water and industrial zoning. We come in early, before a tenant is signed, and we are paid by the real estate owner. The rest of this letter explains why that positioning matters, and why data centers are only one small piece of what the AI buildout requires.

The headlines versus the construction data

If you only read the news, you would think the data center boom is falling apart. The Financial Times counts at least 47 major U.S. projects delayed or canceled this year, and Heatmap puts canceled investment above $260 billion. Several of you have asked whether our portfolio is exposed.

Here is the same year measured in concrete and steel. Data center construction spending hit a record annualized rate of $75.2 billion in July, up roughly 57% year over year, while total U.S. construction spending fell 3.8%. CBRE counts a record 7,481 MW under construction across the primary North American markets, and more than 80% of it is already pre-leased.

The cancellations are real, but look at why they happen. Heatmap ties them to sustained local opposition, and Data Center Watch counted 75 projects worth roughly $130 billion blocked or delayed by local pushback in Q1 alone. These are mostly greenfield fights over farmland, rezoning and new transmission lines. That distinction is the whole point of this letter.

AI does not equal data centers

The biggest misconception in this market is that the AI buildout means data centers. It does not. AI is software: models that learn from data and answer questions. Those models run on specialized chips, and a data center is the building that houses, powers and cools those chips while they train and run the models.

The data center is one component. Everything that feeds it, connects it and puts its output to work in the physical world is the rest of the buildout.

WHAT “AI INFRASTRUCTURE” ACTUALLY MEANS

- Not software. Physical construction.
- Land development, underground utilities, generation, substations, transformers, transmission, distribution, data centers and fiber.
- The factories, warehouses and plants that will run on AI and robotics, and the power, controls and automation they need.
- The digital economy is entirely dependent on the physical economy.

THE SCALE

- A Brookings study projects $10.3 trillion in U.S. AI and related infrastructure investment from 2025 to 2032, about 3.6% of annual GDP.
- That covers chips, buildings, networking and power, and assumes AI campus capacity grows from about 57 GW today to roughly 183 GW by 2032.
- The Wall Street Journal called it the biggest economic bet in U.S. history. Relative to GDP, it is larger than the canal, railroad or electrification booms. The railroad expansion, the previous record, peaked at about 2.2% of GDP.

A large share of that spend goes to the power, grid, fiber and sites around the data center, not the building itself. That is the work our portfolio is built for.

The installed base needs rebuilding too

The United States had roughly 5,400 operating data centers as of 2024, about 45% of the world’s total. The vast majority were designed for cloud storage, websites and enterprise computing, well before ChatGPT took off in 2023.

Those facilities were not built for AI. AI servers can draw roughly ten times the power of traditional hardware, and they need cooling that older buildings were never designed to deliver. Every one of these sites is a candidate to be retrofitted, upgraded or rebuilt with new power, electrical distribution and cooling.

That is a second retrofit market sitting alongside the manufacturing conversions. It requires no new land, no rezoning and no tenant risk, because the operator already owns the building and the customers.

We are paid first because we arrive first

The worry we hear most is that contractors on data center jobs are last in line to get paid. That is not the phase we work in. We typically enter before a tenant is signed, during the buildout of the real estate itself.

At that stage our client is the landowner or developer. Before they can attract a hyperscale tenant, they have to prove the site has the power and water to support one. Substation work, utility upgrades, site prep and cooling infrastructure come first, and the owner funds that work to make the asset leasable.

The Hawesville, Kentucky campus shows the sequence. Fluor signed a limited notice to proceed for master planning and pre-construction on the former smelter site, and only months later did Anthropic sign a 20-year lease. The infrastructure work started before the tenant existed. That is where we sit.

Our focus: converting existing manufacturing sites

All four hyperscaler data center projects the portfolio is working on today are retrofits: existing manufacturing sites being converted into data centers. This is deliberate. The projects getting canceled are mostly greenfield, and the projects getting built faster are increasingly brownfield. Three reasons.

1. **Less regulation.** A plant that ran for decades already has the industrial zoning, transmission lines, substation and water connections a baseline data center needs. The owner is not asking a county for something new. Washington agrees: an executive order directed the EPA to identify brownfield sites for data centers, and the agency issued redevelopment guidance in January.
2. **No community uprising.** These sites have been loud, lit and running trucks for 40 or 50 years. A data center is no change in behavior for the neighbors, and often a quieter one. In Hawesville, local officials noted the new campus will use about the same power the smelter did and less water.
3. **A faster path to power.** Power, not construction, is the bottleneck in this industry. A conversion skips the multi-year interconnection queue and most of the approvals fight, so crews mobilize sooner and the project reaches energization sooner.

The result is a project that is less likely to be stopped and more likely to stay funded. That is the profile of work we want.

The model in practice

Anthropic in Memphis, Tennessee. Colossus 1 was built inside a former Electrolux appliance plant in South Memphis, and the empty industrial building is what allowed such a fast conversion. In May, Anthropic took over the entire facility as sole tenant, gaining more than 300 MW of capacity within a month.

Anthropic in Hawesville, Kentucky. TeraWulf bought the idle Century Aluminum smelter in February. The site came with about 480 MW of grid-connected power, an energized substation and 250 buildable acres. By July, Anthropic had signed a 20-year lease worth about $19 billion, with first capacity due in the second half of 2027. This is about 30 miles from Lark’s home office in Owensboro.

Our work with AWS in Kentucky. We are building water cooling systems for Amazon Web Services in Kentucky. Cooling is where retrofits need the most new work: an old plant has the power and the water, but not the heat rejection that dense AI computing requires.

The real prize: recurring service contracts

Retrofit and infrastructure work gets us on the site. Our real goal is what comes after: long-term service contracts on these data centers, especially the electrical.

A data center runs 24 hours a day, 365 days a year, and a single outage can cost an operator millions. Its switchgear, transformers, backup power, generators and cooling plants need constant inspection, testing, maintenance and upgrades for the life of the building. The contractor who installed that equipment knows it best and is first in line to maintain it.

Construction is a one-time payment. Service is recurring revenue at higher margins, for the life of a lease that often runs 20 years. It is the same model Lark already runs inside factories, where our electricians work on site every day under recurring maintenance contracts. Over time, the service opportunity on these sites will be far larger than the build.

Data centers are a slice, not the strategy

Data center work is about 10% of our projected revenue for next year. The other 90% is the work this platform was built for: EV and energy infrastructure, power and water grids, plant manufacturing and industrial automation, and the modernization of existing buildings.

We will keep taking data center work where it fits our rules: early in the project, paid by the owner, on sites that already have power. As a United States-based infrastructure platform, our job is to be on the right side of where America is actually building, not where the headlines say it might.

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