

REGISTRATION NO. 333-42957

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1  
TO  
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

QUANTA SERVICES, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	1731	74-2851603
(STATE OR OTHER	(PRIMARY STANDARD INDUSTRIAL	(I.R.S. EMPLOYER
JURISDICTION OF	CLASSIFICATION CODE NUMBER)	IDENTIFICATION NUMBER)
INCORPORATION OR		
ORGANIZATION)		

JOHN R. COLSON  
CHIEF EXECUTIVE OFFICER  
3555 TIMMONS LANE  
SUITE 610  
HOUSTON, TEXAS 77027  
(713) 629-7600

(NAME AND ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA  
CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES AND AGENT FOR SERVICE)

COPIES TO:

JAMES S. RYAN, III  
BRAD L. WHITLOCK  
JACKSON WALKER L.L.P.  
901 MAIN STREET  
SUITE 6000  
DALLAS, TEXAS 75287  
(214) 953-6000

STEPHEN A. RIDDICK  
PIPER & MARBURY L.L.P.  
CHARLES CENTER SOUTH  
36 SOUTH CHARLES STREET  
BALTIMORE, MARYLAND 21201  
(410) 539-2530

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If any of the securities being registered on this Form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, check the following box. ☐

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box. ☐

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR  
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT  
SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS  
REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH  
SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT  
SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID  
SECTION 8(A), MAY DETERMINE.

+ INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +  
 + REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
 + SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
 + OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
 + BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
 + THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
 + SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
 + UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +  
 + ANY SUCH STATE. +

SUBJECT TO COMPLETION

DATED JANUARY 26, 1998

5,000,000 Shares

[LOGO FOR QUANTA SERVICES, INC. APPEARS HERE]

Common Stock

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All of the 5,000,000 shares of Common Stock, \$0.00001 par value (the "Common  
 Stock"), offered hereby are being offered by Quanta Services, Inc. (the  
 "Company"). The Company was founded in August 1997 to acquire four companies  
 engaged in specialty electric and telecommunications infrastructure contracting  
 services (the "Founding Companies") and has conducted no operations to date.  
 Prior to this offering, there has been no public market for the Common Stock.  
 It is currently estimated that the initial public offering price will be  
 between \$8.00 and \$10.00 per share. See "Underwriting" for a discussion of the  
 factors to be considered in determining the initial public offering price. The  
 Common Stock has been approved for listing, subject to notice of issuance, on  
 The New York Stock Exchange (the "NYSE") under the symbol "PWR". Of the net  
 proceeds to the Company from the sale of the Common Stock offered hereby, \$21.0  
 million will be paid to the stockholders of the Founding Companies in  
 connection with the acquisition of the Founding Companies. See "Use of  
 Proceeds."

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THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK.  
 SEE "RISK FACTORS" BEGINNING ON PAGE 9.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND  
 EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR  
 ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION  
 TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>  
 <CAPTION>

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO COMPANY (1)
<S>	<C>	<C>	<C>
Per Share.....	\$	\$	\$
Total (2).....	\$	\$	\$

</TABLE>

- (1) Before deducting expenses of the offering payable by the Company estimated at \$2,900,000.
- (2) The Company has granted the Underwriters a 30-day option to purchase up to an additional 750,000 shares of Common Stock solely to cover over-allotments, if any. To the extent the option is exercised, the Underwriters will offer the additional shares at the Price to Public shown above. If the option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$ , \$ and \$ , respectively. See "Underwriting."

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The shares of Common Stock are offered by the several Underwriters, as stated  
 herein, subject to prior sale when, as and if delivered to and accepted by them  
 and subject to their right to reject any order in whole or in part. It is  
 expected that delivery of such shares will be made through the offices of BT

Alex. Brown Incorporated, Baltimore, Maryland, on or about ,  
1998.

BT ALEX. BROWN  
BANCAMERICA ROBERTSON STEPHENS  
SANDERS MORRIS MUNDY

The date of this Prospectus is , 1998.

[map of company headquarters and areas of business appears here]

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CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS  
THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK.  
SPECIFICALLY, THE UNDERWRITERS MAY OVER-ALLOT IN CONNECTION WITH THIS OFFERING  
AND MAY BID FOR AND PURCHASE SHARES OF THE COMMON STOCK IN THE OPEN MARKET. FOR  
A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

<TABLE>  
<CAPTION>

<S> <C>

Photo of Fiber Optic Cable Photo of Stadium Lighting

Photo of Rebuild of Energized Distribution Photo of Damaged  
Lines Utilizing Specialized Robotic Arm Transmission Tower

</TABLE>

<TABLE>  
<CAPTION>

<S> <C>

Photo of Erection of 500,000 Volt Tower Photo of Installation of Transmission Lines

Photo of Installation of Underground  
Distribution System

</TABLE>

## PROSPECTUS SUMMARY

Concurrently with the closing of the offering made hereby (the "Offering"), Quanta Services, Inc. plans to acquire, in separate transactions (collectively, the "Acquisitions"), in exchange for consideration including shares of its Common Stock, four businesses: PAR Electrical Contractors, Inc. ("PAR"), Union Power Construction Company ("Union Power"), TRANS TECH Electric, Inc. ("TRANS TECH") and Potelco, Inc. ("Potelco") and, together with PAR, Union Power and TRANS TECH, the "Founding Companies"). Unless otherwise indicated, references herein to "Quanta" mean Quanta Services, Inc. and references to the "Company" mean Quanta and the Founding Companies collectively.

The following summary is qualified in its entirety by the detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, the information and share and per share data in this Prospectus (i) give effect to the Acquisitions, (ii) assume the Underwriters' over-allotment option is not exercised and (iii) give effect to a 1,613,6016-for-1 stock split of the Common Stock effected in December 1997.

### THE COMPANY

Quanta was founded in August 1997 to create a leading provider of specialty electrical contracting and maintenance services primarily related to electric and telecommunications infrastructure in North America. In addition, the Company provides electrical contracting services to the commercial and industrial markets and installs transportation control and lighting systems. The Company's services include the installation, repair and maintenance of electric power transmission and distribution lines and telecommunication and cable television lines, the construction of electric substations, the erection of cellular telephone, PCS(R) and microwave towers, the installation of highway lighting and traffic control systems, design and engineering services and the provision of specialty contracting services for electric, video, security, fire, voice and data systems. The Company's customers include electric utilities, telecommunication and cable television system operators, governmental entities, general contractors and builders, owners and managers of commercial and industrial properties.

Concurrently with the closing of the Offering, Quanta will acquire the four Founding Companies, making it one of the largest providers of specialty electric and telecommunications infrastructure contracting services in its markets. The Company has a total of 13 offices in eight states and performed work in 18 states during 1996, principally in the midwest and western U.S. The Company believes that its size, geographical diversity, industry relationships, expertise in specialty services, design and engineering capability and number of skilled personnel provide the Company with significant competitive advantages. During 1996, the Company generated pro forma combined revenues, operating income and net income of \$108.1 million, \$6.5 million and \$3.1 million, respectively. During the first nine months of 1997, the Company generated pro forma combined revenues, operating income and net income of \$108.7 million, \$13.0 million and \$7.4 million, respectively.

The Company estimates that the electrical and telecommunications contracting industry generates annual revenues in excess of \$40 billion. The Company believes that it will be well-positioned to capitalize on significant trends currently affecting its industry. The Company expects that these trends, which include the continuing deregulation of utilities, the upgrading and expansion of existing infrastructure and the increased outsourcing of services to providers such as the Company, will provide significant opportunities for growth.

The Company believes that its industry is highly fragmented. According to the U.S. Census Bureau, there are more than 50,000 electrical and telecommunications contracting businesses, consisting of a small number of regional or national providers and a large number of relatively small, owner-operated businesses that have limited access to capital and that offer a limited range of services. The Company believes that

the fragmented nature of the industry presents substantial consolidation and growth opportunities for companies with a disciplined acquisition program, a decentralized operating strategy and access to financial resources required to complete acquisitions and to capitalize on industry growth opportunities.

### GROWTH STRATEGY

The Company plans to achieve its goal of becoming a leading provider of specialty electric and telecommunications infrastructure contracting services in North America by (i) implementing its operating strategy, which focuses on managing on a decentralized basis and achieving operating efficiencies, (ii) emphasizing continued internal growth and (iii) expanding through acquisitions. The key elements of the Company's strategy are:

Operating Strategy. The Company intends to manage its operations on a decentralized basis while maintaining operating and financial controls. Local management will retain responsibility for the operations, profitability and growth of its business. Certain administrative functions will be centralized following the Offering. While local management will retain control of the operations of its business, the Company's executive management will have responsibility for corporate strategy and acquisitions, financing, insurance, investor relations and employee benefit plans. In addition, by combining overlapping operations of certain of the Founding Companies, the Company expects to achieve more efficient asset utilization and realize savings in overhead and other expenses. The Company believes that its operating efficiency, financial strength, technical expertise, presence in key geographic areas and reputation for quality and reliability provide competitive advantages in bidding for, winning and executing new contracts for infrastructure projects.

Internal Growth. The Founding Companies experienced internal revenue growth at a compound annual rate of 19.0% between 1994 and 1996. The Company is focused on continuing its strong internal growth by (i) increasing the volume of services provided to existing customers, including additional volumes resulting from increased outsourcing by its customers, (ii) expanding the range of services provided to existing customers to include additional specialties, (iii) broadening its customer base to include additional businesses not presently served by the Company and (iv) geographically expanding its service area.

Acquisitions. The Company believes that the increasing trend toward the outsourcing of services to the electric and telecommunications infrastructure contracting industry will result in a competitive disadvantage for small and mid-sized companies that do not have access to capital for growth and cannot provide a broad range of specialty contracting services on a regional or national basis. In addition, the Company expects that there will continue to be a large number of attractive acquisition candidates due to the highly fragmented nature of the industry, the inability of many companies to expand and modernize due to capital constraints and the desire of owners for liquidity. The Company intends to actively pursue acquisitions of well-established companies to enter new geographic markets and expand the range of services and leverage existing operations within existing markets.

Quanta believes that the prominence and operating strength of the Company and the experience of its executive management will provide the Company with significant competitive advantages as it pursues its growth strategy.

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#### THE OFFERING

<TABLE>	
<S>	<C>
Common Stock offered hereby.....	5,000,000 shares
Common Stock to be outstanding	
after the Offering.....	15,872,333 shares(1)
Use of Proceeds.....	To pay the cash portion of the purchase price of the Founding Companies, to repay all or a portion of debt of the Founding Companies, to repay expenses incurred in connection with the organization of Quanta and the Offering and for general corporate purposes, including future acquisitions.
Proposed NYSE symbol.....	PWR
</TABLE>	
- - - - -	

- (1) Includes (i) 7,527,000 shares to be issued to the owners of the Founding Companies, (ii) 5,000,000 shares to be sold in the Offering and (iii) 3,345,333 shares of a special class of Common Stock ("Limited Vote Common Stock") issued to the initial stockholders and certain management personnel of the Company. Excludes options to purchase 1,500,000 shares of Common Stock that are expected to be granted upon consummation of the Offering at an exercise price equal to or greater than the initial public offering price. See "Management--1997 Stock Option Plan," "Certain Transactions--Organization of the Company" and "Description of Capital Stock--Common Stock and Limited Vote Common Stock."

#### ACQUISITION CONSIDERATION

The aggregate consideration to be paid by Quanta in the Acquisitions consists of approximately \$21.0 million in cash (approximately % of the net proceeds of the Offering) and 7,527,000 shares of Common Stock (collectively, the "Acquisition Consideration"). The Acquisition Consideration was determined by arms-length negotiations between Quanta and representatives of each Founding Company and was based primarily on the pro forma adjusted net income of each Founding Company. The cash portion of the Acquisition Consideration is subject to adjustment, based upon the initial public offering price. For a more detailed description of these transactions, see "Certain Transactions--

SUMMARY PRO FORMA COMBINED FINANCIAL DATA  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

Quanta will acquire the Founding Companies simultaneously with and as a condition to the consummation of the Offering. For financial statement presentation purposes, PAR has been identified as the "accounting acquiror," as its stockholders will represent the largest voting interest within the Company. The following summary unaudited pro forma combined financial data present certain data for the Company, as adjusted for (i) the effects of the Acquisitions, (ii) the effects of certain other pro forma adjustments to the historical financial statements and (iii) the consummation of the Offering and the application of the net proceeds therefrom. The unaudited pro forma combined income statement data assume that the Acquisitions, the Offering and related transactions were closed on January 1, 1996 and are not necessarily indicative of the results that the Company would have obtained had these events actually occurred then or of the Company's future results. During the periods presented below, the Founding Companies were not under common control or management and, therefore, the data presented may not be comparable to or indicative of postcombination results to be achieved by the Company. The unaudited pro forma combined financial statements should be read in conjunction with the other financial information included elsewhere in this Prospectus. See "Selected Financial Data," the Unaudited Pro Forma Combined Financial Statements and notes thereto and the historical financial statements of the Founding Companies and the notes thereto, all included elsewhere in this Prospectus.

&lt;TABLE&gt;

&lt;CAPTION&gt;

	PRO FORMA COMBINED	
	YEAR ENDED	NINE MONTHS ENDED
	DECEMBER 31, 1996	SEPTEMBER 30, 1997
<S>	<C>	<C>
STATEMENT OF OPERATIONS DATA:		
Revenues.....	\$108,143	\$108,666
Cost of services (including depreciation).....	91,769	87,296
Gross profit.....	16,374	21,370
Selling, general and administrative expenses(1).....	8,394	7,293
Goodwill amortization(2).....	1,498	1,123
Income from operations.....	6,482	12,954
Other income (expense), net(3).....	(400)	(178)
Income before income tax expense.....	6,082	12,776
Provision for income taxes(4).....	2,994	5,424
Net income.....	\$ 3,088	\$ 7,352
Net income per share.....	\$ 0.20	\$ 0.46
Shares used in computing pro forma income per share(5).....	15,835	15,835

&lt;CAPTION&gt;

	PRO FORMA	
	SEPTEMBER 30, 1997	
	COMBINED (6)	AS ADJUSTED (7)
<S>	<C>	<C>
BALANCE SHEET DATA:(8)		
Working capital (deficit).....	\$ (19,473) (9)	\$ 13,986
Total assets.....	125,842	126,126
Long-term debt, net of current maturities.....	5,421	--
Total stockholders' equity.....	56,257	95,137

&lt;/TABLE&gt;

(Footnotes on following page)

(1) The unaudited pro forma combined statement of operations data reflect an aggregate of approximately \$0.9 million and \$1.8 million for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively, in pro forma reductions in salary, bonus and benefits of the

owners of the Founding Companies to which they have agreed prospectively. Additionally, excludes the \$11.5 million non-recurring non-cash charge recognized by Quanta related to the issuance of stock to an initial stockholder and management, as a result of the issuance of such shares for nominal consideration. See Note 2 of Notes to Financial Statements of Quanta.

- (2) Reflects amortization of the goodwill to be recorded as a result of the Acquisitions over a 40-year period and computed on the basis described in the notes to the Unaudited Pro Forma Combined Financial Statements.
- (3) Reflects the reduction for interest expense of \$1.4 million and \$1.0 million for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively, attributable to the repayment of \$17.6 million of historical debt of the Founding Companies with proceeds from the Offering, net of additional interest expense discussed in Note 8 below. Additionally, reflects reductions in expenses associated with certain non-operating assets that will be transferred to the Founding Companies prior to the Acquisitions.
- (4) Assumes all pretax income before non-deductible goodwill and other permanent items is subject to an estimated 39.0% combined tax rate.
- (5) Includes (i) 7,527,000 shares of Common Stock to be issued to the owners of the Founding Companies, (ii) 3,345,333 shares of Limited Vote Common Stock issued to the initial stockholders and certain management personnel of the Company and (iii) 4,962,259 shares of the 5,000,000 shares of Common Stock to be sold in the Offering to pay the cash portion of the Acquisition Consideration, to repay expenses incurred in connection with the organization of Quanta and the Offering and to retire debt.
- (6) Reflects the Acquisitions and related transactions as if they had occurred on September 30, 1997 as described in the notes to the Unaudited Pro Forma Combined Financial Statements. The unaudited pro forma combined balance sheet data should be read in conjunction with the other financial information and historical financial statements and notes thereto included elsewhere in this Prospectus.
- (7) Reflects the closing of the Offering and the Company's application of the net proceeds therefrom to fund the cash portion of the Acquisition Consideration and to repay certain indebtedness of the Founding Companies. See "Use of Proceeds" and "Certain Transactions."
- (8) Two of the Founding Companies have historically elected S corporation status for tax purposes. Prior to the Acquisitions, these Founding Companies will make distributions to their stockholders totaling approximately \$7.8 million (the "S Corporation Distributions"). In order to fund the S Corporation Distributions, the Company will borrow approximately \$7.8 million. Accordingly, pro forma interest expense has been increased by \$0.7 million for the year ended December 31, 1996 and \$0.5 million for the nine months ended September 30, 1997 and pro forma stockholders' equity has been reduced by approximately \$7.8 million.
- (9) Includes the estimated \$21.0 million payable to owners of the Founding Companies, representing the actual cash portion of the Acquisition Consideration to be paid from a portion of the net proceeds of the Offering. The cash portion of the Acquisition Consideration will be determined based on the initial public offering price of the Common Stock offered hereby.

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SUMMARY INDIVIDUAL FOUNDING COMPANY FINANCIAL DATA  
(IN THOUSANDS)

The following table presents certain summary historical income statement data of the Founding Companies for each of their three most recent fiscal years and their nine month calendar year-to-date results for 1996 and 1997. The historical income statement data presented below have not been adjusted for the pro forma adjustments reflected in the Unaudited Pro Forma Combined Financial Statements, included elsewhere in this Prospectus. The income statement data presented below have been audited for certain of the Founding Companies and certain of the periods as reflected in the historical financial statements of such Founding Companies, included elsewhere in this Prospectus. Also, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

<TABLE>  
<CAPTION>

FISCAL YEARS ENDED(1)			NINE MONTHS ENDED SEPTEMBER 30,	
1994	1995	1996	1996	1997
-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>	<C>
PAR:					
Revenues.....	\$43,909	\$38,915	\$42,684	\$29,806	\$36,439
Income from operations.....	2,548	1,380	1,883	663	3,482
UNION POWER:					
Revenues.....	12,614	25,636	42,792	22,147	37,202
Income from operations.....	478	1,754	3,060	752	3,538
TRANS TECH:					
Revenues.....	18,807	21,397	24,414	16,575	24,278
Income from operations.....	224	824	2,140	1,592	3,229
POTELCO:					
Revenues.....	9,463	17,147	14,549	10,173	13,248
Income (loss) from operations.....	(310)	200	632	139	2,055
</TABLE>					

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(1) The fiscal years presented above are the years ended December 31, 1994, 1995 and 1996, except with respect to Union Power for which the fiscal years presented are the years ended August 31, 1995, 1996 and 1997.

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#### RISK FACTORS

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating the Company and its business before purchasing shares of Common Stock offered hereby. This Prospectus contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the following risk factors, "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this Prospectus.

**Absence of Combined Operating History.** Quanta was founded in August 1997 but has conducted no operations and generated no revenues to date. Quanta has entered into agreements to acquire the Founding Companies simultaneously with, and as a condition to, the closing of the Offering. The Founding Companies have been operating and will continue to operate as separate independent entities, and there can be no assurance that the Company will be able to integrate the operations of these businesses successfully or to institute the necessary systems and procedures, including accounting and financial reporting systems, to manage the combined enterprise on a profitable basis. In addition, there can be no assurance that the recently assembled management group will be able to successfully manage the combined entity and effectively implement the Company's operating or growth strategies. The pro forma combined financial results of the Founding Companies cover periods during which the Founding Companies and Quanta were not under common control or management and, therefore, may not be indicative of the Company's future financial or operating results. The success of the Company will depend on management's ability to integrate the Founding Companies and other companies acquired in the future into one organization in a profitable manner. The inability of the Company to successfully integrate the Founding Companies and to coordinate and integrate certain operational, administrative, banking, insurance and accounting functions and computer systems would have a material adverse effect on the Company's financial condition and results of operations and would make it unlikely that the Company's acquisition program will be successful. See "Business--Strategy" and "Management."

**Risks Related to Acquisition Strategy.** One of the Company's principal growth strategies is to increase its revenues and the markets it serves through the acquisition of additional electric and telecommunications infrastructure contracting companies. The Company expects to face competition for acquisition candidates, which may limit the number of acquisition opportunities and may lead to higher acquisition prices. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or to integrate successfully any acquired businesses into the Company without substantial costs, delays or other operational or financial problems. Further, acquisitions involve a number of special risks, including failure of the acquired business to achieve expected results, diversion of management's attention, failure to retain key personnel of the acquired business and risks associated with unanticipated events or liabilities, some or all of which could have a material adverse effect on the Company's business, financial condition and results of operations. Customer dissatisfaction or performance problems at a single acquired company could have an adverse effect on the reputation of the Company generally. In addition, there can be no assurance that the Founding Companies or other businesses acquired in the future will achieve anticipated revenues and earnings. See "Business--Strategy."

**Risks Related to Acquisition Financing.** The timing, size and success of the Company's acquisition efforts and the associated capital commitments cannot be readily predicted. The Company intends to use its Common Stock for all or a portion of the consideration for future acquisitions. If the Common Stock does not maintain a sufficient market value or potential acquisition candidates are unwilling to accept Common Stock as part of the consideration for the sale of



their businesses, the Company may be required to utilize more of its cash resources, if available, in order to pursue its acquisition program. If the Company does not have sufficient cash resources, its growth could be limited unless it is able to obtain additional

capital through future debt or equity financings. Using cash to complete acquisitions and finance internal growth could substantially limit the Company's financial flexibility, using debt could result in financial covenants that limit the Company's operations and financial flexibility, and using equity may result in dilution of the ownership interests of the then-existing stockholders of the Company. The Company has recently initiated negotiations with a group of commercial banks to provide the Company with a credit facility to be used for acquisitions, working capital and other general corporate purposes and may result in financial covenants that limit the Company's operations and financial flexibility. There can be no assurance that the Company will be able to obtain financing if and when it is needed or that, if available, it will be available on terms the Company deems acceptable. As a result, the Company may be unable to pursue its acquisition strategy successfully. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Combined Liquidity and Capital Resources" and "Business--Strategy."

**Risks Related to Operating and Internal Growth Strategies.** A key element of the Company's strategy is to increase the profitability and revenues of the Founding Companies and any subsequently acquired businesses. Although the Company intends to implement this strategy by various means, there can be no assurance that the Company will be able to do so successfully. A key component of the Company's strategy is to operate the Founding Companies and subsequently acquired businesses on a decentralized basis, with local management retaining responsibility for day-to-day operations, profitability and the internal growth of the business. If proper overall business controls are not implemented, this decentralized operating strategy could result in inconsistent operating and financial practices at the Founding Companies and subsequently acquired businesses, and the Company's overall profitability could be adversely affected. The Company's ability to generate internal earnings growth will be affected by, among other factors, its ability to expand the range of services offered to customers, attract new customers, increase the number of projects performed for existing customers, hire and retain employees, open additional facilities and reduce operating and overhead expenses. Many of these factors are beyond the control of the Company, and there can be no assurance that the Company's strategies will be successful or that it will be able to generate cash flow sufficient to fund its operations and to support internal growth. The Company's inability to achieve internal earnings growth could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Strategy."

**Management of Growth.** The Company expects to grow both internally and through acquisitions. Management expects to expend significant time and effort in evaluating, completing and integrating acquisitions and opening new facilities. There can be no assurance that the Company's systems, procedures and controls will be adequate to support the Company's operations as they expand. Any future growth also will impose significant additional responsibilities on members of senior management, including the need to identify, recruit and integrate new senior level managers and executives. There can be no assurance that such additional management will be identified and retained by the Company. To the extent that the Company is unable to manage its growth efficiently and effectively, or is unable to attract and retain additional qualified management, the Company's financial condition and results of operations could be materially adversely affected. See "Business--Strategy."

**Availability of Qualified Employees.** The Company's ability to provide high-quality services on a timely basis requires an adequate supply of skilled electricians, journeymen linemen and project managers. Accordingly, the Company's ability to increase its productivity and profitability will be limited by its ability to employ, train and retain skilled personnel necessary to meet the Company's requirements. Many companies in the Company's industry are currently experiencing shortages of qualified personnel, and there can be no assurance that the Company will be able to maintain an adequate skilled labor force necessary to operate efficiently, that the Company's labor expenses will not increase as a result of a shortage in the supply of skilled personnel or that the Company will not have to curtail its planned internal growth as a result of labor shortages. See "Business--Employees" and "--Training, Quality Assurance and Safety."

**Unionized Workforce.** Approximately 90% of the Company's employees are covered by collective bargaining agreements. Although the majority of these agreements prohibit strikes and work stoppages, there can be no assurance that

strikes or work stoppages will not occur in the future. Strikes or work stoppages and the resultant adverse impact on the Company's relationship with its customers could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company's acquisition strategy could be adversely affected because of its union status for a variety of reasons, including without limitation, incompatibility with a target's existing unions and reluctance of non-union targets to become affiliated with a union based company. See "Business--Employees."

**Competition.** The electric and telecommunications infrastructure contracting industry is highly competitive and is served by numerous small, owner-operated private companies, public companies and several large regional companies. In addition, there are relatively few, if any, barriers to entry into the market in which the Company operates and, as a result, any organization that has adequate financial resources and access to technical expertise may become a competitor to the Company, including public utilities. Competition in the industry depends on a number of factors, including price. Certain of the Company's competitors may have lower overhead cost structures and may, therefore, be able to provide their services at lower rates than the Company. In addition, some of the Company's competitors are larger and have greater resources than the Company. There can be no assurance that the Company's competitors will not develop the expertise, experience and resources to provide services that are equal or superior in both price and quality to the Company's services, or that the Company will be able to maintain or enhance its competitive position. The Company may also face competition from the in-house service organizations of its existing or prospective customers, including electric utility and telecommunications services providers, which employ personnel who perform some of the same types of services as those provided by the Company. There can be no assurance that existing or prospective customers of the Company will continue to outsource services in the future. See "Business--Competition."

**Contract Bidding Risks.** A significant portion of the Company's revenues are, and will continue to be, generated under fixed price contracts. The Company must estimate the costs of completing a particular project, and the cost of labor and materials may vary from the costs originally estimated by the Company. These variations and other risks inherent in performing fixed price contracts may result in revenue and gross profits different from those originally estimated, which could result in reduced profitability or losses on projects. Depending upon the size of a particular project, variations from estimated contract costs can have a significant impact on the Company's operating results for any fiscal quarter or year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

Certain of the Company's contracts are master service agreements pursuant to which work is assigned on a project by project basis. There is generally no obligation on the part of the Company's customers to assign work to the Company under these agreements and there can be no assurance that customers will continue to assign work to the Company. A significant decline in work assigned pursuant to these contracts could have a material adverse effect on the results of operations of the Company.

**Seasonality; Fluctuations of Quarterly Results.** The electric and telecommunications infrastructure contracting business can be subject to seasonal variations. Generally, during the winter months, demand for new projects and maintenance services may be lower due to reduced construction activity during inclement weather, while demand for electrical service and repairs may be higher due to damage caused by such weather. Additionally, the industry can be highly cyclical. As a result, the Company's volume of business may be adversely affected by declines in new projects in various geographic regions of the U.S. Quarterly results may also be materially affected by the timing of acquisitions, variations in the margins of projects performed during any particular quarter, the timing and magnitude of acquisition assimilation costs and regional economic conditions. Accordingly, the Company's operating results in any particular quarter may not be indicative of the results that can be expected for any other quarter or for

the entire year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Seasonality; Fluctuations of Quarterly Results."

**Potential Exposure to Environmental Liabilities.** The Company's operations are subject to various environmental laws and regulations, including those dealing with handling and disposal of waste products, polychlorinated biphenyls, fuel storage and air quality. As a result of past and future operations at its facilities, the Company may be required to incur remediation costs and other expenses related thereto. In addition, although the Company intends to conduct appropriate due diligence with respect to environmental matters in connection with future acquisitions, there can be no assurance that the Company will be able to identify or be indemnified for all potential environmental liabilities relating to any acquired business.

Control by Existing Management and Stockholders. Following consummation of the Acquisitions and the Offering, the Company's executive officers and directors, former stockholders of the Founding Companies and entities affiliated with them will beneficially own approximately 9.1 million shares of Common Stock and Limited Vote Common Stock, representing approximately 57.3% of the aggregate outstanding shares of Common Stock and Limited Vote Common Stock (55.0% if the Underwriters' over-allotment option is exercised in full). The initial stockholders of the Company, certain members of management and others own 3,345,333 shares of Limited Vote Common Stock. Shares of Limited Vote Common Stock are entitled to elect one member of the Company's Board of Directors and are entitled to 0.10 of one vote for each share held on all other matters on which holders of Common Stock are entitled to vote. Holders of Limited Vote Common Stock are not entitled to vote on the election of any other directors. The Company's executive officers and directors and former stockholders of the Founding Companies will control in the aggregate approximately 60.0% of all shares of Common Stock (which percentage excludes shares of Limited Vote Common Stock) and, if acting in concert, will be able to control the Company's affairs, elect all except one of the members of the Board of Directors and control the outcome of any matter submitted to a vote of stockholders. See "Principal Stockholders."

Dependence on Key Personnel. The Company's operations are dependent on the continued efforts of its executive officers and on senior management of the Founding Companies. Furthermore, the Company will likely be dependent on the senior management of companies that it may acquire in the future. Although the Company will enter into an employment agreement with each of the Company's executive officers and other key employees, there can be no assurance that any individual will continue in such capacity for any particular period of time. The loss of key personnel, or the inability to hire and retain qualified employees could have an adverse effect on the Company's business, financial condition and results of operations. The Company does not intend to carry key-person life insurance on any of its employees. See "Management."

Proceeds of Offering Payable to Affiliates. A portion of the net proceeds of this Offering will be used to pay the cash portion of the Acquisition Consideration to the owners of the Founding Companies (many of whom will become officers, directors or key employees of the Company). A portion of the remaining net proceeds will be used to repay all or some of the indebtedness of the Founding Companies, although the exact amount that will be repaid has not yet been determined. Approximately \$7.8 million of such indebtedness was incurred to make the S Corporation Distributions. Additionally, Main Street Merchant Partners II, L.P. ("Main Street") has agreed to advance to Quanta until consummation of the Acquisitions and the Offering, such funds as are necessary to effect the Acquisitions and the Offering and will be reimbursed from the proceeds of the Offering for these advances. See "Use of Proceeds" and "Certain Transactions." Additionally, the Company has entered into leases of real property and equipment with owners of certain of the Founding Companies, who will become directors of the Company following the Offering, or their respective affiliates. Because of these relationships between the parties, these leases have not been negotiated at arm's length. See "Certain Transactions."

Shares Eligible for Future Sale. Simultaneously with the closing of the Offering, the stockholders of the Founding Companies will receive, in the aggregate, 7,527,000 shares of Common Stock as a portion

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of the Acquisition Consideration for their businesses. Additionally, the initial stockholders of the Company, certain members of management and others own 3,345,333 shares of Limited Vote Common Stock. None of these shares was or will be issued in a transaction registered under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, such shares may not be sold except in transactions registered under the Securities Act or pursuant to an exemption from registration, including the exemption contained in Rule 144 under the Securities Act. When these shares become eligible for sale, the market price of the Common Stock could be adversely affected by the sale of substantial amounts of the shares in the public market. The stockholders of the Founding Companies have certain registration rights with respect to their shares to be received that may be exercised after the expiration of the two-year lock-up period described below. If such stockholders, by exercising such registration rights, cause a large number of shares to be registered and sold in the public market, such sales may have an adverse effect on the market price of the Common Stock. See "Shares Eligible for Future Sale."

Upon the closing of this Offering, the Company also expects to have outstanding options to purchase up to a total of 1,500,000 shares of Common Stock issued pursuant to the Company's 1997 Stock Option Plan (the "1997 Stock Option Plan"). The number of shares issuable pursuant to such plan is the greater of 2,380,850 shares or 15% of the outstanding Common Stock. The Company intends to register all the shares subject to these options under the Securities Act for public resale. See "Management--1997 Stock Option Plan."

The Company has agreed that it will not offer, sell or issue any shares of

Common Stock or options, rights or warrants to acquire any Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of BT Alex. Brown Incorporated, except for the grant of employee stock options and for shares issued (i) in connection with acquisitions and (ii) pursuant to the exercise of options granted under the 1997 Stock Option Plan. Further, the Company's directors, executive officers and certain stockholders who beneficially own 10,872,333 shares of Common Stock and Limited Vote Common Stock in the aggregate have agreed not to directly or indirectly offer for sale, sell or otherwise dispose of any Common Stock or Limited Vote Common Stock for a period of two years after the date of this Prospectus without the prior written consent of BT Alex. Brown Incorporated.

The Company currently intends to file a Registration Statement on Form S-1 covering up to an additional 5,000,000 shares of Common Stock under the Securities Act for its use in connection with future acquisitions. These shares generally will be freely tradeable after their issuance by persons not affiliated with the Company unless the Company contractually restricts their resale.

The effect, if any, of the availability for sale, or sale, of the shares of Common Stock eligible for future sale on the market price of the Common Stock prevailing from time to time is unpredictable, and no assurance can be given that the effect will not be adverse.

**No Prior Market; Possible Volatility of Stock Price.** Prior to the Offering, there has been no public market for the Common Stock. The initial public offering price of the Common Stock will be determined through negotiations between the Company and the representatives of the Underwriters and may not be indicative of the price at which the Common Stock will trade after the Offering. See "Underwriting" for a description of the factors to be considered in determining the initial public offering price. The securities markets have, from time to time, experienced significant price and volume fluctuations that may be unrelated to the operating performance of particular companies. These fluctuations often substantially affect the market price of a company's stock. The Common Stock has been approved for listing, subject to notice of issuance, on the NYSE, although no assurance can be given that an active trading market for the Common Stock will develop or, if developed, will continue after the Offering. The market price of the Common Stock could be subject to significant fluctuations in response to numerous factors, including the timing of acquisitions by the Company, variations in financial results or announcements of material events by the Company or its competitors. Regulatory changes, developments in the Company's industry or changes in general conditions in the economy or the financial markets could also adversely affect the market price of the Common Stock.

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**Certain Anti-Takeover Provisions.** Certain provisions of the Company's Amended and Restated Certificate of Incorporation and Bylaws and Delaware law could, together or separately, discourage potential acquisition proposals, delay or prevent a change in control of the Company or limit the price that certain investors may be willing to pay in the future for shares of the Common Stock. The Amended and Restated Certificate of Incorporation permits the Board of Directors to determine the rights, preferences and restrictions of unissued series of the Company's authorized Preferred Stock and to fix the number and the designation of shares thereunder and to adopt amendments to the Bylaws. The Bylaws contain restrictions regarding the right of stockholders to nominate directors and to submit proposals to be considered at stockholder meetings. Also, the Amended and Restated Certificate of Incorporation and Bylaws restrict the right of stockholders to call a special meeting of stockholders and to act by written consent. The Company also is subject to Section 203 of the Delaware General Corporation Law (the "DGCL"), which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business transactions with an "interested stockholder" for a period of three years following the date such stockholder became an interested stockholder. See "Description of Capital Stock."

**Immediate and Substantial Dilution.** Purchasers of shares of the Common Stock offered hereby will experience immediate and substantial dilution in the net tangible book value of their shares in the amount of \$6.78 per share from the initial public offering price. See "Dilution." In the event the Company issues additional Common Stock in the future, including shares that may be issued in connection with future acquisitions or other public or private financings, purchasers of Common Stock in the Offering may experience further dilution in the net tangible book value per share of the Common Stock.

**Absence of Dividends.** The Company has never paid any cash dividends and does not anticipate paying cash dividends on its Common Stock in the immediate future. See "Dividend Policy."

**Forward-Looking Statements.** There are a number of statements in this Prospectus that address activities, events or developments which the Company expects or anticipates will or may occur in the future, including such matters as the Company's strategy for internal growth and improved profitability, additional capital expenditures (including the amount and nature thereof),

acquisitions of assets and businesses, industry trends and other such matters. These statements are based on certain assumptions and analyses made by the Company in light of its perception of historical trends, current business and economic conditions and expected future developments as well as other factors it believes are reasonable or appropriate. However, whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties, including the risk factors discussed in this Prospectus; general economic, market or business conditions; the business opportunities (or lack thereof) that may be presented to and pursued by the Company; changes in laws or regulations and other factors, most of which are beyond the control of the Company. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business or operations.

#### THE COMPANY

Quanta was founded in August 1997 to create a leading provider of specialty electric and telecommunications infrastructure contracting services. Concurrently with and as a condition to the closing of the Offering, Quanta will acquire the four Founding Companies. For the year ended December 31, 1996, the Founding Companies, which have been in business an average of 36 years, had pro forma combined annual revenues of approximately \$108.1 million. A brief description of each of the Founding Companies is set forth below.

PAR. PAR was founded in 1954 and is headquartered in North Kansas City, Missouri. PAR maintains additional offices in Topeka, Kansas; Coal, Missouri; Des Moines, Iowa; Aurora, Colorado and El Cajon, California and in 1996 provided services to customers in Missouri, Iowa, Colorado, Kansas, Nebraska, California, Montana, Illinois, Hawaii, Utah and Wyoming. PAR had revenues of approximately \$42.7 million for the year ended December 31, 1996 and currently has approximately 450 employees. PAR provides full electric infrastructure contracting services, including installation of electrical transmission lines, both underground and above ground, and distribution lines and construction of electric substations. In addition, PAR provides emergency electrical restoration services and other routine electrical system maintenance services. John R. Colson, former President of PAR and the Chief Executive Officer of the Company, will become a director of the Company following consummation of the Offering. John R. Wilson, who is President of PAR, will become a director of the Company following consummation of the Offering. Both of those individuals will enter into three-year employment agreements with the Company.

UNION POWER. Union Power was founded in 1946 and is headquartered in Englewood, Colorado. Union Power maintains additional offices in Las Vegas and Reno, Nevada and Vacaville, California and in 1996 provided services to customers in Colorado, Nevada, California, Oregon, Washington and Utah. Union Power had revenues of approximately \$42.8 million for the year ended August 31, 1997 and currently has approximately 300 employees. Union Power provides electric infrastructure contracting services, including installation of electrical transmission lines, both underground and above ground, and distribution lines and construction of electric substations. In addition, Union Power provides electrical repair and maintenance services. Timothy A. Soule and Ronald W. Soule, who are officers of Union Power, will enter into three-year employment agreements with the Company, and Mr. Timothy Soule will become a director of the Company following consummation of the Offering.

TRANS TECH. TRANS TECH was founded in 1983, is headquartered in South Bend, Indiana and in 1996 provided services to customers in Indiana, Kentucky and Michigan. TRANS TECH had revenues of approximately \$24.4 million for the year ended December 31, 1996 and currently has approximately 205 employees. TRANS TECH installs, maintains and repairs traffic signals, signage, highway control systems components, highway and airport lighting and fiber optics for states and other governmental entities. The company also performs traditional electrical contracting services for private and public entities in the commercial and industrial markets. Robert J. Urbanski and John A. Martell, who are officers and founders of TRANS TECH, will enter into three-year employment agreements with the Company, and Mr. Martell will become a director of the Company following consummation of the Offering.

POTELCO. Potelco was founded in 1965 and is headquartered near Seattle, Washington. Potelco maintains an additional office in Spokane, Washington and in 1996 provided services to customers in Washington, Oregon and Idaho. Potelco had revenues of approximately \$14.5 million for the year ended December 31, 1996 and currently has approximately 145 employees. Potelco provides electric and telecommunication infrastructure contracting services, including installation of overhead and underground lines and facilities for the power, telecommunications and cable television industries. In addition, Potelco provides electrical and telecommunication installation, maintenance and repair services to the commercial and industrial markets. Gary A. Tucci, President of Potelco, will enter into a three-year employment agreement with the Company and will become a director of the Company following consummation of the Offering.

Quanta was incorporated in Delaware in August 1997 under the name Fabal Construction, Inc. and changed its name to Quanta Services, Inc. in November 1997. See "Certain Transactions--Organization of the Company." Its executive offices are located at 3555 Timmons Lane, Suite 610, Houston, Texas 77027, and its telephone number at that address is (713) 629-7600.

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#### USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares of Common Stock offered hereby (after deducting underwriting discounts and commissions and estimated Offering and Acquisitions expenses) are estimated to be \$38.9 million (\$45.2 million if the Underwriters' over-allotment option is exercised in full), assuming an initial public offering price of \$9.00 per share. Since November 1997, Main Street Merchant Partners II, L.P. ("Main Street") has advanced funds to the Company to enable the Company to pay various expenses incurred in connection with its efforts to complete the Acquisitions and consummate the Offering. Main Street's advances, which totaled approximately \$1.0 million as of January 22, 1998, and are estimated to total approximately \$2.9 million in the aggregate, will be repaid from the net proceeds of the Offering.

Of the net proceeds, the Company estimates that approximately \$21.0 million will be used to pay the cash portion of the Acquisition Consideration, all of which will be paid to former stockholders of the Founding Companies and some of which will be paid to persons who will become directors of the Company upon consummation of the Offering. In addition, the Company may use up to \$17.6 million to repay outstanding indebtedness of the Founding Companies, although the exact amount and specific debt to be repaid has not been determined at this time. The remaining net proceeds will be used for working capital and for general corporate purposes, which are expected to include future acquisitions. Pending such uses, the Company intends to invest the remaining net proceeds in short-term, investment grade, interest bearing securities. While the Company is continuously considering possible acquisition prospects as part of its growth strategy, the Company presently has no binding agreements to effect any mergers or acquisitions other than the Acquisitions.

#### DIVIDEND POLICY

The Company currently intends to retain its future earnings, if any, to finance the growth, development and expansion of its business and, accordingly, does not currently intend to declare or pay any cash dividends on the Common Stock in the immediate future. The declaration, payment and amount of future cash dividends, if any, will be at the discretion of the Company's Board of Directors after taking into account various factors, including, among others, the Company's financial condition, results of operations, cash flows from operations, current and anticipated capital requirements and expansion plans, the income tax laws then in effect and the requirements of Delaware law. In addition, the Company expects that the terms of any credit facility that it may obtain in the future will include restrictions on payment of cash dividends by the Company without the consent of the lender.

Prior to the Acquisitions, certain of the Founding Companies will make the S Corporation Distributions to their stockholders in the amount of approximately \$7.8 million.

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#### CAPITALIZATION

The following table sets forth the current maturities of long-term obligations and the capitalization as of September 30, 1997 of the Company (i) on a pro forma basis after giving effect to the Acquisitions and related transactions and (ii) on a pro forma combined basis, as adjusted to give effect to both the Acquisitions and related transactions and the Offering and the application of estimated net proceeds therefrom. See "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Unaudited Pro Forma Combined Financial Statements of the Company and the related notes thereto included elsewhere in this Prospectus.

<TABLE>  
<CAPTION>

	PRO FORMA	
	-----	
	SEPTEMBER 30, 1997	
	-----	
	COMBINED(1)	AS ADJUSTED(4)
	-----	
	(IN THOUSANDS)	
<S>	<C>	<C>
Current maturities of long-term obligations(3).....	\$41,016(2)	\$ 7,841
	=====	=====

Long-term debt, less current maturities.....	\$ 5,421	\$ --
	-----	-----
Stockholders' equity:		
Preferred Stock: \$0.00001 par value, 10,000,000 shares authorized; none issued or outstanding...	--	--
Common Stock: \$0.00001 par value, 40,000,000 shares authorized; 7,527,000 issued and outstanding, pro forma combined; and 12,527,000 shares issued and outstanding, pro forma as adjusted(4).....	--	--
Limited Vote Common Stock; \$0.00001 par value, 3,345,333 shares authorized, issued and outstanding(5).....	--	--
Additional paid-in capital.....	45,400	84,280
Unrealized loss on securities.....	(56)	(56)
Retained earnings.....	10,913	10,913
	-----	-----
Total stockholders' equity.....	56,257	95,137
	-----	-----
Total capitalization.....	\$61,678	\$95,137
	=====	=====

</TABLE>

- - - - -

- (1) Combines the respective accounts of Quanta and the Founding Companies as reflected in the Unaudited Pro Forma Combined Balance Sheet as of September 30, 1997 prior to the Offering.
- (2) Includes \$21.0 million payable to the owners of the Founding Companies, which represents the cash portion of the Acquisition Consideration to be paid from a portion of the net proceeds of the Offering. The cash portion of the Acquisition Consideration will be adjusted based on the initial public offering price of the Common Stock offered hereby.
- (3) Includes \$7.8 million borrowed to fund the S Corporation Distributions.
- (4) Adjusted to reflect the sale of 5,000,000 shares of Common Stock offered hereby and the application of the estimated net proceeds therefrom. See "Use of Proceeds." Excludes options to purchase 1,500,000 shares of Common Stock that are expected to be granted upon consummation of the Offering. See "Management--1997 Stock Option Plan."
- (5) All of such shares of Limited Vote Common Stock have been issued to the initial stockholders and certain management of the Company. See "Certain Transactions" and "Description of Capital Stock."

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#### DILUTION

The deficit in pro forma combined net tangible book value of the Company at September 30, 1997 was approximately \$(3.7) million, or \$(0.34) per share of Common Stock. The deficit in pro forma combined net tangible book value per share is determined by dividing the pro forma net tangible book value of the Company (pro forma combined net tangible assets less pro forma combined total liabilities) by the number of shares of Common Stock to be outstanding after giving effect to the Acquisitions. The number of shares includes the 10,872,333 shares outstanding after the Acquisitions but prior to the Offering. After giving effect to the sale by the Company of 5,000,000 shares of Common Stock in the Offering and assuming an initial public offering price of \$9.00 per share, after deduction of the underwriting discounts and commissions and estimated Offering and Acquisitions expenses, the pro forma combined net tangible book value of the Company at September 30, 1997 would have been \$35.2 million or \$2.22 per share. This represents an immediate increase in pro forma net tangible book value of \$2.56 per share to existing stockholders and an immediate dilution to new investors purchasing Common Stock in the Offering of \$6.78 per share. The following table illustrates the per share dilution to new investors purchasing Common Stock in the Offering:

<TABLE>		
<S>	<C>	<C>
Assumed initial public offering price per share.....		\$9.00
Pro forma combined deficit in net tangible book value per share prior to the Offering.....	\$ (0.34)	
Increase in pro forma net tangible book value per share attributable to new investors.....	2.56	
	-----	
Pro forma net tangible book value per share after the Offering.		2.22
		-----
Dilution in net tangible book value per share to new investors...		\$6.78
		=====

</TABLE>

The following table sets forth, on a pro forma combined basis to give effect to the Acquisitions at September 30, 1997, the number of shares of Common Stock purchased from the Company, the total consideration paid and the average

price per share paid by (i) existing stockholders, (ii) stockholders of the Founding Companies and (iii) the new investors purchasing shares from the Company in the Offering (before deducting underwriting discounts and commissions and estimated Offering and Acquisition expenses):

<TABLE>  
<CAPTION>

	SHARES PURCHASED		TOTAL	AVERAGE
	NUMBER	PERCENT	CONSIDERATION (2)	PRICE
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Existing stockholders and stockholders of Founding Companies(1).....	10,872,333	68.5%	\$ (3,658,000)	\$ (0.34)
New investors.....	5,000,000	31.5	45,000,000	9.00
	-----	-----	-----	-----
Total.....	15,872,333	100.0%	\$41,342,000	
	=====	=====	=====	

</TABLE>  
- - - - -

- (1) See "Certain Transactions" for a discussion of the issuance of Common Stock to the initial stockholders and certain management of Quanta.
- (2) Total consideration paid by Founding Company stockholders represents the combined stockholders' equity of the Founding Companies before the Offering, adjusted to reflect: (i) the payment of the estimated \$21.0 million in cash to the stockholders of the Founding Companies as part of the Acquisition Consideration and (ii) the S Corporation Distributions.

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SELECTED FINANCIAL DATA  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

Quanta will acquire the Founding Companies simultaneously with and as a condition to the consummation of the Offering. For financial statement presentation purposes, however, PAR has been identified as the "accounting acquiror," as its stockholders will represent the largest voting interest within the Company. The following selected historical financial data for PAR as of December 31, 1996 and September 30, 1997 and for each of the three years in the period ended December 31, 1996, and the nine months ended September 30, 1997, have been derived from the audited financial statements of PAR included elsewhere in this Prospectus. The following selected historical financial data for PAR as of December 31, 1992, 1993, 1994, and 1995 and for each of the two years in the period ended December 31, 1993 and as of and for the nine months ended September 30, 1996 have been derived from the unaudited financial statements of PAR, which have been prepared on the same basis as the audited financial statements and, in the opinion of PAR's management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such data. The results of operations for the nine months ended September 30, 1997 should not be regarded as indicative of the results that may be expected for the full year.

The selected unaudited pro forma combined financial data below present certain data for the Company, adjusted for (i) the Acquisitions, (ii) the effects of certain other pro forma adjustments to the historical financial statements and (iii) the consummation of the Offering and the application of the net proceeds therefrom. The unaudited pro forma combined income statement data assume that the Acquisitions, the Offering and related transactions were closed on January 1, 1996, and are not necessarily indicative of the results the Company would have obtained had these events actually then occurred or of the Company's future results. During the periods presented below, the Founding Companies were not under common control or management and, therefore, the data presented may not be comparable to or indicative of post-combination results to be achieved by the Company. The unaudited pro forma combined income statement data should be read in conjunction with the other financial information included elsewhere in this Prospectus. See Unaudited Pro Forma Combined Financial Statements and the notes thereto included elsewhere in this Prospectus.

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996	1997
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
HISTORICAL STATEMENT OF OPERATIONS DATA:							
PAR							
Revenues.....	\$23,803	\$26,553	\$43,909	\$38,915	\$42,684	\$29,806	\$36,439



Cost of services (including depreciation).....	19,571	22,834	36,525	33,193	35,789	25,583	27,944
Gross profit.....	4,232	3,719	7,384	5,722	6,895	4,223	8,495
Selling, general and administrative ex- penses.....	3,325	2,895	4,836	4,342	5,012	3,560	5,013
Income from operations.....	907	824	2,548	1,380	1,883	663	3,482
Other income (expense), net.....	(216)	(251)	(412)	(512)	(646)	(458)	(567)
Income before provision for income taxes.....	691	573	2,136	868	1,237	205	2,915
Provision for income taxes.....	181	152	867	353	487	82	1,172
Net income.....	\$ 510	\$ 421	\$ 1,269	\$ 515	\$ 750	\$ 123	\$ 1,743

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<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1997
<S>	<C>	<C>
PRO FORMA COMBINED:		
Revenues.....	\$108,143	\$108,666
Cost of services (including depreciation).....	91,769	87,296
Gross profit.....	16,374	21,370
Selling, general and administrative expenses(1)...	8,394	7,293
Goodwill amortization(2).....	1,498	1,123
Income from operations.....	6,482	12,954
Other income (expense), net(3).....	(400)	(178)
Income before income tax expense.....	6,082	12,776
Provision for income taxes(4).....	2,994	5,424
Net income.....	\$ 3,088	\$ 7,352
Net income per share.....	\$ 0.20	\$ 0.46
Shares used in computing pro forma income per share(5) .....	15,835	15,835

<TABLE>  
<CAPTION>

	HISTORICAL					PRO FORMA		
	DECEMBER 31,					SEPTEMBER 30, 1997		
	1992	1993	1994	1995	1996	SEPTEMBER 30, 1997	COMBINED (6)	AS ADJUSTED (7)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA: (8)								
Working capital (deficit).....	\$ 1,157	\$ 1,162	\$ 1,959	\$ 1,344	\$ 653	\$ (549)	\$ (19,473) (9)	\$13,986
Total assets.....	11,610	11,786	18,365	18,595	20,699	27,438	125,842	126,126
Long-term debt, net of current maturities...	2,194	1,225	3,532	2,932	2,000	1,867	5,421	--
Total stockholders' equity.....	4,753	5,174	6,443	6,958	7,708	9,451	56,257	95,137

(1) The unaudited pro forma combined statement of operations data reflect an aggregate of approximately \$0.9 million and \$1.8 million for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively, in pro forma reductions in salary, bonus and benefits of the owners of the Founding Companies to which they have agreed prospectively. Additionally, excludes the \$11.5 million non-recurring, non-cash charge recognized by Quanta related to the issuance of stock to an initial stockholder and management, as a result of the issuance of such shares for

nominal consideration. See Note 2 of Notes to Financial Statements of Quanta.

- (2) Reflects amortization of the goodwill to be recorded as a result of the Acquisitions over a 40-year period and computed on the basis described in the notes to the Unaudited Pro Forma Combined Financial Statements.
- (3) Reflects the reduction for interest expense of \$1.4 million and \$1.0 million for the year ended December 31, 1996 and the nine months ended September 30, 1997, respectively, attributable to the repayment of \$17.6 million of historical debt of the Founding Companies with proceeds from the Offering, net of additional interest expense discussed in Note 8 below. Additionally, reflects reductions in expenses associated with certain non-operating assets that will be transferred to the Founding Companies prior to the Acquisitions.
- (4) Assumes all pretax income before non-deductible goodwill and other permanent items is subject to an estimated 39.0% combined tax rate.

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- (5) Includes (i) 7,527,000 shares of Common Stock to be issued to the owners of the Founding Companies, (ii) 3,345,333 shares of Limited Vote Common Stock issued to the initial stockholders and certain management personnel of the Company and (iii) 4,962,259 shares of the 5,000,000 shares of Common Stock to be sold in the Offering to pay the cash portion of the Acquisition Consideration, to repay expenses incurred in connection with the organization of Quanta and the Offering and to retire debt.
- (6) Reflects the Acquisitions and related transactions as if they had occurred on September 30, 1997 as described in the notes to the Unaudited Pro Forma Combined Financial Statements. The unaudited pro forma combined balance sheet data should be read in conjunction with the other financial information and historical financial statements and notes thereto included elsewhere in this Prospectus.
- (7) Reflects the closing of the Offering and the Company's application of the net proceeds therefrom to fund the cash portion of the Acquisition Consideration and to repay certain indebtedness of the Founding Companies. See "Use of Proceeds" and "Certain Transactions."
- (8) Two of the Founding Companies have historically elected S corporation status for tax purposes. Prior to the Acquisitions, these Founding Companies will make the S Corporation Distributions to their stockholders totaling approximately \$7.8 million. In order to fund the S Corporation Distributions, the Company will borrow approximately \$7.8 million. Accordingly, pro forma interest expense has been increased by \$0.7 million for the year ended December 31, 1996 and \$0.5 million for the nine months ended September 30, 1997 and pro forma stockholders' equity has been reduced by approximately \$7.8 million.
- (9) Includes the estimated \$21.0 million payable to owners of the Founding Companies, representing the actual cash portion of the Acquisition Consideration to be paid from a portion of the net proceeds of the Offering. The cash portion of the Acquisition Consideration will be determined based on the initial public offering price of the Common Stock offered hereby.

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company. Such statements are only predictions and the actual events or results may differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors," as well as those discussed elsewhere in this Prospectus. The historical results set forth in this discussion and analysis are not indicative of trends with respect to any actual or projected future financial performance of the Company. This discussion and analysis should be read in conjunction with the Unaudited Pro Forma Combined Financial Statements, the Founding Companies' Financial Statements and the related Notes thereto included elsewhere in this Prospectus.

#### INTRODUCTION

The Company's revenues are derived from providing specialty electrical contracting and maintenance services related to electric and telecommunications infrastructure, providing electrical contracting services to the commercial and industrial markets and installing transportation control and lighting systems. The Company's services include the installation, repair

and maintenance of electric power transmission and distribution lines and telecommunication and cable television lines, the construction of electric substations, the erection of cellular telephone, PCS(R) and microwave towers, the installation of highway lighting and traffic control systems, design and engineering services, as well as the provision of specialty contracting services for electric, video, security, fire, voice and data systems. The Company's customers include electric utilities, telecommunication and cable television system operators, governmental entities, general contractors and owners and managers of commercial and industrial properties. The Company had pro forma combined revenues for the nine months ended September 30, 1997 of \$108.7 million, of which 71% was attributable to electric utility infrastructure services, 7% was attributable to telecommunications infrastructure services, 11% was attributable to commercial and industrial services and 11% was attributable to transportation control and lighting systems services.

The Company enters into contracts principally on the basis of competitive bids, the final terms and prices of which are frequently negotiated with the customer. Although the terms of the contracts undertaken by the Company vary considerably, the contracts are usually on either a lump sum or unit price basis in which the Company agrees to do the work for a fixed amount for the entire project (lump sum) or for units of work performed (unit price). Most installation projects are completed within one year, while maintenance and repair work is frequently provided under open-ended, unit price master service agreements which are renewable annually. Revenues from lump sum contracts are generally recorded on a percentage-of-completion basis, using 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. The Company recognizes revenue when services are performed except when work is being performed under a fixed price or cost-plus-fee contract. Such contracts generally provide that the customer accept completion of progress to date and compensate the Company for services which have been rendered, measured typically in terms of units installed, hours expended or some other measure of progress. Certain of the Company's customers require the Company to post performance and payment bonds upon execution of the contract, depending upon the nature of the work to be performed. The Company's fixed price contracts often include payment provisions pursuant to which the customer withholds a 5% to 10% retainage from each progress payment and forwards the retainage to the Company upon completion and approval of the work.

Costs of services consist primarily of salaries and benefits to employees, depreciation, fuel and other vehicle expenses, equipment rentals, subcontracted services, materials, parts and supplies. The Company's gross margin, which is gross profit expressed as a percentage of revenues, is typically higher on projects where labor, rather than materials, constitutes a greater portion of the cost of services. Labor costs can be

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calculated with relatively less accuracy than materials costs. Therefore, to compensate for the potential variability of labor costs, the Company seeks to maintain higher margins on its labor-intensive projects. Selling, general and administrative expenses consist primarily of compensation and related benefits to owners, administrative salaries and benefits, marketing, office rent and utilities, communications and professional fees.

The Founding Companies have operated throughout the periods presented as independent, privately-owned entities, and their results of operations reflect varying tax structures (S corporations or C corporations) which have influenced the historical level of owners' compensation. Gross profits and selling, general and administrative expenses as a percentage of revenues may not be comparable among the individual Founding Companies. In connection with the Acquisitions, certain owners of the Founding Companies have agreed to reductions in their compensation and related benefits totaling \$0.9 million versus 1996 levels. Such reductions have been reflected as a pro forma adjustment in the Unaudited Pro Forma Combined Statement of Operations and in the terms of the employment agreements to be entered into between these persons and the Company.

The Company believes that it will realize savings from (i) consolidation of insurance and bonding programs, (ii) reduction in other general and administrative expenses such as training, marketing, communications and professional fees, (iii) the Company's ability to borrow at lower interest rates than most, if not all, of the Founding Companies, (iv) consolidation of operations in certain locations and (v) greater volume discounts from suppliers of materials, parts and supplies. It is anticipated that costs related to the Company's new corporate management, being a public company and integrating the Acquisitions will offset these savings. The Company believes that neither these savings nor the costs associated therewith can be quantified because the Acquisitions have not yet occurred, and there have been no combined operating results upon which to base any assumptions. As a result, these savings and associated costs have not been included in the pro forma financial information included herein.

In November 1997, the Company sold 1.7 million shares of Limited Vote Common

Stock to management and an initial stockholder. As a result, the Company will record a non-recurring, non-cash compensation charge of \$11.5 million, representing the difference between the amount paid for the shares and the estimated fair value of the shares on the date of sale (the "Compensation Charge"). The Compensation Charge has been estimated based on a fair value that is discounted from the estimated initial public offering price. This non-recurring Compensation Charge is not included in the Unaudited Pro Forma Combined Financial Statements.

The Acquisitions will be accounted for using the purchase method of accounting. PAR has been designated as the "accounting acquiror" in the Acquisitions. Accordingly, the excess of the fair value of the consideration paid for the Acquisitions of \$37.3 million over the fair value of the net assets acquired by PAR from the other Founding Companies will be recorded as "goodwill." In addition, goodwill of \$22.6 million will be recorded attributable to the 3,345,333 shares of Limited Vote Common Stock issued to initial stockholders and management. Together, this goodwill, totaling \$59.9 million, will be amortized over its estimated useful life of 40 years as a non-cash charge to operating income. The pro forma effect of this amortization expense, which is not deductible for tax purposes, is expected to be approximately \$1.5 million per year. The amount of goodwill to be recorded and the related amortization expense will depend in part on the actual Offering price. See "Certain Transactions--Organization of the Company."

#### REGULATORY MATTERS

The Company's operations are subject to the authority of various state and municipal regulatory bodies concerned with the licensing of contractors. The Company has experienced no material difficulty in complying with the requirements imposed on it by such regulatory bodies. See "Business--Regulation."

#### SEASONALITY; FLUCTUATIONS OF QUARTERLY RESULTS

The Company's results of operations can be subject to seasonal variations. Generally, during the winter months, demand for new projects and maintenance services may be lower due to reduced construction activity during such weather, while demand for electrical service and repairs may be higher due to damage caused by inclement weather. Additionally, the industry can be highly cyclical. As a result, the Company's volume of business may be adversely affected by declines in new projects in various geographic regions in the U.S. Quarterly results may also be materially affected by the timing of acquisitions, variations in the margins of projects performed during any particular quarter, the timing and magnitude of acquisition assimilation costs and regional economic conditions. Accordingly, the Company's operating results in any particular quarter may not be indicative of the results that can be expected for any other quarter or for the entire year.

#### COMBINED LIQUIDITY AND CAPITAL RESOURCES

Upon consummation of the Acquisitions and after applying the estimated net proceeds of the Offering as discussed under "Use of Proceeds," the Company will have \$2.5 million of pro forma cash and cash equivalents, \$14.0 million of pro forma working capital and no outstanding indebtedness other than debt relating to the S Corporation Distributions. It is anticipated that the Founding Companies' historical indebtedness of \$17.6 million will be repaid from the proceeds of the Offering. See discussion of individual Founding Companies' liquidity and capital resources included elsewhere herein.

In connection with and prior to the Acquisitions, certain Founding Companies will make the S Corporation Distributions to their owners of substantially all of their previously-taxed undistributed earnings. The pro forma combined financial statements as of September 30, 1997 included elsewhere in this Prospectus reflect pro forma adjustments for the estimated amount of these S Corporation Distributions had they occurred in their entirety as of September 30, 1997. These pro forma adjustments reflect \$7.8 million of S Corporation Distributions.

The Company has entered into a preliminary agreement with a commercial bank under which it expects to enter into a credit facility effective concurrent with the closing of the Offering. The terms and conditions of the agreement provide for an unsecured five year \$50,000,000 revolving credit facility to provide funds to be used for working capital, to finance acquisitions and for other general corporate purposes. Amounts borrowed under the proposed credit facility will bear interest at a rate equal to either (a) the London Interbank Offered Rate ("LIBOR") plus 0.75% to 1.75%, as determined by the ratio of the Company's total funded debt to EBITDA (as defined in the credit facility) or (b) the bank's prime rate plus up to 0.25%, as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.175% to 0.30% (based on certain financial ratios) are due on any unused borrowing capacity under the credit facility. The Company's existing and future subsidiaries will guarantee the repayment of all amounts due under the facility and the facility restricts pledges on all material assets. The Company expects that the credit

facility will require usual and customary covenants for a credit facility of this nature including the consent of the lenders for acquisitions exceeding a certain level of cash consideration.

As part of its growth strategy, the Company intends to pursue an acquisition program. The timing, size or success of any acquisition effort and the associated potential capital commitments cannot be predicted. The Company expects to fund future acquisitions primarily with a portion of the net proceeds of the Offering, working capital, issuances of additional equity, borrowings, including any unborrowed portion of the proposed credit facility, as well as cash flow from operations. The Company anticipates that its cash flow from operations and proceeds from the Offering will provide sufficient cash to enable the Company to meet its working capital needs, debt service requirements and planned capital expenditures for property and equipment through 1998. On a combined basis, the Founding Companies made capital expenditures of \$5.5 million in fiscal 1996.

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Due to relatively low levels of inflation experienced during the years ended December 31, 1995 and 1996 and the first nine months of 1997, inflation did not have a significant effect on the results of the combined Founding Companies in those periods.

#### INDIVIDUAL FOUNDING COMPANIES

The selected historical financial information presented in the tables below is derived from the respective audited financial statements of the Founding Companies included elsewhere herein. The following discussion should be read in conjunction with the Financial Statements of the Founding Companies and the notes thereto appearing elsewhere in this Prospectus.

For financial statement presentation purposes, as required by the rules and regulations of the Securities Act, PAR has been identified as the accounting acquiror, as its shareholders will represent the largest shareholding interest in Quanta.

#### PAR RESULTS OF OPERATIONS

PAR was founded in 1954 and is headquartered in North Kansas City, Missouri. It operates primarily throughout the Midwestern and Western U.S. and maintains divisional offices in Topeka, Kansas; Coal, Missouri; Des Moines, Iowa; Aurora, Colorado and El Cajon, California. PAR focuses on providing full electric infrastructure contracting services, including installation of electric transmission lines, both underground and above ground, and distribution lines and construction of electric substations. In 1996, PAR provided services in Missouri, Iowa, Colorado, Kansas, Nebraska, California, Montana, Illinois, Hawaii, Utah and Wyoming.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31						NINE MONTHS ENDED SEPTEMBER 30,			
	1994		1995		1996		1996		1997	
	(DOLLARS IN THOUSANDS)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$43,909	100.0%	\$38,915	100.0%	\$42,684	100.0%	\$29,806	100.0%	\$36,439	100.0%
Cost of services.....	36,525	83.2	33,193	85.3	35,789	83.8	25,583	85.8	27,944	76.7
Gross profit.....	7,384	16.8	5,722	14.7	6,895	16.2	4,223	14.2	8,495	23.3
Selling, general and administrative expenses.....	4,836	11.0	4,342	11.2	5,012	11.7	3,560	11.9	5,013	13.8
Income from operations..	\$ 2,548	5.8%	\$ 1,380	3.5%	\$ 1,883	4.5%	\$ 663	2.3%	\$ 3,482	9.5%

</TABLE>

PAR results for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996

Revenues. Revenues increased \$6.6 million, or 22.1%, from \$29.8 million for the nine months ended September 30, 1996 to \$36.4 million for the nine months ended September 30, 1997, primarily as a result of an increased demand for the Company's services in Missouri and California.

Gross profit. Gross profit increased \$4.3 million, or 102.4%, from \$4.2 million for the nine months ended September 30, 1996 to \$8.5 million for the nine months ended September 30, 1997. As a percentage of revenues, gross profit increased from 14.2% to 23.3%. The increase in gross profit and gross

margin is primarily due to increased labor productivity, renegotiated unit pricing on certain long-term contracts, lower insurance expense and lower equipment rental expense as PAR replaced rental equipment on certain projects with company-owned equipment.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$1.4 million, or 38.9%, from \$3.6 million for the nine months ended September 30, 1996 to \$5.0 million for the nine months ended September 30, 1997, primarily due to increased administrative support required by the higher level of revenues and increases in owner compensation. As a percentage of revenues, selling, general and administrative expenses remained relatively constant.

PAR results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues. Revenues increased \$3.8 million, or 9.8%, from \$38.9 million for the year ended December 31, 1995 to \$42.7 million for the year ended December 31, 1996, primarily as a result of increased demand for the company's services in Colorado and, to a lesser extent, in California, but were partially offset by decreased activity in Missouri.

Gross profit. Gross profit increased \$1.2 million, or 21.1%, from \$5.7 million for the year ended December 31, 1995 to \$6.9 million for the year ended December 31, 1996. As a percentage of revenues, gross profit increased from 14.7% to 16.2%. This increase in gross profit was a result of improved labor productivity and asset utilization but was partially offset by increases in insurance costs and higher costs than anticipated on certain contracts.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$0.7 million, or 16.3%, from \$4.3 million for the year ended December 31, 1995 to \$5.0 million for the year ended December 31, 1996, primarily due to increases in administrative salaries required to support the higher level of revenues generated from an increased volume of projects and increases in owner compensation. As a percentage of revenues, selling, general, and administrative expenses increased from 11.2% to 11.7%.

PAR results for the year ended December 31, 1995 compared to the year ended December 31, 1994

Revenues. Revenues decreased \$5.0 million, or 11.4%, from \$43.9 million for the year ended December 31, 1994 to \$38.9 million for the year ended December 31, 1995, primarily due to severe winter weather in the Midwest during 1994, which caused extraordinary damage to power transmission and distribution lines, creating the need for increased repair work in 1994 when compared to 1995. Also, merger activity between utilities in Iowa in 1995 resulted in a lower volume of activity by certain customers. The declines were partially offset by increased demand for services in Missouri, Kansas and Colorado.

Gross profit. Gross profit decreased \$1.7 million, or 23.0%, from \$7.4 million for the year ended December 31, 1994 to \$5.7 million for the year ended December 31, 1995. As a percentage of revenues, gross profit decreased to 14.7% from 16.8%. This decrease in gross profit margin was primarily due to the decreased level of revenues.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased \$0.5 million, or 10.4%, from \$4.8 million for the year ended December 31, 1994 to \$4.3 million for the year ended December 31, 1995, primarily due to a decrease in owner compensation. As a percentage of revenues, selling, general and administrative expenses remained relatively constant.

#### PAR liquidity and capital resources

PAR generated \$3.0 million of net cash from operating activities for the nine months ended September 30, 1997. Net cash used in investing activities was approximately \$4.6 million, primarily for the purchase of operating equipment and vehicles. Net cash provided by financing activities of \$1.1 million resulted from net borrowings of long-term debt and borrowings under PAR's line of credit for purchases of operating equipment and vehicles.

At September 30, 1997, PAR had a working capital deficit of \$0.5 million and total long-term debt of \$1.9 million outstanding. PAR generated \$2.7 million in net cash from operating activities for the twelve months ended December 31, 1996. Net cash used in investing activities was approximately \$2.6 million, principally for the purchase of operating equipment. Net cash used in financing activities of \$0.4 million resulted from repayments of long-term debt.

At December 31, 1996, PAR had working capital of \$0.7 million and \$2.0 million of total long-term debt outstanding.

#### UNION POWER RESULTS OF OPERATIONS

Union Power was founded in 1946, and is headquartered in Englewood, Colorado. It operates primarily west of the Mississippi River and in 1996 provided services to customers in California, Colorado, Nevada, Oregon, Utah and Washington. Union Power is primarily involved in providing electric infrastructure contracting services, including installation of electrical transmission lines, both underground and above ground, and distribution lines and construction of electric substations. In addition, Union Power provides electrical repair and maintenance services.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

<TABLE>

<CAPTION>

	YEARS ENDED AUGUST 31,						THREE MONTHS ENDED NOVEMBER 30,			
	1995		1996		1997		1996		1997	
	(DOLLARS IN THOUSANDS)						(UNAUDITED)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$12,614	100.0%	\$25,636	100.0%	\$42,792	100.0%	\$7,211	100.0%	\$15,357	100.0%
Cost of services.....	10,240	81.2	22,319	87.1	37,766	88.3	6,037	83.7	13,474	87.7
Gross profit.....	2,374	18.8	3,317	12.9	5,026	11.7	1,174	16.3	1,883	12.3
Selling, general and administrative expenses.....	1,896	15.0	1,563	6.1	1,966	4.6	491	6.8	677	4.4
Income from operations..	\$ 478	3.8%	\$ 1,754	6.8%	\$ 3,060	7.1%	\$ 683	9.5%	\$ 1,206	7.9%

</TABLE>

Union Power results for the three months ended November 30, 1997 compared to the three months ended November 30, 1996

Revenues. Revenues increased \$8.2 million, or 113.0%, from \$7.2 million for the three months ended November 30, 1996 to \$15.4 million for the three months ended November 30, 1997, primarily due to increased demand for Union Power's services in Nevada, a higher volume of work in California and increased outsourcing of required services by utility customers, which resulted in a higher component of subcontracted work.

Gross profit. Gross profit increased \$0.7 million, or 60.4%, from \$1.2 million for the three months ended November 30, 1996 to \$1.9 million for the three months ended November 30, 1997, primarily as a result of the increase in sales. As a percentage of revenues, gross profit decreased to 12.3% from 16.3% primarily as a result of a higher proportion of subcontract work and low margin material costs.

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Selling, general and administrative expenses. Selling, general and administrative expenses increased \$0.2 million, or 37.9%, from \$0.5 million for the three months ended November 30, 1996 to \$0.7 million for the three months ended November 30, 1997, due primarily to growth in the Company's office staff needed to support the increased sales. As a percentage of revenues, selling, general and administrative expenses decreased from 6.8% to 4.4% primarily due to economies of scale.

Union Power results for the year ended August 31, 1997 compared to the year ended August 31, 1996

Revenues. Revenues increased \$17.2 million, or 67.2%, from \$25.6 million for the year ended August 31, 1996 to \$42.8 million for the year ended August 31, 1997, primarily due to increased demand for the Company's services in Nevada, a higher volume of work in California and increased outsourcing of required services by utility customers, which resulted in a higher component of subcontracted work.

Gross profit. Gross profit increased \$1.7 million, or 51.5%, from \$3.3 million for the year ended August 31, 1996 to \$5.0 million for the year ended August 31, 1997. As a percentage of revenues, gross profit decreased to 11.7% from 12.9% primarily as a result of a higher percentage of work being subcontracted at lower margins and higher costs than anticipated on certain projects.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$0.4 million, or 25.0%, from \$1.6 million

for the year ended August 31, 1996 to \$2.0 million for the year ended August 31, 1997 due to the continued expansion into the California and Nevada markets. As a percentage of revenues, selling, general and administrative expenses decreased from 6.1% to 4.6% primarily due to economies of scale.

Union Power results for the year ended August 31, 1996 compared to the year ended August 31, 1995

Revenues. Revenues increased \$13.0 million, or 103.2%, from \$12.6 million for the year ended August 31, 1995 to \$25.6 million for the year ended August 31, 1996, primarily as a result of an increase in the overall demand for the company's services in Nevada and California.

Gross profit. Gross profit increased \$0.9 million, or 37.5%, from \$2.4 million for the year ended August 31, 1995 to \$3.3 million for the year ended August 31, 1996. As a percentage of revenues, gross profit decreased to 12.9% from 18.8% primarily as a result of higher costs than anticipated on a specific contract in 1996.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased \$0.3 million, or 15.8%, from \$1.9 million for the year ended August 31, 1995 to \$1.6 million for the year ended December 31, 1996 due to lower owner compensation and employee bonuses in 1996. As a percentage of revenues, selling, general and administrative expenses decreased from 15.0% to 6.1%.

Union Power liquidity and capital resources

Union Power generated \$157,000 of net cash from operating activities for the three months ended November 30, 1997. Net cash used in investing activities was approximately \$1.3 million, primarily for the purchase of operating equipment. Net cash provided by financing activities of \$1.7 million resulted from advances under the Company's line of credit and additional borrowings.

At November 30, 1997, Union Power had \$2.9 million of working capital and \$1.5 million of total long-term debt outstanding.

Union Power generated \$1.0 million of net cash from operating activities for the year ended August 31, 1997. Net cash used in investing activities was approximately \$1.5 million, primarily for the purchase of operating equipment. Net cash provided by financing activities of \$0.2 million resulted from advances on the company's line of credit.

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At August 31, 1997, Union Power had working capital of \$2.8 million and \$1.0 million of total long-term debt outstanding.

#### TRANS TECH RESULTS OF OPERATIONS

TRANS TECH was founded in 1983, is headquartered in South Bend, Indiana and in 1996 provided services to customers in Indiana, Kentucky and Michigan. TRANS TECH installs, maintains and repairs traffic signals, signage, highway control systems components, highway and airport lighting and fiber optics for states and other governmental entities, and also performs traditional electrical contracting services for private and public entities in the commercial and industrial markets.

The following table sets forth selected statements of operations data and such data as a percentage of revenues for the periods indicated:

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,				NINE MONTHS ENDED SEPTEMBER 30,			
	1995		1996		1996		1997	
	(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$21,397	100.0%	\$24,414	100.0%	\$16,575	100.0%	\$24,278	100.0%
Cost of services.....	18,934	88.5	20,426	83.7	13,683	82.6	19,687	81.1
Gross profit.....	2,463	11.5	3,988	16.3	2,892	17.4	4,591	18.9
Selling, general and administrative expenses.....	1,639	7.7	1,848	7.6	1,300	7.8	1,362	5.6
Income from operations..	\$ 824	3.8%	\$ 2,140	8.7%	\$ 1,592	9.6%	\$ 3,229	13.3%

</TABLE>

TRANS TECH results for the nine months ended September 30, 1997 compared to



the nine months ended September 30, 1996.

Revenues. Revenues increased \$7.7 million, or 46.4%, from \$16.6 million for the nine months ended September 30, 1996 to \$24.3 million for the nine months ended September 30, 1997, primarily as a result of an increase in demand for services provided by commercial and industrial customers and, to a lesser extent, by transportation control and lighting systems customers.

Gross profit. Gross profit increased \$1.7 million, or 58.6%, from \$2.9 million for the nine months ended September 30, 1996 to \$4.6 million for the nine months ended September 30, 1997. As a percentage of total revenue, gross margin increased from 17.4% for the nine months ended September 30, 1996 to 18.9% for the nine months ended September 30, 1997 primarily as a result of improved labor productivity and asset utilization.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$0.1 million, or 7.7%, from \$1.3 million for the nine months ended September 30, 1996 to \$1.4 million for the nine months ended September 30, 1997, primarily due to increased administrative salaries required by the higher level of revenues and increases in owner compensation. As a percentage of revenues, selling, general and administrative expenses decreased from 7.8% to 5.6% due to economies of scale.

TRANS TECH results for the year ended December 31, 1996 compared to the year ended December 31, 1995

Revenues. Revenues increased \$3.0 million, or 14.0%, from \$21.4 million for the year ended December 31, 1995 to \$24.4 million for the year ended December 31, 1996, primarily as a result of increased volume of work for commercial and industrial customers offset partially by a decrease in activity in the transportation control and lighting systems market.

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Gross profit. Gross profit increased \$1.5 million, or 61.9%, for the year ended December 31, 1995 to \$4.0 million for the year ended December 31, 1996. As a percentage of total revenue, gross margin increased from 11.5% for the year ended December 31, 1995 to 16.3% for the year ended December 31, 1996 as a result of increased labor productivity and a decrease in materials cost as a percentage of revenues.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$0.2 million, or 12.5%, from \$1.6 million for the year ended December 31, 1995 to \$1.8 million for the year ended December 31, 1996, primarily due to the addition of administrative positions and increased marketing expenses. As a percentage of revenues, selling, general and administrative expenses remained relatively constant.

TRANS TECH liquidity and capital resources

TRANS TECH generated \$1.3 million of net cash from operating activities for the nine months ended September 30, 1997. Net cash used in investing activities was approximately \$0.8 million, primarily for the purchase of operating equipment. Net cash used in financing activities of \$28,000 resulted primarily from distributions to shareholders of \$1.5 million, net of borrowings on the line of credit of \$1.4 million.

At September 30, 1997, TRANS TECH had working capital of \$4.0 million and \$0.5 million of total long-term debt outstanding.

TRANS TECH generated \$2.9 million in net cash from operating activities for the year ended December 31, 1996. Net cash used in investing activities was approximately \$0.9 million, principally for purchases of operating equipment. Net cash used in financing activities of \$2.1 million resulted from repayments of debt and distributions to shareholders.

At December 31, 1996, TRANS TECH had working capital of \$2.8 million and \$0.6 million of total long-term debt outstanding.

#### POTELCO RESULTS OF OPERATIONS

Potelco was founded in 1965, is headquartered near Seattle, Washington and operates primarily in Washington, Oregon and Idaho. Potelco provides electric and telecommunications infrastructure contracting services, including installation of overhead and underground lines and facilities for the power, telecommunications and cable television industries. In addition, Potelco provides electrical and telecommunications installation, maintenance and repair services to the commercial and industrial markets.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

<TABLE>  
<CAPTION>

NINE MONTHS ENDED

	YEAR ENDED DECEMBER 31,		SEPTEMBER 30			
	1996		1996		1997	
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$14,549	100.0%	\$10,173	100.0%	\$13,248	100.0%
Cost of services.....	12,946	89.0	9,343	91.8	10,416	78.6
Gross profit.....	1,603	11.0	830	8.2	2,832	21.4
Selling, general and administrative expenses.....	971	6.7	691	6.8	777	5.9
Income from operations.....	\$ 632	4.3%	\$ 139	1.4%	\$ 2,055	15.5%

</TABLE>

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Potelco results for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996

Revenues. Revenues increased \$3.0 million, or 29.4%, from \$10.2 million for the nine months ended September 30, 1996 to \$13.2 million for the nine months ended September 30, 1997, primarily as a result of an increase in the demand for services by telecommunications infrastructure and commercial and industrial customers to either upgrade their telecommunication systems from cable to fiber optic or to install new systems.

Gross profit. Gross profit increased \$2.0 million, or 250.0%, from \$0.8 million for the nine months ended September 30, 1996 to \$2.8 million for the nine months ended September 30, 1997. As a percentage of revenues, Potelco's gross margins improved from 8.2% to 21.4% due to the projects performed during 1997 having a relatively higher labor component and therefore resulting in higher gross margins, as compared to the projects performed during 1996 which had a relatively higher proportion of low margin materials costs.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$0.1 million, or 14.3%, from \$0.7 million for the nine months ended September 30, 1996 to \$0.8 million for the nine months ended September 30, 1997, primarily due to increases in office salaries and profit sharing contributions. As a percentage of revenues, these selling, general and administrative expenses decreased from 6.8% to 5.9% due to economies of scale.

#### Potelco liquidity and capital resources

Potelco generated \$0.6 million of net cash from operating activities for the nine months ended September 30, 1997. Net cash used in investing activities was approximately \$0.6 million, primarily for the purchase of property and equipment. Net cash provided by financing activities of \$0.2 million resulted primarily from additional proceeds received from a note payable to a bank.

At September 30, 1997, Potelco had working capital of \$2.1 million and \$1.4 million of total long-term debt outstanding.

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#### BUSINESS

##### GENERAL

Quanta was founded in August 1997 to create a leading provider of specialty electrical contracting and maintenance services primarily related to electric and telecommunications infrastructure in North America. In addition, the Company provides electrical contracting services to the commercial and industrial markets and installs transportation control and lighting systems. The Company's services include the installation, repair and maintenance of electric power transmission and distribution lines and telecommunication and cable television lines, the construction of electric substations, the erection of cellular telephone, PCS(R) and microwave towers, the installation of highway lighting and traffic control systems, design and engineering services and the provision of specialty contracting services for electric, video, security, fire, voice and data systems. The Company's customers include electric utilities, telecommunication and cable television system operators, governmental entities, general contractors and owners and managers of commercial and industrial properties.

Concurrently with the closing of the Offering, Quanta will acquire the four Founding Companies, making it one of the largest providers of electric and telecommunications infrastructure contracting services in its markets. The Company maintains a total of 13 offices in eight states and performed work in 18 states during 1996. The Company believes that its size, geographical diversity of operations, industry relationships, design and engineering capability, expertise in specialty services and number of skilled personnel

provide the Company significant competitive advantages. During 1996, the Company generated pro forma combined revenues, operating income and net income of \$108.1 million, \$6.5 million and \$3.1 million, respectively. During the first nine months of 1997, the Company generated pro forma combined revenues, operating income and net income of \$108.7 million, \$13.0 million and \$7.4 million, respectively.

## INDUSTRY OVERVIEW

The Company estimates that the electrical and telecommunications contracting industry generates annual revenues in excess of \$40 billion. The Company believes that growth in this industry is being positively affected by the following trends:

**Deregulation.** The wholesale electricity market, including sales of electricity between utilities and other generators, is regulated by the Federal Energy Regulatory Commission ("FERC"). In 1996, FERC accelerated the deregulation of the electric power industry by issuing Order nos. 888 and 889, which require shareholder-owned utilities (of which there were approximately 223 in 1997) to provide non-utility electricity suppliers with access to transmission services. Management expects the deregulation of the electric power industry to increase competition among suppliers of electricity, which will lead utilities to lower their costs by outsourcing non-core functions such as the installation, construction, maintenance and repair of electric transmission and distribution systems and electric substations, services that have traditionally been performed by the utilities themselves.

The Telecommunications Act of 1996 preempted state and local government control over access to the telecommunications market, eliminating barriers to entry and opening the markets to new entrants. Management expects the elimination of such barriers to lead to increased construction of competing telecommunications networks as competitive telecommunications providers, existing as well as new, expand into new markets and offer services that once were reserved for incumbents.

**Upgrading and Expanding Existing Infrastructure.** As access to electric transmission services increases, the Company believes that financial penalties will be imposed upon electric utilities in the event of transmission and distribution system downtime attributable to the utilities. As a result, the Company

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expects that utilities will modernize existing transmission systems, which will increase the amount of upgrading and repair work available to outside contractors. The Company also expects commercial and industrial companies to continue to upgrade and expand their existing electrical infrastructure as a result of (i) increasing levels of modernization activity, (ii) the effects of more stringent electric codes, which establish minimum power and safety requirements, (iii) revised national energy standards, (iv) increases in use of electric power and (v) increased installation of electrical capacity in excess of minimum code requirements in order to facilitate marketing of properties.

The amount of traditional voice and data traffic has increased steadily, and growth in the use of personal computers and modems has created significant data traffic from a wide variety of sources. Because of the physical limitations of the existing communications network facilities, the Company believes there is an immediate need to upgrade and expand facilities with new and innovative technology, expanding, and in many cases, replacing existing telecommunications and cable television infrastructure to allow for increases in the volume of traffic. The need to upgrade and expand telecommunications infrastructure as a result of deregulation and the growth in consumer demand for enhanced telecommunications services is expected to continue to prompt telecommunications providers to increase the current level of outsourcing to independent contractors who serve the industry.

**Increased Outsourcing.** The outsourcing trend has largely been driven by the efforts of electric utilities and telecommunications providers to reduce costs and focus on their core competencies. The Company believes that electric utilities and telecommunications providers will increasingly seek comprehensive solutions to their infrastructure needs by utilizing fewer qualified contractors that can provide the full range of new construction, installation, repair, maintenance and emergency services.

The Company believes that its industry is highly fragmented. According to the U.S. Census Bureau, there are more than 50,000 electrical and telecommunications contracting businesses, consisting of a small number of regional or national providers and a large number of relatively small, owner-operated businesses that have limited access to capital and that offer a limited range of services. The Company believes that the fragmented nature of the industry presents substantial consolidation and growth opportunities for companies with a disciplined acquisition program, a decentralized operating strategy and access to financial resources. The Company also believes that the prominence and operating strength of the Founding Companies and the experience

of its executive management will provide the Company with significant competitive advantages to capitalize on these opportunities.

## STRATEGY

The Company plans to achieve its goal of becoming a leading provider of electric and telecommunications infrastructure contracting services by implementing its operating strategy, emphasizing continued internal growth and expanding through acquisitions.

OPERATING STRATEGY. The key elements of the Company's operating strategy are:

Operate on a Decentralized Basis. The Company intends to manage its operations on a decentralized basis while maintaining operating and financial controls. Local management will retain responsibility for the operations, profitability and growth of its business. The Company believes that, while maintaining operating and financial controls, a decentralized operating structure will retain the entrepreneurial spirit of each of the Founding Companies and will permit the Company to capitalize on the Founding Companies' local and regional market knowledge, specialized skills and customer relationships. In addition, the Company believes that its operating efficiency, financial strength, technical expertise, presence in key geographic areas and reputation for quality and reliability provide competitive advantages in bidding for, winning and executing new contracts for infrastructure projects. While local management will retain control of the operations of its business, the Company's

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executive management will have responsibility for corporate strategy and acquisitions, financing, insurance, investor relations and employee benefit plans.

Achieve Operating Efficiencies. Certain administrative functions will be centralized following the Offering. In addition, by combining overlapping operations of certain of the Founding Companies, the Company expects to achieve more efficient asset utilization and realize savings in overhead and other expenses. The Company intends to use its increased purchasing power to gain volume discounts in areas such as vehicles and equipment, electrical materials, marketing, bonding, employee benefits and insurance. The Company will seek to realize cost savings and other benefits by the sharing of purchasing, pricing, bidding and other business practices and the sharing of licenses. The Company intends to further develop and expand the use of management information systems to facilitate financial control, project costing and asset utilization. At some locations, the larger combined workforce will provide additional staffing flexibility.

INTERNAL GROWTH. The Company is focused on continuing its strong internal growth by (i) increasing the volume of services provided to existing customers, (ii) expanding the scope of services provided to existing customers, (iii) broadening its customer base and (iv) geographically expanding its service area. The Company believes it will be able to expand the services it offers in its markets by leveraging the specialized strengths of individual Founding Companies. Such services include design and engineering, where the contractor applies in-house engineering expertise to design the most cost-effective system, and the application of new technologies, such as a robotic arm that can be used to facilitate the repair of high voltage power transmission lines without taking them out of service.

ACQUISITIONS. The Company believes that the increasing trend toward the outsourcing of services to the electric and telecommunications infrastructure contracting industry will result in a competitive disadvantage for small and mid-sized companies that do not have access to capital and cannot provide a broad range of specialty contracting services on a national basis. In addition, the Company expects that there will continue to be a large number of attractive acquisition candidates due to the highly fragmented nature of the industry, the inability of many companies to expand and modernize due to capital constraints and the desire of owners for liquidity. The Company believes that its financial strength and experienced management will be attractive to acquisition candidates. The key elements of the Company's acquisition strategy are:

Enter New Geographic Markets. The Company intends to expand into geographic markets not currently served by the Founding Companies by selectively acquiring well-established specialty electrical and telecommunications contractors that, like the Founding Companies, are leaders in their regional markets, are financially stable, have a strong customer base, have senior management committed to participating in the future growth of the Company and can serve as "platforms" for the future growth of the Company.

Expand Within Existing Markets. The Company intends to explore acquisition opportunities in the geographic markets it already serves as well as geographic markets served by businesses the Company acquires in the

future. Once the Company has entered a specific geographic market, it will seek to acquire other well-established companies in that particular market to deepen its market penetration and expand the range of services offered to its customers. The Company will also pursue "tuck-in" acquisitions of smaller companies whose operations can be integrated into and leveraged with an existing operation.

#### ACQUISITION PROGRAM

The Company believes it will be regarded by acquisition candidates as an attractive acquiror because of (i) the Company's strategy for creating a national, comprehensive and professionally managed specialty electric and telecommunications infrastructure contracting business, (ii) the Company's decentralized

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operating strategy and opportunities to participate in a larger organization, (iii) the Company's access to financial resources as a public company, (iv) the potential for increased profitability due to centralizing certain administrative functions, enhanced systems capabilities and economies of scale and (v) the potential for owners of the businesses being acquired to participate in the Company's planned growth while realizing liquidity. The Company believes that the management of the Founding Companies will be instrumental in identifying and assisting in the completion of future acquisitions.

The Company has developed a set of financial, geographic and management criteria designed to assist management in the evaluation of acquisition candidates. These criteria evaluate a variety of factors, including, but not limited to (i) historical and projected financial performance, (ii) internal rate of return, return on assets and return on revenue, (iii) experience and reputation of the candidate's management and operations, (iv) composition and size of the candidate's customer base, (v) whether the geographic location of the candidate will enhance or expand the Company's market area or ability to attract other acquisition candidates, (vi) whether the acquisition will augment or increase the Company's market share or services offered or help protect the Company's existing customer base, (vii) potential synergies gained by combining the acquisition candidate with the Company's existing operations and (viii) liabilities, contingent or otherwise, of the candidate. The Company anticipates that acquisition candidates in the target markets and industries will have annual revenues ranging from \$10 million to \$100 million. At the present time, the Company has no binding agreements to effect any mergers or acquisitions other than the Acquisitions.

As consideration for future acquisitions, the Company expects to utilize a combination of cash, Common Stock and debt. The purchase price for each future acquisition will vary. The major factors in establishing the purchase price will be historical earnings, strength of management, future prospects of the acquiree and the ability of the acquiree to complement or leverage the services already offered by the Company. Following the Offering, the Company intends to register 5,000,000 additional shares of Common Stock under the Securities Act, which shares will be offered in connection with future acquisitions.

#### SERVICES

The Company provides a broad range of services, including the installation, repair and maintenance of electric power transmission and distribution lines and telecommunications and cable television lines, the construction of electric substations, the erection of cellular telephone, PCS(R) and microwave towers, the installation of highway lighting and traffic control systems, design and engineering services and the provision of specialty contracting services for electric, video, security, fire, voice and data systems. The Company currently provides four broad business services: electric utility infrastructure services; telecommunications infrastructure services; commercial and industrial services; and transportation control and lighting systems services. The Company had pro forma combined revenues for the nine months ended September 30, 1997 of \$108.7 million, of which 71% was attributable to electric utility infrastructure services, 7% was attributable to telecommunications infrastructure services, 11% was attributable to commercial and industrial services and 11% was attributable to transportation control and lighting systems services.

**ELECTRIC UTILITY INFRASTRUCTURE SERVICES.** The Company performs specialty electrical contracting services for electric utilities. These services include installing, repairing and maintaining electric transmission and distribution lines, principally above ground, maintaining street lights and other system components, constructing electric substations and erecting transmission towers. The work performed often involves the splicing of high voltage lines and, on occasion, the installation of underground high voltage distribution systems. The Company also repairs and replaces lines which have been damaged or destroyed as a result of adverse weather conditions.

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TELECOMMUNICATIONS INFRASTRUCTURE SERVICES. The Company provides a variety of services in connection with telecommunications, cable television and other data transmission. The Company installs fiber optic, coaxial and copper cable both above and below ground on behalf of telecommunications and cable service providers. The services provided by the Company include the placing and splicing of cable, excavation of trenches in which to place the cable, placement of related structures such as poles, anchors, conduits, manholes, cabinets and closures, placement of drop lines from the main distribution lines to an individual residence or business and maintenance and removal of these fiber optic, coaxial and copper lines and related structures. The Company has the ability to directionally bore and place cables, a highly specialized method of positioning buried cable which is often required in congested urban and suburban markets where trenching may be impractical. In addition, the Company is involved in the engineering, design and erection of communications towers, including cellular telephone, PCS(R) and microwave towers.

COMMERCIAL AND INDUSTRIAL SERVICES. The Company designs, installs, maintains and repairs electrical wiring, telephone and data copper wiring, fiber optic cabling and building control and automation systems for commercial and industrial customers.

TRANSPORTATION CONTROL AND LIGHTING SYSTEMS SERVICES. The Company installs, maintains and repairs traffic and highway control systems, such as signals, signage, lighting and freeway management systems components. In addition, the Company installs overhead cable and control systems for light rail lines, "smart" highway control systems and airport lighting.

#### CUSTOMERS

The Company's customers include electric utilities, telecommunications and cable television system operators, governmental entities, general contractors and builders, owners and managers of commercial and industrial properties. The Company's customer base is highly concentrated. For the year ended December 31, 1996, approximately 21% of the Company's total revenues were derived from Public Service Company of Colorado, 6% from Nevada Power Company and 5% from Pacific Telecom, Inc. For the nine months ended September 30, 1997, approximately 14% of the Company's total revenues were derived from Public Service Company of Colorado, 11% from Nevada Power Company and 7% from Pacific Gas & Electric Company. Electric utilities, in the aggregate, represent the largest customer base of the Company. General contractors, as a group, account for a significant portion of customers for the Company's commercial and industrial work. The Company believes that a substantial portion of its total revenues and operating income will continue to be derived from a concentrated group of customers. The loss of any of these customers could have a material adverse effect on the Company's business, financial condition and results of operations.

Management at each of the Founding Companies has been responsible for developing and maintaining successful long-term relationships with key customers. The Company relies heavily on repeat customers and uses both the written and verbal referrals of its satisfied customers to help generate new business. Many of the Company's customers or prospective customers have a qualification procedure for becoming an approved bidder or vendor based upon the satisfaction of particular performance and safety standards set by the customer. Such customers often maintain a list of vendors meeting such standards and award contracts for individual jobs only to such vendors. The Company strives to maintain its status as a preferred or qualified vendor to such customers.

#### EMPLOYEES

As of November 30, 1997, the Company had approximately 95 salaried employees, including executive officers, project managers or engineers, job superintendents, staff and clerical personnel and approximately 1,000 hourly rated employees, the number of which fluctuates depending upon the number and size of the projects undertaken by the Company at any particular time. The Company does not anticipate any overall reductions in staff as a result of the consolidation of the Founding Companies,

although there may be some job realignments and new assignments in an effort to eliminate overlapping and redundant positions.

Three of the Founding Companies are signatories to master collective bargaining agreements with the International Brotherhood of Electrical Workers (the "IBEW"). The other Founding Company is a signatory to various local IBEW agreements as well as local agreements with the Laborers International Union and the Operating Engineers Union. Under these agreements, the Founding Companies agree to pay specified wages to its union employees, observe certain workplace rules and make employee benefit payments to multi-employer pension plans and employee benefit trusts rather than administering the funds on behalf of their employees. IBEW covered employees are represented by numerous

local unions under various agreements with varying terms and expiration dates. Such local agreements are entered into by and between the IBEW local and the National Electrical Contractors Association ("NECA"), of which the Company is a member. The majority of the collective bargaining agreements contain provisions that prohibit work stoppages or strikes, even during specified negotiation periods relating to agreement renewal, and provide for binding arbitration dispute resolution in the event of prolonged disagreement; however, there can be no assurance that work stoppages or strikes will not occur at any given time.

Each of the Founding Companies provides a variety of health, welfare and benefit plans for their employees who are not covered by collective bargaining agreements. Following consummation of the Acquisitions, these various employee benefit plans will be replaced by a single plan covering all of the Company's non-bargaining employees.

The electric and telecommunications infrastructure contracting industry is experiencing a shortage of skilled craftsmen. In response to the shortage, the Company seeks to take advantage of various IBEW and NECA referral programs and hire graduates of the joint IBEW/NECA apprenticeship program for training qualified electricians. As a union employer, the Company believes that its access to qualified personnel through these and other union sources will afford it a distinct advantage over non-union employers in attracting much needed skilled craftsmen in an ever-tightening labor market. None of the Founding Companies has experienced any strikes or work stoppages in the past 20 years. The Company believes its relationships with its employees and union representatives is satisfactory.

#### TRAINING, QUALITY ASSURANCE AND SAFETY

Performance of the Company's services requires the use of equipment and exposure to conditions that can be dangerous. Although the Company is committed to a policy of operating safely and prudently, the Company has been and is subject to claims by employees, customers and third parties for property damage and personal injuries resulting from performance of the Company's services. The Company performs on-site services using employees who have completed applicable Company safety and training programs. The Company's policies require that employees complete a prescribed training and service program with the Company in addition to those required by NECA and the IBEW prior to performing more sophisticated and technical jobs. For example, all journeymen linemen are required by the IBEW and NECA to complete a minimum of 8,000 hours of on-the-job training, approximately 200 hours of classroom education and extensive testing and certification. The Company requires additional training, depending upon the sophistication and technical requirements of each particular job. Following completion of the Offering, management intends to establish Company-wide training and educational programs, as well as comprehensive safety policies and regulations, by sharing "best practices" throughout its operations.

#### EQUIPMENT AND FACILITIES

The Company operates a fleet of owned and leased trucks and trailers, support vehicles and specialty construction equipment, such as backhoes, excavators, trenchers, generators, boring machines, cranes and wire pullers and tensioners. The total size of the rolling-stock fleet approximates 2,600 units. Most of

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this fleet is serviced by the Company's own mechanics who work at various maintenance sites and facilities. The Company believes that these vehicles generally are well-maintained and adequate for its present operations. Management believes that in the future it will be able to lease or purchase this equipment at lower prices due to its larger size and the volume of its leasing and purchasing activity.

After the consummation of the Offering, the Company expects to lease its corporate headquarters in Houston, Texas. The Company operates 13 sites in North Kansas City and Clinton, Missouri; South Bend, Indiana; Las Vegas and Reno, Nevada; Topeka, Kansas; Des Moines, Iowa; Aurora and Englewood, Colorado; El Cajon and Vacaville, California; and Sumner and Spokane, Washington. This space is used for offices, warehousing, storage and vehicle shops. The Company owns some of the facilities it occupies and leases others. The Company believes that its facilities are sufficient for its current needs. See "Certain Transactions."

#### REGULATION

The Company's operations are subject to various federal, state and local laws and regulations including (i) licensing requirements applicable to electricians and engineers, (ii) building and electrical codes, (iii) permitting and inspection requirements applicable to construction projects, (iv) regulations relating to worker safety and environmental protection and (v) special bidding and procurement requirements on government projects.

The Company believes that it has all the required licenses to conduct its operations and is in substantial compliance with applicable regulatory requirements. Failure of the Company to comply with applicable regulations could result in substantial fines and/or revocation of the Company's operating licenses. Many state and local regulations governing electrical construction require permits and licenses to be held by individuals who typically have passed an examination or met other requirements. The Company intends to implement a policy to ensure that, where possible, any such permits or licenses that may be material to the Company's operations are held by at least two Company employees.

COMPETITION

The markets in which the Company operates are highly competitive, requiring substantial resources and skilled and experienced personnel. The Company competes with other independent contractors in most of the markets in which it operates, several of which are large domestic companies that have greater financial, technical and marketing resources than the Company. In addition, there are relatively few, if any, barriers to entry into the markets in which the Company operates and, as a result, any organization that has adequate financial resources and access to technical expertise may become a competitor to the Company. A significant portion of the Company's revenues are currently derived from master service agreements and price is often an important factor in the award of such agreements. Accordingly, the Company could be outbid by its competitors in an effort to procure such business. There can be no assurance that the Company's competitors will not develop the expertise, experience and resources to provide services that are equal or superior in both price and quality to the Company's services, or that the Company will be able to maintain or enhance its competitive position. The Company may also face competition from the in-house service organizations of its existing or prospective customers, including electric utility and telecommunications providers, which employ personnel who perform some of the same types of services as those provided by the Company. Although a significant portion of these services is currently outsourced, there can be no assurance that existing or prospective customers of the Company will continue to outsource services in the future.

RISK MANAGEMENT, INSURANCE AND PERFORMANCE BONDS

The primary risks in the Company's operations are bodily injury, property damage and injured workers' compensation. The Company maintains automobile and general liability insurance for third party

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bodily injury and property damage and workers' compensation coverage which it considers sufficient to insure against these risks, subject to self-insured amounts. After the consummation of the Offering, the Company intends to consolidate the purchase of insurance, which management believes will result in savings from the amounts paid by the Founding Companies prior to the Acquisitions.

Contracts in the electrical contracting industry may require performance bonds or other means of financial assurance to secure contractual performance. If the Company were unable to obtain surety bonds or letters of credit in sufficient amounts or at acceptable rates, it may be precluded from entering into additional contracts with certain of its customers.

LEGAL PROCEEDINGS

The Company is, from to time, a party to litigation or administrative proceedings that arise in the normal course of its business. The Company does not have pending any litigation that, separately or in the aggregate, if adversely determined, would have a material adverse effect on the Company's results of operations or financial condition.

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MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following table sets forth certain information concerning the Company's directors and executive officers and those persons who will become directors, executive officers and certain key employees following the consummation of the Offering:

<TABLE>  
<CAPTION>

NAME	AGE	POSITION
----	---	-----
<C>	<C>	<S>
John R. Colson*.....	50	Chief Executive Officer, Director
James H. Haddox.....	49	Chief Financial Officer



Derrick A. Jensen.....	27 Vice President and Controller
John R. Wilson*.....	47 President of PAR, Director Vice President of Union Power,
Timothy A. Soule*.....	50 Director Vice President of TRANS TECH,
John A. Martell*.....	42 Director
Gary A. Tucci*.....	41 President of Potelco, Director
James R. Ball*.....	54 Director
Vincent D. Foster.....	41 Chairman of the Board of Directors
Rodney R. Proto*.....	48 Director
Michael T. Willis*.....	52 Director
Ronald W. Soule.....	53 President of Union Power
Robert J. Urbanski.....	46 President of TRANS TECH

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\* Election as a director of the Company effective upon the consummation of the Offering.

John R. Colson was elected Chief Executive Officer of the Company in December 1997 and will become a director of the Company effective upon the consummation of the Offering. He joined PAR in 1971 and became President in 1991. He is currently a member of the Council of Industrial Relations, governor of the Missouri Valley chapter of NECA and a director of the Missouri Valley Line Apprenticeship Program.

James H. Haddox has been Chief Financial Officer of the Company since November 1997. From March 1996 until joining the Company, Mr. Haddox was Senior Vice President--Finance of Corporate Express Delivery Systems, Inc., a national provider of same day delivery services. From January 1994 to March 1996, Mr. Haddox held various positions, including Chief Accounting Officer and Vice President--Finance, with U.S. Delivery Systems, Inc., a NYSE listed company which was the largest provider of same day delivery services in the U.S. prior to its merger with Corporate Express, Inc. in March 1996. From 1991 to 1994 Mr. Haddox was an independent business consultant providing management services. From 1987 to 1991, Mr. Haddox held various financial positions, including Chief Financial Officer and Chief Accounting Officer, at Allwaste, Inc., a NYSE listed national environmental services company. Mr. Haddox is a Certified Public Accountant.

Derrick A. Jensen has been Vice President and Controller of the Company since December 1997. Prior to joining the Company, he was employed by Arthur Andersen LLP ("Arthur Andersen"), serving most recently as audit manager focusing on clients in consolidating industries.

John R. Wilson was elected President of PAR in 1997. He joined PAR in 1977 and became an Executive Vice President in 1991. Mr. Wilson will become a director of the Company effective upon the consummation of the Offering.

Timothy A. Soule joined Union Power in 1972 and became Vice President in 1975. He is also a member of the Board of Trustees for the joint NECA/IBEW Line Construction Benefit Fund, Union Power's representative to the Rocky Mountain Electrical League and a member of the Board of Directors of Power

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and Communication Contractors Association. Mr. Soule will become a director of the Company effective upon the consummation of the Offering.

John A. Martell founded TRANS TECH in 1983 and serves as Vice President. He is currently a member of the National Fire Protection Association and the Illuminating Engineering Society. Mr. Martell is a Registered Professional Engineer. Mr. Martell will become a director of the Company effective upon the consummation of the Offering.

Gary A. Tucci joined Potelco in 1975 and became President in 1988. He is a member of the Joint IBEW/NECA Apprenticeship and Training Committee as well as the labor relations board. Mr. Tucci will become a director of the Company effective upon the consummation of the Offering.

James R. Ball is a private investor, a consultant to Koch Industries, Inc. and a member of the board of directors of Carbide/Graphite Group, Inc., a producer of graphite electrodes specialties products. From 1969 to 1994, he held several positions with Vista Chemical Company ("Vista") and its predecessor, Conoco, Inc. Vista was sold in 1991 to RWE-DEA, a unit of RWE AG, a German energy and chemicals concern, and Mr. Ball served on the board of directors of RWE-DWA and was its President and Chief Executive Officer from 1992 through 1994. Mr. Ball will become a director of the Company effective upon the consummation of the Offering.

Vincent D. Foster has been a director of the Company since November 1997 and will become non-executive Chairman of the Board upon consummation of the Offering. Mr. Foster is a Managing Director of Main Street Merchant Partners II, L.P., a merchant banking firm which is a principal stockholder of the Company. From September 1988 through October 1997, Mr. Foster was a partner of Andersen Worldwide and Arthur Andersen. Mr. Foster was the Director of the

Corporate Finance and Mergers and Acquisitions practices of Arthur Andersen for the southwestern U.S., specializing in structuring and executing "roll-up" transactions and in providing merger and acquisition and corporate finance advisory services to clients in consolidating industries. Mr. Foster holds a J.D. degree and is a Certified Public Accountant.

Rodney R. Proto has been President, Chief Operating Officer and a director of USA Waste Services, Inc. ("USA Waste"), the third largest solid waste services company in North America, since August 1996. Prior thereto, he was President, Chief Operating Officer and a director of Sanifill, Inc. ("Sanifill"), a solid waste management company acquired by USA Waste in August 1996. Mr. Proto joined Sanifill in February 1992. Before joining Sanifill, he was employed by Browning-Ferris Industries, Inc. for 12 years where he served, among other positions, as Chairman of BFI Overseas from 1985 to 1987 and President of Browning-Ferris Industries Europe, Inc. from 1987 through 1991. Mr. Proto will become a director of the Company effective upon the consummation of the Offering.

Michael T. Willis is Chairman of the Board, Chief Executive Officer and President of CoreStaff, Inc. ("CoreStaff"), one of the largest information technology and staffing companies in the U.S. Prior to founding CoreStaff in 1993, Mr. Willis served as Chief Executive Officer and President of The Talent Tree Corporation ("Talent Tree"), which he founded in 1976 and built into one of the largest temporary services companies in the U.S. Mr. Willis sold Talent Tree to Hestair plc in 1987 and then continued as President and Chief Executive Officer until April 1993. Mr. Willis is also a director of the Southwest Bank of Texas, a publicly-traded financial institution. Mr. Willis will become a director of the Company effective upon the consummation of the Offering.

Ronald W. Soule joined Union Power in 1963 and became President in 1987. He is a member of the Board of Directors of the Colorado NECA/IBEW Negotiation Committee, the Western Line Constructors Chapter of NECA and the Mountain States Joint Apprenticeship and Training Committee. He is also Union Power's representative to NECA and the past President of Western Line Constructors Chapter of NECA.

Robert J. Urbanski founded TRANS TECH in 1983 and serves as President. He is a member of the Institute of Transportation Engineers and the International Municipal Sign Association.

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Upon consummation of the Offering, the Board of Directors of the Company shall consist of nine members. The Bylaws of the Company permit the Board of Directors to increase the size of the Board. Each director will serve a one-year term. At each annual meeting of stockholders, all except one of the directors will be elected by the holders of the Common Stock and one director will be elected by the holders of the Limited Vote Common Stock.

The Board of Directors has established an Audit Committee and a Compensation Committee. The members of these committees will be determined following consummation of the Offering.

#### DIRECTORS' COMPENSATION

Directors who also are employees of the Company or any of its subsidiaries will not receive additional compensation for serving as directors. Each director who is not an employee of the Company or any of its subsidiaries will receive a fee of \$1,000 for attendance at each meeting of the Board of Directors or any committee thereof (unless held on the same day as a Board of Directors meeting). Directors of the Company will be reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors or the committees thereof, and for other expenses reasonably incurred in their capacity as directors of the Company. Each non-employee director will receive an option to purchase 10,000 shares of Common Stock upon such person's initial election to the Board of Directors and an annual grant of an option to purchase 5,000 shares of Common Stock at each annual meeting of the Company's stockholders thereafter at which such director is re-elected or remains a director. See "---1997 Stock Option Plan." In addition, each of Messrs. Ball, Proto and Willis purchased 20,000 shares of Limited Vote Common Stock from the Company for nominal consideration.

#### EXECUTIVE COMPENSATION

The Company was incorporated in August 1997 and has not conducted any operations other than those activities related to the Acquisitions and the Offering. The Company anticipates that during 1998 the annualized base salaries of its most highly compensated executive officers will be \$150,000 for each executive officer. As part of Mr. Haddox's employment arrangement with the Company, he purchased 100,000 shares of Limited Vote Common Stock for nominal consideration and will receive an option under the 1997 Stock Option Plan to purchase 125,000 shares of Common Stock at the initial public offering price. As part of Mr. Jensen's employment arrangement with the Company, he

purchased 37,500 shares of Limited Vote Common Stock for nominal consideration and will receive an option under the 1997 Stock Option Plan to purchase 62,500 shares of Common Stock at the initial public offering price.

#### EMPLOYMENT AGREEMENTS

Upon consummation of the Offering, the Company will enter into an employment agreement with each executive officer and certain key employees of the Company that prohibits such individual from disclosing the Company's confidential information and trade secrets and generally restricts these individuals from competing with the Company for a period of five years after the date of the individual's employment agreement. Each of the agreements has an initial term of three years, provides for an automatic annual extension at the end of its initial term and is terminable by the Company for "good cause" upon ten days' written notice and without "good cause" by either party upon thirty days' written notice. All employment agreements provide that if the officer's employment is terminated by the Company without "good cause," such officer will be entitled to receive a lump-sum severance payment at the effective time of termination equal to the officer's base salary at the rate then in effect for the greater of (i) the time period remaining under the initial term of the agreement or (ii) one year. In addition, all employment agreements provide that in the event of termination without "good cause," the non-competition provision will not apply for any time period in which the employee is not receiving or has not received severance compensation.

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The employment agreements contain certain provisions concerning a change-in-control of the Company, including the following: (i) in the event five days' advance notice of the transaction giving rise to the change-in-control is not received by the Company and such officer, the change-in-control will be deemed a termination of the employment agreement by the Company without "good cause," and the provisions of the employment agreement governing the same will apply, except that the severance amount otherwise payable (discussed in the preceding paragraph) shall be tripled and the provisions which restrict competition with the Company shall not apply and (ii) the officer must be given sufficient time and opportunity to elect whether to exercise all or any of his or her options to purchase Common Stock, including any options with accelerated vesting under the provisions of the 1997 Stock Option Plan, such that the officer may acquire the Common Stock at or prior to the closing of the transaction giving rise to the change-in-control, if he or she so desires.

#### 1997 STOCK OPTION PLAN

In December 1997, the Board of Directors adopted, and the stockholders of the Company approved, the 1997 Stock Option Plan. The purpose of the 1997 Stock Option Plan is to provide directors, key employees, officers and certain advisors with additional incentives by increasing their proprietary interest in the Company. The aggregate amount of Common Stock of the Company with respect to which options may be granted may not exceed the greater of 2,380,850 shares or 15% of the outstanding shares of Common Stock.

The 1997 Stock Option Plan provides for the grant of incentive stock options ("ISOs") as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and nonqualified stock options (collectively, the "Awards"). The amount of ISOs that may be granted under the 1997 Stock Option Plan is limited to 2,380,850 shares. The 1997 Stock Option Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee has, subject to the terms of the 1997 Stock Option Plan, the sole authority to grant Awards under the 1997 Stock Option Plan, to construe and interpret the 1997 Stock Option Plan and to make all other determinations and take any and all actions necessary or advisable for the administration of the 1997 Stock Option Plan.

All of the Company's employees, nonemployee directors, officers and advisors are eligible to receive Awards under the 1997 Stock Option Plan, but only employees of the Company are eligible to receive ISOs. Options will be exercisable during the period specified in each option agreement and will generally become exercisable in installments pursuant to a vesting schedule designated by the Compensation Committee. In the discretion of the Compensation Committee, option agreements may provide that options will become immediately exercisable in the event of a "change in control" (as defined in the 1997 Stock Option Plan) of the Company. No ISO will remain exercisable later than ten years after the date of grant (or five years in the case of ISOs granted to employees owning more than 10% of the voting capital stock).

The Company expects to have outstanding options to purchase up to a total of 1,500,000 shares of Common Stock issued pursuant to the 1997 Stock Option Plan following the Offering at an exercise price equal to or greater than the initial public offering price.

The 1997 Stock Option Plan also provides for automatic option grants to directors who are not otherwise employed by the Company or its subsidiaries. Upon commencement of service, a non-employee director will receive a non-qualified option to purchase 10,000 shares of Common Stock, and each

continuing or re-elected non-employee director annually will receive an option to purchase 5,000 shares of Common Stock. Options granted to non-employee directors are fully exercisable following the expiration of six months from the date of grant.

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The exercise price for ISOs granted under the 1997 Stock Option Plan may be no less than the fair market value of a share of the Common Stock on the date of grant (or 110% in the case of ISOs granted to employees owning more than 10% of the voting capital stock).

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#### CERTAIN TRANSACTIONS

##### ORGANIZATION OF THE COMPANY

Quanta was initially capitalized in August 1997 by a group of investors, including Midwest Acquisition Support, LLC (an entity controlled by Bernard J. Gram), Kevin D. Miller, Steven P. Colmar and William G. Parkhouse, an advisory director of the Company, who collectively have acted as co-founders of Quanta and paid nominal cash consideration for 1,693,779 shares of Limited Vote Common Stock. In September 1997, a corporation affiliated with this group agreed to advance up to \$125,000 to the Company in consideration for receiving, at the closing of the Offering, a number of shares of Limited Vote Common Stock equal to \$375,000 divided by the offering price per share of Common Stock, which, at an assumed offering price of \$9.00 per share, will total 41,667 shares of Limited Vote Common Stock. In addition, in November 1997 Main Street purchased 1,484,542 shares of Limited Vote Common Stock for nominal cash consideration (both Main Street and the group of investors described above, the "Initial Stockholders"). Since November 1997, Main Street has advanced funds to Quanta to enable Quanta to pay various expenses incurred in connection with its efforts to complete the Acquisitions and consummate the Offering. All of Main Street's advances will be repaid from the net proceeds of the Offering.

Simultaneously with the closing of the Offering, Quanta will acquire all of the issued and outstanding capital stock and other equity interests of the Founding Companies, at which time each Founding Company will become a wholly owned subsidiary of the Company. The Acquisition Consideration consists of (i) an estimated \$21.0 million in cash and (ii) 7,527,000 shares of Common Stock.

The following table sets forth for each Founding Company the approximate consideration to be paid by Quanta to the stockholders of the Founding Companies (i) in cash and (ii) in shares of Common Stock.

<TABLE>  
<CAPTION>

	CASH	SHARES OF COMMON STOCK
	-----	-----
<S>	<C>	<C>
PAR.....	\$ 8,370,000	3,000,000
Union Power.....	5,348,430	1,917,000
TRANS TECH.....	4,362,862	1,563,750
Potelco.....	2,919,038	1,046,250
	-----	-----
Total.....	\$21,000,330	7,527,000
	=====	=====

</TABLE>

The amount of cash to be paid as part of the Acquisition Consideration is based upon an assumed offering price of \$9.00 per share. The actual amount of cash paid to the stockholders of the Founding Companies will be the greater of a previously specified fixed purchase price or a previously specified number multiplied by the per share net offering proceeds to be received by Quanta as reflected on the first page of the Prospectus. For each of the Founding Companies, the respective fixed cash portion of the purchase price and number to be multiplied by the per share net offering proceeds to be received by Quanta are as follows: PAR: \$7,500,000 and 1,000,000; Union Power: \$4,792,500 and 639,000; TRANS TECH: \$3,909,375 and 521,250; and Potelco: \$2,615,625 and 348,750. The number of shares of Common Stock to be paid to the Founding Companies is not subject to adjustment.

In addition, immediately prior to consummation of the Acquisitions, the Founding Companies will make the S Corporation Distributions of approximately \$7.8 million in the aggregate. Prior to consummation of the Acquisitions, the Founding Companies will also transfer, for cash consideration in an amount equal to their respective book values, certain non-operating assets with an aggregate net book value of approximately \$0.9 million.

The consummation of each Acquisition is subject to customary conditions. These conditions include, among others, the accuracy on the closing date of the Acquisitions of the representations and warranties

of the Founding Companies, their stockholders and of the Company, the performance by each of the parties of their respective covenants and the absence of a material adverse change in the business, results of operations or financial condition of any of the Founding Companies.

The agreements relating to the Acquisitions may be terminated under certain circumstances prior to the consummation of the Offering. Specifically, the agreements may be terminated (i) by the mutual consent of the Board of Directors of the Company and each Founding Company, (ii) if the Offering and the Acquisitions are not consummated by June 1, 1998 or (iii) if a material breach or default under the agreements shall exist and is not cured or waived. There can be no assurance that the conditions to the closing of the Acquisitions will be satisfied or waived or that the agreements relating to the Acquisitions will not be terminated prior to the closing. However, if the Acquisitions are not completed, the Offering will not be completed.

Pursuant to the agreements relating to the Acquisitions, all stockholders of each of the Founding Companies have agreed not to compete with the Company for a period of five years commencing on the date of closing of the Acquisitions.

Individuals who are or will become executive officers or directors of the Company will receive the following consideration in the Acquisitions for their interests in the Founding Companies, subject to adjustments as described above.

<TABLE>  
<CAPTION>

	CASH(1)	SHARES OF COMMON STOCK
	-----	-----
<S>	<C>	<C>
PAR		
John R. Colson.....	\$5,859,000	2,100,000
John R. Wilson.....	2,511,000	900,000
Union Power		
Timothy A. Soule.....	941,324	337,392
TRANS TECH		
John A. Martell.....	2,181,430	781,875
Potelco		
Gary A. Tucci.....	2,919,038	1,046,250

</TABLE>

- - - - -

(1) Excludes distributions representing previously taxed S corporation earnings to be made to S corporation stockholders. The anticipated amount of such distributions to the former owners of the Founding Companies aggregates approximately \$7.8 million.

#### TRANSACTIONS INVOLVING CERTAIN OFFICERS, DIRECTORS AND STOCKHOLDERS

Certain stockholders of certain of the Founding Companies who will become directors, executive officers or key employees of the Company upon consummation of the Offering have guaranteed indebtedness, performance bonds and other obligations of each of their respective Founding Companies. These guarantees are expected to be terminated within 90 days following the completion of the Offering.

Prior to consummation of the Offering, the stockholders of Union Power will purchase certain non-operating assets from that company at a price equal to the book value of such assets, estimated to be \$183,000 in the aggregate.

Prior to consummation of the Offering, the stockholders of PAR will purchase certain non-operating assets from that company at a price equal to the book value of such assets, estimated to be \$742,000 in the aggregate.

Union Power leases its main office facilities located in Englewood, Colorado from Soule Trusts Partnership, which is controlled by affiliates of Ronald W. and Timothy A. Soule, and a branch facility

located in North Las Vegas, Nevada from RTS Partnership, which is owned by Ronald W. and Timothy A. Soule. Ronald W. and Timothy A. Soule are President and Vice President of Union Power, respectively, and Timothy Soule will become a director of the Company upon consummation of the Offering. The Englewood office lease provides for a five-year term that will terminate in the year 2002 with an option to renew the lease for an additional five-year term, and covers approximately 3,500 square feet of office space on 4.8 acres, at a monthly rental rate of \$3,500. The North Las Vegas office lease will terminate on May 31, 2006 with provision for automatic one-year renewal periods. Such lease covers 2.69 acres and the leasehold improvements located on such land

for a monthly rental rate of \$4,700. In addition, Union Power will lease two directional drilling rigs from Mountain Drilling Equipment Co., which is owned by Ronald W. and Timothy A. Soule. The equipment lease with Mountain Drilling Equipment Co. provides for a one-year term which will terminate on August 1, 1998, and a monthly rental rate of \$8,000. The Company believes that the economic terms of these leases do not exceed fair market value.

Following the Acquisitions, Potelco will enter into written leases for its main office with the father of Gary A. Tucci and for another office in Washington with Gary A. Tucci, who will remain as President of Potelco and will become a director of the Company upon consummation of the Offering. Currently, both leases are oral and on a month to month basis. The main office lease is for a 15,000 square foot building on five acres, at a rent of \$2,000 per month. The other lease is for a 2,200 square foot office with a 6,000 square foot maintenance facility on 1.5 acres, at a rent of \$2,800 per month. The Company believes that the economic terms of these leases do not exceed fair market value.

Following the Acquisitions, TRANS TECH will lease its main office from TRANS TECH Properties, which is partially owned by Robert J. Urbanski and John A. Martell, who are President and Vice President of TRANS TECH, respectively. Additionally, Mr. Martell will become a director of the Company upon consummation of the Offering. The main office of TRANS TECH is located in South Bend, Indiana, and the facilities consist of approximately 7.5 acres of real property, a 4,350 square foot office attached to a 10,560 square foot heated warehouse, a 3,480 square foot detached unheated warehouse and a 3,000 square foot detached vehicle maintenance facility. The initial lease term is for five years at a rent of \$5,900 per month, plus the payment of all taxes, insurance and maintenance on the property. TRANS TECH has the option to renew the lease for an additional five year term at a rental rate equal to the then current market rate. The Company believes that the economic terms of this lease do not exceed fair market value.

Union Power has notes outstanding to various affiliates in the aggregate amount of approximately \$460,000. The Company intends to use a portion of the proceeds of the Offering to repay these notes.

Potelco owes approximately \$1.1 million to its sole stockholder and his father pursuant to a promissory note and other arrangements. The Company intends to use a portion of the proceeds of the Offering to repay this indebtedness.

Following completion of the Offering, the Company may repay up to \$17.6 million of the Founding Companies' outstanding debt, although the exact amount and specific debt to be repaid has not been determined at this time.

#### COMPANY POLICY

In the future, any transactions with directors, officers, employees or affiliates of the Company are anticipated to be minimal and will, in any case, be approved by a majority of the Board of Directors, including a majority of disinterested members of the Board of Directors.

#### PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's voting capital stock by (i) each person known by the Company to be a beneficial owner of more than 5% of any class of the Company's voting capital stock, (ii) each director, nominee for director, person who has consented to be named as a director ("named directors") and executive officer of the Company and (iii) all directors, director nominees and executive officers of the Company as a group. Except as otherwise indicated below, the persons named in the table have advised the Company that they have sole voting and investment power with respect to the shares of capital stock shown as beneficially owned by them. Unless otherwise indicated, each person or group has sole voting and investment power with respect to all such shares. Unless otherwise indicated, the number of shares and percentage of ownership of Common Stock for each of the named stockholders, directors and executive officers assumes that shares of Common Stock that the stockholders, directors and executive officers may acquire within 60 days are outstanding.

<TABLE>

<CAPTION>

NAME	SHARES BENEFICIALLY OWNED	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		PRIOR TO OFFERING	AFTER OFFERING
<S>	<C>	<C>	<C>
John R. Colson (1)	2,100,000	19.3%	13.2%

Main Street Merchant Partners II, L.P.....	1,484,542 (a)	13.7	9.4
Vincent D. Foster(2) .....	1,484,542 (a)	13.7	9.4
Gary A. Tucci(3).....	1,046,250	9.6	6.6
John R. Wilson(4).....	900,000	8.2	5.7
John A. Martell(5).....	781,795	7.2	4.9
Timothy A. Soule(6).....	337,392	3.1	2.1
James H. Haddox(1).....	100,000 (a)	*	*
Derrick A. Jensen(1).....	37,500 (a)	*	*
James R. Ball(1)(7).....	20,000 (a)	*	*
Rodney R. Proto(1)(7).....	20,000 (a)	*	*
Michael T. Willis(1)(7).....	20,000 (a)	*	*
All directors, director nominees and executive officers as a group (9 persons) (8).....	6,847,479	63.0	43.1

</TABLE>

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\* Less than 1%.

(a) Consists entirely of Limited Vote Common Stock. See "Description of Capital Stock" for a description of the Limited Vote Common Stock.

(1) The address for Messrs. Ball, Colson, Proto, Haddox, Jensen and Willis is 3555 Timmons Lane, Suite 610, Houston, Texas 77027.

(2) Includes 1,472,191 shares issued to Main Street. Mr. Foster is a Managing Director of Main Street. The address for Main Street and Mr. Foster is 1360 Post Oak Blvd., Suite 800, Houston, Texas 77056.

(3) The address for Mr. Tucci is 14103 Eight Street East, Sumner, Washington 98390.

(4) The address for Mr. Wilson is 1440 Iron Street, P.O. Box 12520, North Kansas City, Missouri 64116.

(5) The address for Mr. Martell is 4601 Cleveland Road, P.O. Box 3915, South Bend, Indiana 46619. Includes 174,310 shares owned by trusts for the benefit of minor children of Mr. Martell, of which he disclaims beneficial ownership.

(6) The address for Mr. Soule is 2045 W. Union Avenue, Englewood, Colorado 80110.

(7) In addition, each of Messrs. Ball, Proto and Willis have committed to purchase 15,000 shares of Common Stock in the Offering.

(8) Includes 1,682,042 shares of Limited Vote Common Stock.

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#### DESCRIPTION OF CAPITAL STOCK

Upon completion of the Offering, the authorized capital stock of the Company will consist of 40,000,000 shares of Common Stock, par value \$.00001 per share, including 3,345,333 shares of Limited Vote Common Stock. The Company has also authorized the issuance of 10,000,000 shares of Preferred Stock, par value \$.00001 per share ("Preferred Stock"). The following discussion is qualified in its entirety by reference to the Amended and Restated Certificate of Incorporation of the Company, which is included as an exhibit to the Registration Statement of which this Prospectus is a part.

#### COMMON STOCK AND LIMITED VOTE COMMON STOCK

The holders of Common Stock are entitled to one vote for each share on all matters voted upon by stockholders, including the election of directors. Such holders are not entitled to vote cumulatively for the election of directors. Holders of a majority of the shares of Common Stock entitled to vote in any election of directors may elect all of the directors standing for election.

Holders of Limited Vote Common Stock, voting together as a single class, are entitled to elect one director. Holders of Limited Vote Common Stock are not entitled to vote on the election of any other directors. Only the holders of the Limited Vote Common Stock may remove the director such holders are entitled to elect. Holders of Limited Vote Common Stock are entitled to 0.10 of one vote for each share held on all other matters on which they are entitled to vote.

Subject to the rights of any then outstanding shares of Preferred Stock, holders of Common Stock and Limited Vote Common Stock are together entitled to participate pro rata in such dividends as may be declared in the discretion of the Board of Directors out of funds legally available therefor. Holders of Common Stock and Limited Vote Common Stock together are entitled to share ratably in the net assets of the Company upon liquidation after payment or provision for all liabilities and any preferential liquidation rights of any Preferred Stock then outstanding. Holders of Common Stock and holders of Limited Vote Common Stock have no preemptive rights to purchase shares of

stock of the Company. Shares of Common Stock are not subject to any redemption provisions and are not convertible into any other securities of the Company. Shares of Limited Vote Common Stock are not subject to any redemption provisions and are convertible into Common Stock as described below.

Each share of Limited Vote Common Stock will automatically convert to Common Stock on a share-for-share basis in the event of a disposition of such share of Limited Vote Common Stock by the holder thereof (other than a distribution by a holder to its partners or beneficial owners or a transfer to a related party of such holders (as defined in Sections 267, 707, 318 and/or 4946 of the Code)).

The Common Stock has been approved for listing, subject to notice of issuance, on the NYSE.

#### PREFERRED STOCK

The Preferred Stock may be issued from time to time by the Board of Directors in one or more series. Subject to the provisions of the Amended and Restated Certificate of Incorporation and limitations prescribed by law, the Board of Directors is expressly authorized to adopt resolutions to issue the shares, to fix the number of shares and to change the number of shares constituting any series and to provide for or change the voting powers, designations, preferences and relative, participating, optional, exchange or other special rights, qualifications, limitations or restrictions thereof, including dividend rights (including whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), redemption prices, conversion rights and liquidation preferences of the shares constituting any class or series of the Preferred Stock, in each case without any further action or vote by the holders of Common Stock.

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Although the Company has no present intention to issue shares of Preferred Stock, the issuance of shares of Preferred Stock, or the issuance of rights to purchase such shares, could be used to discourage an unsolicited acquisition proposal. For example, the issuance of a series of Preferred Stock might impede a business combination by including class voting rights that would enable the holders to block such a transaction; or such issuance might facilitate a business combination by including voting rights that would provide a required percentage vote of the stockholders. In addition, under certain circumstances, the issuance of Preferred Stock could adversely affect the voting power of the holders of the Common Stock. Although the Board of Directors is required to make any determination to issue such stock based on its judgment as to the best interests of the stockholders of the Company, the Board of Directors could act in a manner that would discourage an acquisition attempt or other transaction that some or a majority of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-market price of such stock. The Board of Directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or the rules of any market on which the Company's securities are traded.

#### STATUTORY BUSINESS COMBINATION PROVISION

The Company is a Delaware corporation and is subject to Section 203 of the DGCL. In general, Section 203 prevents a Delaware corporation from engaging in a "business combination" (as defined) with an "interested stockholder" (defined generally as a person owning 15% or more of a corporation's outstanding voting stock or affiliate or associate) for three years following the time such stockholder became an interested stockholder unless (i) before such person became an interested stockholder, the board of directors of the corporation approved the business combination or the transaction in which the interested stockholder became an interested stockholder, (ii) upon consummation of the transaction which resulted in the interested stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding stock held by directors who are also officers of the corporation and by employee stock plans that do not provide employees with the rights to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer) or (iii) at or subsequent to the time such person became an interested stockholder, the business combination was approved by the board of directors of the corporation and authorized at a meeting of stockholders by the affirmative vote of the holders of 66 2/3% of the outstanding voting stock of the corporation not owned by the interested stockholder. Under Section 203, the restrictions described above also do not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of one of certain extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation's directors, if such extraordinary transaction is approved or not opposed by a majority of the directors who were directors prior to any person becoming an interested stockholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors.



## LIMITATION ON DIRECTORS' LIABILITY

Delaware law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breach of a director's fiduciary duty of care. The duty of care requires that, when acting on behalf of the corporation, directors must exercise an informed business judgment based on all material information reasonably available to them. Absent the limitations authorized by Delaware law, directors are accountable to corporations and their stockholders for monetary damages for conduct constituting gross negligence in the exercise of their duty of care. Delaware law enables corporations to limit available relief to equitable remedies such as injunction or rescission. The Amended and Restated Certificate of Incorporation limits the liability of directors of the Company to the Company or its stockholders to the fullest extent permitted by Delaware law. Specifically,

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directors of the Company will not be personally liable to the Company or its stockholders for monetary damages for breach of a director's fiduciary duty as a director, except for liability for breach of the duty of loyalty, for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL or for any transaction in which a director has derived an improper personal benefit.

The Amended and Restated Certificate of Incorporation provides that each officer and director of the Company will be indemnified and held harmless, to the fullest extent permitted by Delaware law (as amended from time to time), against all expenses, liabilities and losses reasonably suffered in connection with any action, suit or proceeding by reason of the fact that he or she is or was a director or officer of the Company or, while being at the time a director or officer of the Company, is or was serving at the request of the Company as a director, trustee, officer, employee or agent of another entity. The Company is not, however, permitted to indemnify any person in connection with a proceeding initiated by that person unless such proceeding was authorized by the Board of Directors. The Bylaws also provide for mandatory advancement of expenses of officers and directors incurred in defending any covered proceeding in advance of its final disposition. The Company also intends to obtain directors' and officers' liability insurance.

The inclusion of these provisions in the Amended and Restated Certificate of Incorporation may have the effect of reducing the likelihood of derivative litigation against directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefitted the Company and its stockholders. The Company's Bylaws provide indemnification to the Company's officers and directors and certain other persons with respect to certain matters.

## OTHER MATTERS

The Amended and Restated Certificate of Incorporation provides that the number of directors shall be as determined by the Board of Directors from time to time, but shall be at least one and not more than nineteen. It also provides that directors may be removed only for cause, and then only by the affirmative vote of the holders of at least a majority of all outstanding voting stock entitled to vote. This provision, in conjunction with the provision of the Bylaws authorizing the Board of Directors to fill vacant directorships, will prevent stockholders from removing incumbent directors without cause and filling the resulting vacancies with their own nominees.

The Amended and Restated Certificate of Incorporation provides that upon consummation of the Offering stockholders may act only at an annual or special meeting of stockholders and may not act by written consent. The Amended and Restated Certificate of Incorporation provides that special meetings of the stockholders can be called only by the Chairman of the Board pursuant to a resolution approved by a majority of the whole Board of Directors.

## STOCKHOLDER PROPOSALS

The Company's Bylaws contain provisions (i) requiring that advance notice be delivered to the Company of any business to be brought by a stockholder before an annual meeting of stockholders and (ii) establishing certain procedures to be followed by stockholders in nominating persons for election to the Board of Directors. Generally, such advance notice provisions provide that written notice must be given to the Secretary of the Company by a stockholder (a) in the event of business to be brought by a stockholder before, (i) an annual meeting, not less than 90 nor more than 180 days prior to the earlier of the date of the meeting or the anniversary date of the immediately preceding annual meeting of stockholders and (ii) a special meeting, not less than 40 nor more than 60 days prior to the date of such

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meeting of stockholders (with certain exceptions if less than 50 days notice or prior public disclosure of the date of the special meeting is given to stockholders) and (b) in the event of nominations of persons for election to the Board of Directors by any stockholder, (i) with respect to an election to be held at the annual meeting of stockholders, not less than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, not later than the close of business on the 10th day following the day on which notice of the date of the special meeting was mailed to stockholders or public disclosure of the date of the special meeting was made, whichever first occurs. Such notice must set forth specific information regarding such stockholder and such business or director nominee, as described in the Company's Bylaws. The foregoing summary is qualified in its entirety by reference to the Company's Bylaws, which are included as an exhibit to the Registration Statement of which this Prospectus is a part.

#### TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is American Stock Transfer and Trust Company.

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#### SHARES ELIGIBLE FOR FUTURE SALE

Upon consummation of the Acquisitions and completion of the Offering, the Company will have outstanding 15,872,333 shares of Common Stock (16,622,333 if the Underwriters' over-allotment option is exercised in full) of which the 5,000,000 shares sold in the Offering (5,750,000 if the Underwriters' over-allotment option is exercised in full) will be freely tradable without restriction or further registration under the Securities Act, except for those held by "affiliates" (as defined in the Securities Act) of the Company, which shares will be subject to the resale limitations of Rule 144 under the Securities Act. The remaining 10,872,333 shares of Common Stock are deemed "restricted securities" under Rule 144 in that they were originally issued and sold by the Company in private transactions in reliance upon exemptions under the Securities Act, and may be publicly sold only if registered under the Securities Act or sold in accordance with an applicable exemption from registration, such as those provided by Rule 144 promulgated under the Securities Act as described below.

In general, under Rule 144 as currently in effect, if a minimum of one year has elapsed since the later of the date of acquisition of restricted securities from the issuer or from any affiliate of the issuer, the acquiror or subsequent holder would be entitled to sell within any three-month period a number of those shares that does not exceed the greater of one percent of the number of shares of such class of stock then outstanding or the average weekly trading volume of the shares of such class of stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about the issuer. In addition, if a period of at least two years has elapsed since the later of the date of acquisition of restricted securities from the issuer or from any affiliate of the issuer, and the acquiror or subsequent holder thereof is deemed not to have been an affiliate of the issuer of such restricted securities at any time during the 90 days preceding a sale, such person would be entitled to sell such restricted securities under Rule 144(k) without regard to the requirements described above. Rule 144 does not require the same person to have held the securities for the applicable periods. The foregoing summary of Rule 144 is not intended to be a complete description thereof. The Securities and Exchange Commission (the "Commission") has proposed certain amendments to Rule 144 that would, among other things, eliminate the manner of sale requirements and revise the notice provisions of that rule. The Commission has also solicited comments on other possible changes to Rule 144, including possible revisions to the one- and two-year holding periods and the volume limitations referred to above.

As of the closing of this Offering, options to purchase an aggregate of 1,500,000 shares of Common Stock are expected to be issued under the 1997 Stock Option Plan. In general, pursuant to Rule 701 under the Securities Act, any employee, officer or director of, or consultant to, the Company who purchased his or her shares pursuant to a written compensatory plan or contract is entitled to rely on the resale provisions of Rule 701, which permit non-affiliates to sell such shares without compliance with the public information, holding period, volume limitation or notice provisions of Rule 144, and permit affiliates to sell such shares without compliance with the holding period provisions of Rule 144, in each case commencing 90 days after the date of this Prospectus. In addition, the Company intends to file a Registration Statement on Form S-8 covering the shares issuable upon exercise of stock options that may be granted in the future under the 1997 Stock Option Plan, in which case such shares of Common Stock generally will be freely tradable by non-affiliates in the public market without restriction under the

The Company, its executive officers, directors, current stockholders and persons acquiring shares of Common Stock in connection with the Acquisitions have agreed not to offer, sell, contract to sell, grant any option or other right for the sale of, or otherwise dispose of any shares of Common Stock or any securities, indebtedness or other rights exercisable for or convertible or exchangeable into Common Stock owned or acquired in the future in any manner for a period of two years following the date of this Prospectus (the "Lockup Period") without the prior written consent of BT Alex. Brown Incorporated, except that the Company may, subject to certain conditions, issue Common Stock in connection with

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acquisitions, upon conversion of Limited Vote Common Stock into Common Stock and may grant Awards (or Common Stock upon exercise of Awards) under the 1997 Stock Option Plan. See "Underwriting." These restrictions will be applicable to any shares acquired by any of those persons in the Offering or otherwise during the Lockup Period. In connection with the Acquisitions, the Company has granted registration rights to stockholders of the Founding Companies in connection with registrations of sales of Common Stock by the Company following the Lockup Period (other than registrations in connection with acquisitions and pursuant to employee benefit plans).

Prior to the Offering, there has been no established public market for the Common Stock. No prediction can be made of the effect, if any, that sales of shares under Rule 144, or otherwise, or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time after the Offering. The Company is unable to estimate the number of shares that may be sold in the public market under Rule 144, or otherwise, because such amount will depend on the trading volume in, and market price for, the Common Stock and other factors. Nevertheless, sales of substantial amounts of the Common Stock in the public market, or the perception that such sales could occur, could adversely affect the market price of the Common Stock of the Company and the Company's future ability to raise equity capital and complete any additional acquisitions for Common Stock. See "Underwriting."

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#### UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the underwriters named below (the "Underwriters"), through their representatives, BT Alex. Brown Incorporated, BancAmerica Robertson Stephens and Sanders Morris Mundy Inc. (together, the "Representatives"), have severally agreed to purchase from the Company the following respective number of shares of Common Stock at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this Prospectus:

<TABLE> <CAPTION>	
UNDERWRITERS	NUMBER OF SHARES
- -----	-----
<S>	<C>
BT Alex. Brown Incorporated.....	
BancAmerica Robertson Stephens.....	
Sanders Morris Mundy Inc.....	
	-----
Total.....	5,000,000
	=====
</TABLE>	

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will purchase all of the shares of Common Stock offered hereby if any of such shares are purchased.

The Company has been advised by the Representatives that the Underwriters propose to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$ per share. The Underwriters may allow, and such dealers may re-allow, a concession not in excess of \$ per share to certain other dealers. After commencement of the initial public offering, the offering price and other selling terms may be changed by the Representatives.

The Company has granted the Underwriters an option, exercisable not later than 30 days after the date of this Prospectus, to purchase up to 750,000 additional shares of Common Stock at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this Prospectus. To the extent that the Underwriters exercise such option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof that the number of shares of Common Stock to be

purchased by it in the above table bears to 5,000,000, and the Company will be obligated, pursuant to the option, to sell such shares to the Underwriters. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of the Common Stock offered

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hereby. If purchased, the Underwriters will offer such additional shares on the same terms as those on which the 5,000,000 shares are being offered.

The Underwriting Agreement contains covenants of indemnity and contribution between the Underwriters and the Company regarding certain liabilities, including liabilities under the Securities Act.

To facilitate the Offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of the Common Stock. Specifically, the Underwriters may over-allot shares of the Common Stock in connection with the Offering, thereby creating a short position in the Underwriters' syndicate account. Additionally, to cover such over-allotments or to stabilize the market price of the Common Stock, the Underwriters may bid for, and purchase, shares of the Common Stock in the open market. Any of these activities may maintain the market price of the Common Stock at a level above that which might otherwise prevail in the open market. The Underwriters are not required to engage in these activities, and, if commenced, any such activities may be discontinued at any time. The Representatives, on behalf of the Underwriters, also may reclaim selling concessions allowed to an Underwriter or dealer, if the syndicate repurchases shares distributed by that Underwriter or dealer.

The Company has agreed that it will not sell or offer any shares of Common Stock or options, rights or warrants to acquire any Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of BT Alex. Brown Incorporated, except for shares issued (i) in connection with acquisitions, (ii) pursuant to the exercise of options granted under the 1997 Stock Option Plan and (iii) upon conversion of shares of Limited Vote Common Stock. Further, the Company's directors, officers and certain stockholders who beneficially own 10,872,333 shares in the aggregate have agreed not to directly or indirectly sell or offer for sale or otherwise dispose of any Common Stock for a period of two years after the date of this Prospectus without the prior written consent of BT Alex. Brown Incorporated.

The Representatives have advised the Company that the Underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

Two shareholders and directors of Sanders Morris Mundy Inc. are limited partners in Main Street. The shares of Common Stock beneficially owned by these two individuals represent less than 1% of the Common Stock to be outstanding after the consummation of the Offering.

Prior to the Offering, there has been no public market for the Common Stock. Consequently, the initial public offering price for the Common Stock has been determined by negotiations between the Company and the Representatives. Among the factors considered in such negotiations were prevailing market conditions, the results of operations of the Founding Companies in recent periods, the market capitalization and stages of development or other companies which the Company and the Representatives believed to be comparable to the Company, estimates of the business potential of the Company, the present state of the Company's development and other factors deemed relevant by the Company and the Representatives.

#### LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Jackson Walker L.L.P., Dallas, Texas. Certain legal matters in connection with the sale of the Common Stock offered hereby will be passed upon for the Underwriters by Piper & Marbury L.L.P., Baltimore, Maryland.

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#### EXPERTS

The financial statements of Quanta and the Founding Companies, included in this Prospectus and elsewhere in this registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

The Common Stock issued in connection with the Acquisitions may not be sold to the public and the holders of those shares are restricted from selling those shares to the public for a period of at least two years after consummation of the Acquisitions. An independent valuation study was rendered

to Quanta by Willamette Management Associates, Inc., independent appraisers, to assist Quanta in determining the discount to be applied to the Common Stock issued in connection with the Acquisitions and Limited Vote Common Stock in reliance upon the authority of such firm as experts in rendering said valuation study.

#### ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-1 (together with all exhibits, schedules and amendments relating thereto, the "Registration Statement") under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, filed as part of the Registration Statement, does not contain all the information contained in the Registration Statement, certain portions of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement. Statements contained in this Prospectus as to the contents of any contract or other document filed as an exhibit to the Registration Statement accurately describes the material provisions of such document and are qualified in their entirety by reference to such exhibits for complete statements of their provisions. All of these documents may be inspected without charge at the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the following regional offices of the Commission: Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 7 World Trade Center, 13th Floor, New York, New York 10048. Copies can also be obtained from the Public Reference Section of the Commission at prescribed rates. The Commission maintains a Web site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

Prior to filing the Registration Statement of which this Prospectus is a part, the Company was not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Upon effectiveness of the Registration Statement, the Company will become subject to the informational and periodic reporting requirements of the Exchange Act, and in accordance therewith, will file periodic reports, proxy statements and other information with the Commission. Such periodic reports, proxy statements and other information will be available for inspection and copying at the public reference facilities and other regional offices referred to above. The Company intends to register the securities offered by the Registration Statement under the Exchange Act simultaneously with the effectiveness of the Registration Statement and to furnish its stockholders with annual reports containing audited financial statements and such other reports as may be required from time to time by law or the NYSE.

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of billings.....	1,218	975	4,320	361	--	--	6,874	--	6,874
Other receivables.....	148	--	--	--	--	--	148	--	148
Inventories.....	--	--	684	--	--	--	684	--	684
Prepaid expenses and other.....	1,130	34	86	279	56	--	1,585	(56)	1,529
Total current assets.	13,206	6,258	12,094	8,577	64	223	40,422	284	40,706
PROPERTY AND EQUIPMENT, NET.....	13,992	3,206	2,924	6,065	--	(925)	25,262	--	25,262
OTHER ASSETS.....	240	--	3	--	--	--	243	--	243
GOODWILL.....	--	--	--	--	--	59,915	59,915	--	59,915
Total assets.....	\$27,438	\$9,464	\$15,021	\$14,642	\$ 64	\$59,213	\$125,842	\$ 284	\$126,126
<CAPTION>									
LIABILITIES AND STOCKHOLDERS' EQUITY									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CURRENT LIABILITIES:									
Current maturities of long-term debt.....	\$ 6,294	\$1,653	\$ 2,797	\$ 1,138	\$--	\$ 7,816	\$ 19,698	\$(11,857)	\$ 7,841
Accounts payable and accrued expenses.....	7,376	2,163	5,166	4,330	--	(651)	18,384		18,384
Payables to Founding Company stockholders..	--	254	--	--	64	21,000	21,318	(21,318)	--
Billings in excess of costs and profits recognized.....	85	74	173	163	--	--	495	--	495
Total current liabilities.....	\$13,755	\$4,144	\$ 8,136	\$ 5,631	\$ 64	\$28,165	\$ 59,895	\$(33,175)	\$ 26,720
LONG-TERM LIABILITIES:									
Long-term debt, net of current maturities....	2,008	1,382	981	1,076	--	(26)	5,421	(5,421)	--
Deferred income taxes..	2,224	--	--	1,257	--	788	4,269	--	4,269
Total long-term liabilities.....	4,232	1,382	981	2,333	--	762	9,690	(5,421)	4,269
COMMITMENTS AND CONTINGENCIES									
STOCKHOLDERS' EQUITY:									
Common Stock.....	50	--	125	25	--	(200)	--	--	--
Limited Vote Common Stock.....	--	--	--	--	--	--	--	--	--
Addition paid-in capital.....	--	160	--	--	--	45,240	45,400	38,880	84,280
Unrealized loss on securities.....	--	--	--	(56)	--	--	(56)	--	(56)
Retained earnings.....	10,913	3,778	5,841	6,709	--	(16,328)	10,913	--	10,913
Treasury stock.....	(1,512)	--	(62)	--	--	1,574	--	--	--
Total stockholders' equity.....	9,451	3,938	5,904	6,678	--	30,286	56,257	\$ 38,880	95,137
Total liabilities and stockholders' equity.....	\$27,438	\$9,464	\$15,021	\$14,642	\$ 64	\$59,213	\$125,842	\$ 284	\$126,126
</TABLE>									

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

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QUANTA SERVICES, INC. AND FOUNDING COMPANIES

UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 1996  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>							
<CAPTION>							
	PAR	POTELCO	TRANS TECH	UNION POWER	QUANTA	PRO FORMA ADJUSTMENTS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUES.....	\$42,684	\$14,549	\$24,414	\$30,884	\$ --	\$ (4,388)	\$108,143
COST OF SERVICES (including depreciation).....	35,789	12,946	20,426	26,996	--	(4,388)	91,769
Gross profit.....	6,895	1,603	3,988	3,888	--	--	16,374

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	5,012	971	1,848	1,471	--	(908)	8,394
GOODWILL AMORTIZATION...	--	--	--	--	--	1,498	1,498
INCOME FROM OPERATIONS..	1,883	632	2,140	2,417	--	(590)	6,482
OTHER INCOME (EXPENSE):							
Interest expense.....	(576)	(321)	(313)	(33)	--	661	(582)
Other, net.....	(70)	(123)	45	166	--	164	182
Other income (expense), net.....	(646)	(444)	(268)	133	--	825	(400)
INCOME BEFORE INCOME TAX EXPENSE.....	1,237	188	1,872	2,550	--	235	6,082
PROVISION FOR INCOME TAXES:.....	487	--	--	451	--	2,056	2,994
NET INCOME.....	\$ 750	\$ 188	\$ 1,872	\$ 2,099	\$ --	\$ (1,821)	\$ 3,088
NET INCOME PER SHARE....							\$ 0.20
SHARES USED IN COMPUTING PRO FORMA INCOME PER SHARE(1).....							15,835

</TABLE>

(1) Includes (a) 3,345,333 shares issued to certain management personnel and the initial stockholders of Quanta, (b) 7,527,000 shares issued to owners of the Founding Companies and (c) 4,962,259 of the 5,000,000 shares sold in the Offering to pay the cash portion of the Acquisition consideration, expenses of the Offering and retirement of debt. The 37,741 shares excluded reflect net cash to Quanta.

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

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QUANTA SERVICES, INC. AND FOUNDING COMPANIES

UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>

<CAPTION>

	PAR	POTELCO	TRANS TECH	UNION POWER	QUANTA	PRO FORM ADJUSTMENTS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
REVENUES.....	\$36,439	\$13,248	\$24,278	\$37,202	\$--	\$ (2,501)	\$108,666
COST OF SERVICES (including depreciation).....	27,944	10,416	19,687	31,750	--	(2,501)	87,296
Gross profit.....	8,495	2,832	4,591	5,452	--	--	21,370
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.	5,013	777	1,362	1,914	--	(1,773)	7,293
GOODWILL AMORTIZATION...	--	--	--	--	--	1,123	1,123
INCOME FROM OPERATIONS..	3,482	2,055	3,229	3,538	--	650	12,954
OTHER INCOME (EXPENSE):							
Interest expense.....	(470)	(185)	(232)	(115)	--	508	(494)
Other, net.....	(97)	20	38	230	--	125	316
Other income (expense), net.....	(567)	(165)	(194)	115	--	633	(178)
INCOME BEFORE INCOME TAX EXPENSE.....	2,915	1,890	3,035	3,653	--	1,283	12,776
PROVISION FOR INCOME TAXES.....	1,172	--	--	1,461	--	2,791	5,424
NET INCOME.....	\$ 1,743	\$ 1,890	\$ 3,035	\$ 2,192	\$--	\$ (1,508)	\$ 7,352
NET INCOME PER SHARE....							\$ 0.46
SHARES USED IN COMPUTING PRO FORMA INCOME PER SHARE(1).....							15,835

</TABLE>

(1) Includes (a) 3,345,333 shares issued to certain management personnel and



the initial stockholders of Quanta, (b) 7,527,000 shares issued to owners of the Founding Companies and (c) 4,962,259 of the 5,000,000 shares sold in the Offering to pay the cash portion of the Acquisition consideration, expenses of the Offering and retirement of debt. The 37,741 shares excluded reflect net cash to Quanta.

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

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QUANTA SERVICES, INC. AND FOUNDING COMPANIES  
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

1. GENERAL:

Quanta Services, Inc. (Quanta), was founded to create a leading provider of specialty electrical contracting and maintenance services primarily related to electric and telecommunications infrastructure in North America. Quanta has conducted no operations to date and will acquire the Founding Companies concurrently with and as a condition of the closing of this Offering.

The historical financial statements reflect the financial position and results of operations of the Founding Companies and were derived from the respective Founding Companies' financial statements where indicated. The periods included in these financial statements for the individual Founding Companies are as of and for the nine months ended September 30, 1997, and for the year ended December 31, 1996. The audited historical financial statements included elsewhere herein have been included in accordance with Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 80.

2. ACQUISITION OF FOUNDING COMPANIES:

Concurrently with and as a condition to the closing of this Offering, Quanta will acquire all of the outstanding capital stock of the Founding Companies. The acquisitions will be accounted for using the purchase method of accounting with PAR being reflected as the accounting acquiror as its stockholders will represent the largest voting interest within Quanta.

The following table sets forth the consideration to be paid (a) in cash and (b) in shares of Common Stock to the common stockholders of each of the Founding Companies, other than the accounting acquiror (PAR). For purposes of computing the estimated purchase price for accounting purposes, the value of the shares was determined using an estimated fair value of \$7.20 per share (or \$32.6 million), which is less than the estimated initial public offering price of \$9.00 per share due primarily to restrictions on the sale and transferability of the shares issued. The total estimated purchase price of \$45.2 million for the acquisition is based upon preliminary estimates and is subject to certain purchase price adjustments at and following closing. The table does not reflect distributions totaling \$7.8 million consisting of certain Founding Companies' undistributed earnings previously taxed to their stockholders (S Corporation Distributions) prior to the Acquisitions.

<TABLE>  
<CAPTION>

	CASH	SHARES OF COMMON STOCK
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
Potelco.....	\$ 2,919	1,046
TRANS TECH.....	4,363	1,564
Union Power.....	5,348	1,917
	-----	-----
Total.....	\$12,630	4,527
	=====	=====

</TABLE>

Additionally, the Limited Vote Common Stock issued to the initial stockholders and management has been accounted for by the Company as a purchase transaction. For purposes of estimating the purchase price for accounting purposes, the value of the shares was determined using an estimated fair value of \$6.75 per share (or \$22.6 million) which is less than the estimated initial public offering price of \$9.00 per share due to restrictions on the sale and transferability of the shares issued, and the limited vote provisions applicable to such shares.

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QUANTA SERVICES, INC. AND FOUNDING COMPANIES  
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(CONTINUED)

3. UNAUDITED PRO FORMA COMBINED BALANCE SHEET ADJUSTMENTS:

- (a) Records the S Corporation Distributions of \$7.8 million, which is expected to be distributed using new borrowings of \$7.8 million.

- (b) Records the liability for the cash portion of the consideration to be paid to PAR, the accounting acquiror, and the merger of Quanta with PAR.
- (c) Records the transfer of certain net nonoperating assets to the Founding Companies prior to the Acquisition at a price equal to the net book value of such assets. Management believes that the historical carrying value of such net non-operating assets approximate fair value. Additionally, reflects the elimination of payables and receivables between PAR and Union Power.
- (d) Records the purchase of the Founding Companies by Quanta consisting of payables to Founding Company stockholders of \$12.6 million (to reflect the cash consideration payable to the Founders excluding PAR) and 4.53 million shares of Common Stock valued at \$7.20 per share (or \$32.6 million) for a total estimated purchase price of \$45.2 million resulting in excess purchase price of \$37.3 million over the net assets acquired of \$7.9 million (see Note 2). Additionally, records the 3.3 million shares of Limited Vote Common Stock, issued to the sponsors and management valued at \$6.75 per share (or \$22.6 million) resulting in excess purchase price of \$22.6 million over the net assets acquired. Based on its initial assessment, management believes that the historical carrying value of the Founding Companies' assets and liabilities will approximate fair value and that there are no other identifiable intangible assets to which any material purchase price can be allocated.

The following reconciles the historical net assets of the Founding Companies to the net assets acquired (in thousands):

<TABLE>  
<CAPTION>

	TOTAL COMBINED	LESS-- PAR	ACQUIRED FOUNDING COMPANIES
	-----	-----	-----
<S>	<C>	<C>	<C>
Historical net assets.....	\$25,183	(9,451)	\$15,732
S Corporation Distributions (as discussed elsewhere herein).....	(7,841)	--	(7,841)
	-----	-----	-----
Net assets after transfers.....	\$17,342	\$ (9,451)	\$ 7,891
	=====	=====	=====

</TABLE>

- (e) Records the cash proceeds of \$38.9 million from the issuance of shares of Quanta Common Stock (based on an initial public offering price of \$9.00 per share) net of estimated offering costs of \$6.1 million. Offering costs primarily consist of underwriting discounts and commissions, accounting fees, legal fees and printing expenses.
- (f) Records payment of the cash portion of the consideration to the stockholders of the Founding Companies of \$21.0 million in connection with the Acquisitions and the expected repayment of outstanding short- and long-term debt totaling \$17.6 million.

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QUANTA SERVICES, INC. AND FOUNDING COMPANIES  
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(CONTINUED)

The following table summarizes unaudited pro forma combined balance sheet adjustments (in thousands):

<TABLE>  
<CAPTION>

	ADJUSTMENT				PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	
ASSETS	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Current assets--					
Cash and cash equivalents....	\$ --	\$ --	\$ 874	\$ --	\$ 874
Accounts receivable.....	--	--	(651)	--	(651)
Prepaid expenses and other...	--	--	--	--	--
	-----	-----	-----	-----	-----
Total current assets.....	--	--	223	--	223
Property and equipment, net....	--	--	(925)	--	(925)
Goodwill.....	--	--	--	59,915	59,915
	-----	-----	-----	-----	-----
Total assets.....	\$ --	\$ --	\$ (702)	\$59,915	\$ 59,213
	=====	=====	=====	=====	=====

<CAPTION>  
LIABILITIES AND STOCKHOLDERS'

EQUITY					
<S>	<C>	<C>	<C>	<C>	<C>
Current liabilities--					
Current maturities of long-term debt.....	\$ 7,841	\$ --	\$ (25)	\$ --	\$ 7,816
Accounts payable and accrued expenses.....	--	--	(651)	--	(651)
Payables to Founding Company stockholders.....	--	8,370	--	12,630	21,000
	-----	-----	-----	-----	-----
Total current liabilities..	7,841	8,370	(676)	12,630	28,165
Long-term debt, net of current maturities.....	--	--	(26)	--	(26)
Deferred income taxes.....	--	--	--	788	788
	-----	-----	-----	-----	-----
Total liabilities.....	7,841	8,370	(702)	13,418	28,927
Stockholders' equity--					
Common Stock.....	--	(20)	--	(180)	(200)
Limited Vote Common Stock....	--	--	--	--	--
Additional paid-in capital....	--	(9,862)	--	55,102	45,240
Retained earnings.....	(7,841)	--	--	(8,487)	(16,328)
Treasury stock.....	--	1,512	--	62	1,574
	-----	-----	-----	-----	-----
Total stockholders' equity..	(7,841)	(8,370)	--	46,497	30,286
	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$ --	\$ --	\$ (702)	\$59,915	\$ 59,213
	=====	=====	=====	=====	=====

</TABLE>

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QUANTA SERVICES, INC. AND FOUNDING COMPANIES  
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(CONTINUED)

<TABLE>  
<CAPTION>

ASSETS	ADJUSTMENT		POST MERGER ADJUSTMENTS
	(E)	(F)	
	---	-----	-----
<S>	<C>	<C>	<C>
Current assets--			
Cash and cash equivalents.....	\$38,936	\$ (38,596)	\$ 340
Prepaid expenses and other.....	--	(56)	(56)
	-----	-----	-----
Total current assets.....	38,936	(38,652)	284
	-----	-----	-----
Total assets.....	\$38,936	\$ (38,652)	\$ 284
	=====	=====	=====

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY			
<S>	<C>	<C>	<C>
Current liabilities--			
Current maturities of long-term debt.....	\$ --	\$ (11,857)	\$ (11,857)
Payable to Founding Company stockholders.....	--	(21,318)	(21,318)
	-----	-----	-----
Total current liabilities.....	--	(33,175)	(33,175)
Long-term debt, net of current maturities.....	--	(5,421)	(5,421)
	-----	-----	-----
Total liabilities.....	--	(38,596)	(38,596)
	-----	-----	-----
Stockholders' equity--			
Common Stock.....	--	--	--
Limited Vote Common Stock.....	--	--	--
Additional paid-in capital.....	38,936	(56)	38,880
Retained earnings.....	--	--	--
Treasury stock.....	--	--	--
	-----	-----	-----
Total stockholders' equity.....	38,936	(56)	38,880
	-----	-----	-----
Total liabilities and stockholders' equity....	\$38,936	\$ (38,652)	\$ 284
	=====	=====	=====

</TABLE>

4. UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS ADJUSTMENTS:

YEAR ENDED DECEMBER 31, 1996

- (a) Reflects the \$0.9 million reduction in salaries, bonuses and benefits to the owners of the Founding Companies. These reductions in salaries, bonuses and benefits have been agreed to prospectively in accordance with the terms of employment agreements. Such employment agreements are primarily for three years, contain restrictions related to competition

and provide severance for termination of employment in certain circumstances. Additionally, reflects reductions in expenses associated with certain non-operating assets that will be transferred to the Founding Companies prior to the Acquisitions.

- (b) Reflects the amortization of goodwill to be recorded as a result of these Acquisitions over a 40-year estimated life.
- (c) Reflects interest expense of \$0.7 million on borrowings of \$7.8 million necessary to fund the S Corporation Distributions, net of interest savings of \$1.4 million on \$17.6 million of debt to be repaid using proceeds from the Offering or distributed prior to the Acquisitions. The additional \$0.7 million of interest expense was calculated utilizing an annual effective interest rate of approximately 8.5%.
- (d) Reflects the elimination of revenues between PAR and Union Power.

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QUANTA SERVICES, INC. AND FOUNDING COMPANIES  
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(CONTINUED)

- (e) Reflects the incremental provision for federal and state income taxes at an approximate 39.0% overall tax rate before goodwill and other permanent items, relating to the other statement of operations adjustments and for income taxes on S corporation income not provided for in the historical financial statements.

The following table summarizes unaudited pro forma combined statements of operations adjustments (in thousands):

<TABLE>  
<CAPTION>

	ADJUSTMENT					PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	(E)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$ --	\$ --	\$--	\$ (4,388)	\$ --	\$ (4,388)
Cost of service.....	--	--	--	(4,388)	--	(4,388)
Gross profit.....	--	--	--	--	--	--
Selling, general and administrative expenses.....	(908)	--	--	--	--	(908)
Goodwill amortization.....	--	1,498	--	--	--	1,498
Income (loss) from operations.....	908	(1,498)	--	--	--	(590)
Other income (expense)--	--	--	661	--	--	661
Interest expense.....	--	--	--	--	--	--
Other, net.....	164	--	--	--	--	164
Income (loss) before income taxes.....	1,072	(1,498)	661	--	--	235
Provision for income taxes.	--	--	--	--	2,056	2,056
Net income (loss).....	\$1,072	\$ (1,498)	\$661	\$ --	\$ (2,056)	\$ (1,821)

</TABLE>

NINE MONTHS ENDED SEPTEMBER 30, 1997

- (a) Reflects the \$1.8 million reduction in salaries, bonuses and benefits to the owners of the Founding Companies. These reductions in salaries, bonuses and benefits have been agreed to prospectively in accordance with the terms of employment agreements. Such employment agreements are primarily for three years, contain restrictions related to competition and provide severance for termination of employment in certain circumstances. Additionally, reflects reductions in expenses associated with certain non-operating assets that will be transferred to the Founding Companies prior to the Acquisitions.
- (b) Reflects the amortization of goodwill to be recorded as a result of these Acquisitions over a 40-year estimated life.
- (c) Reflects interest expense of \$0.5 million on borrowings of \$7.8 million necessary to fund the S Corporation Distributions, net of interest savings of \$1.0 million on \$17.6 million of debt to be repaid using proceeds from the Offering. The additional \$0.5 million of interest expense was calculated utilizing an annual effective interest rate of approximately 8.5%.
- (d) Reflects the elimination of revenues between PAR and Union Power.
- (e) Reflects the incremental provision for federal and state income taxes

at an approximate 39.0% overall tax rate before goodwill and other permanent items, relating to the other statements of operations adjustments and for income taxes on S corporation income not provided for in the historical financial statements.

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QUANTA SERVICES, INC. AND FOUNDING COMPANIES  
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS--(CONTINUED)

The following table summarizes unaudited pro forma combined statements of operations adjustments (in thousands):

<TABLE>

<CAPTION>

	ADJUSTMENT					PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	(E)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$ --	\$ --	\$--	\$ (2,501)	\$ --	\$ (2,501)
Cost of service.....	--	--	--	(2,501)	--	(2,501)
Gross profit.....	--	--	--	--	--	--
Selling, general and administrative expenses...	(1,773)	--	--	--	--	(1,773)
Goodwill amortization.....	--	1,123	--	--	--	1,123
Income (loss) from operations.....	1,773	(1,123)	--	--	--	650
Other income (expense)--						
Interest expense.....	--	--	508	--	--	508
Other, net.....	125	--	--	--	--	125
Income (loss) before income taxes.....	1,898	(1,123)	508	--	--	1,283
Provision for income taxes.	--	--	--	--	2,791	2,791
Net income (loss).....	\$1,898	\$ (1,123)	\$508	\$ --	\$ (2,791)	\$ (1,508)

</TABLE>

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To PAR Electrical Contractors, Inc.:

We have audited the accompanying balance sheets of PAR Electrical Contractors, Inc., a Missouri corporation, as of December 31, 1996, and September 30, 1997, and the related statements of operations, cash flows and shareholders' equity for the three years ended December 31, 1996, and the nine months ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PAR Electrical Contractors, Inc., as of December 31, 1996, and September 30, 1997, and the results of its operations and cash flows for the three years ended December 31, 1996, and the nine months ended September 30, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas  
December 5, 1997

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PAR ELECTRICAL CONTRACTORS, INC.  
BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996		SEPTEMBER 30, 1997	
ASSETS	-----		-----	
<S>	<C>		<C>	
CURRENT ASSETS:				
Cash and cash equivalents.....	\$	479	\$	34
Accounts receivable--				
Trade, net of allowance of \$100.....		7,390		10,439
Retainage.....		374		237
Other receivables.....		78		148
Costs and estimated earnings in excess of billings on uncompleted contracts.....		663		1,218
Deferred income taxes.....		160		972
Prepaid expenses and other current assets.....		360		158
		-----		-----
Total current assets.....		9,504		13,206
PROPERTY AND EQUIPMENT, net.....		10,977		13,992
OTHER ASSETS.....		218		240
		-----		-----
Total assets.....	\$	20,699	\$	27,438
		=====		=====

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY				
<S>	<C>		<C>	
CURRENT LIABILITIES:				
Current maturities of long-term debt.....	\$	2,555	\$	1,964
Current portion of capital lease obligations.....		25		55
Bank line of credit.....		2,378		4,275
Accounts payable and accrued expenses.....		2,725		7,376
Billings in excess of costs and estimated earnings on uncompleted contracts.....		1,168		85
		-----		-----
Total current liabilities.....		8,851		13,755
LONG-TERM DEBT, net of current maturities.....		2,000		1,867
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current maturities.....		74		141
DEFERRED INCOME TAXES.....		2,066		2,224
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY:				
Common stock, \$100 par value, 500 shares authorized, 200 shares issued and outstanding....		50		50
Retained earnings.....		9,170		10,913
Treasury stock, 300 shares, at cost.....		(1,512)		(1,512)
		-----		-----
Total shareholders' equity.....		7,708		9,451
		-----		-----
Total liabilities and shareholders' equity.....	\$	20,699	\$	27,438
		=====		=====

</TABLE>

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

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PAR ELECTRICAL CONTRACTORS, INC.  
STATEMENTS OF OPERATIONS  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
	-----	-----	-----	-----	-----
<S>	<C>		<C>	(UNAUDITED)	
	<C>		<C>	<C>	
REVENUES.....	\$43,909	\$38,915	\$42,684	\$29,806	\$36,439
COST OF SERVICES (including depreciation).....	36,525	33,193	35,789	25,583	27,944
	-----	-----	-----	-----	-----
Gross profit.....	7,384	5,722	6,895	4,223	8,495
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	4,836	4,342	5,012	3,560	5,013
	-----	-----	-----	-----	-----
Income from operations.....	2,548	1,380	1,883	663	3,482
	-----	-----	-----	-----	-----
OTHER INCOME (EXPENSE):					
Interest expense.....	(375)	(568)	(576)	(411)	(470)
Other, net.....	(37)	56	(70)	(47)	(97)
	-----	-----	-----	-----	-----
Other income (expense),					

net.....	(412)	(512)	(646)	(458)	(567)
INCOME BEFORE PROVISION FOR INCOME TAXES.....	2,136	868	1,237	205	2,915
PROVISION FOR INCOME TAXES.....	867	353	487	82	1,172
NET INCOME.....	\$ 1,269	\$ 515	\$ 750	\$ 123	\$ 1,743

</TABLE>

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

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PAR ELECTRICAL CONTRACTORS, INC.  
STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$1,269	\$ 515	\$ 750	\$ 123	\$1,743
Adjustments to reconcile net income to net cash provided by operating activities--					
Depreciation and amortization....	1,729	1,805	1,935	1,452	1,685
Loss (gain) on sale of property and equipment.....	--	5	(57)	(57)	(16)
Deferred income taxes.....	203	166	204	187	(655)
Changes in operating assets and liabilities--					
(Increase) decrease in--					
Accounts receivable.....	(2,882)	64	(892)	(579)	(2,982)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(115)	154	(531)	132	(555)
Prepaid expenses and other current assets.....	(195)	169	(54)	(38)	202
Increase (decrease) in--					
Accounts payable and accrued expenses.....	1,190	(308)	363	528	4,651
Billings in excess of costs and estimated earnings on uncompleted contracts.....	311	(362)	983	(185)	(1,083)
Other, net.....	3	(14)	(10)	(21)	(21)
Net cash provided by operating activities.....	1,513	2,194	2,691	1,542	2,969
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment.....	--	100	57	57	116
Additions of property and equipment.....	(4,796)	(2,427)	(2,663)	(2,425)	(4,671)
Net cash used in investing activities.....	(4,796)	(2,327)	(2,606)	(2,368)	(4,555)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term debt.....	4,468	1,501	1,787	312	1,350
Payments of long-term debt.....	(1,257)	(1,935)	(2,395)	(800)	(2,106)
Net borrowings under bank lines of credit.....	295	655	238	670	1,897
Net cash provided by (used in) financing activities.....	3,506	221	(370)	182	1,141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	223	88	(285)	(644)	(445)
CASH AND CASH EQUIVALENTS, beginning of period.....	453	676	764	764	479
CASH AND CASH EQUIVALENTS, end of period.....	\$ 676	\$ 764	\$ 479	\$ 120	\$ 34

## SUPPLEMENTAL DISCLOSURE OF CASH

## FLOW INFORMATION:

## Cash paid for--

Interest.....	\$ 378	\$ 575	\$ 572	\$ 429	\$ 464
Income taxes, net of refunds.....	351	553	279	34	89

&lt;/TABLE&gt;

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

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PAR ELECTRICAL CONTRACTORS, INC.  
STATEMENTS OF SHAREHOLDERS' EQUITY  
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	COMMON STOCK		RETAINED	TREASURY	TOTAL
	SHARES	AMOUNT	EARNINGS	STOCK	SHAREHOLDERS'
					EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1993.....	200	\$50	\$ 6,636	\$1,512	\$5,174
Net income.....	--	--	1,269	--	1,269
BALANCE, December 31, 1994.....	200	50	7,905	1,512	6,443
Net income.....	--	--	515	--	515
BALANCE, December 31, 1995.....	200	50	8,420	1,512	6,958
Net income.....	--	--	750	--	750
BALANCE, December 31, 1996.....	200	50	9,170	1,512	7,708
Net income.....	--	--	1,743	--	1,743
BALANCE, September 30, 1997.....	200	\$50	\$10,913	\$1,512	\$9,451

&lt;/TABLE&gt;

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

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PAR ELECTRICAL CONTRACTORS, INC.  
NOTES TO FINANCIAL STATEMENTS

## 1. BUSINESS AND ORGANIZATION:

PAR Electrical Contractors, Inc., a Missouri corporation (the Company), focuses on providing electrical contractor services primarily for utility companies, municipal and commercial companies. The Company performs the majority of its contract work under cost-plus-fee and fixed price contracts with contract terms generally ranging from four to 36 months. The Company performs the majority of its work in the Midwest.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

## Interim Financial Information

The interim financial statements for the nine months ended September 30, 1996, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnote disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

## Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

## Supplemental Cash Flow Information

The Company had noncash investing and financing activities related to capital leases of approximately \$111,000 and \$129,000 during the year ended December 31, 1996, and the nine months ended September 30, 1997. There were no non-cash investing activities for the years ended December 31, 1994 and 1995.

## Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts when collection is



considered doubtful.

#### Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation and amortization expense was approximately \$1,729,000, \$1,805,000, \$1,935,000 and \$1,685,000 for the years ended December 31, 1994, 1995 and 1996, and the nine months ended September 30, 1997, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

#### Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a fixed price or cost-plus-fee contract. Such contracts generally provide that the customer accept completion of progress to date and compensate the Company for services which have been rendered, measured typically in terms of units installed, hours expended or some other measure of

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#### PAR ELECTRICAL CONTRACTORS, INC. NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

progress. Revenues from fixed price or cost-plus-fee contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

The balances billed but not paid by customers pursuant to retainage provisions in fixed price or cost-plus-fee contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

The current asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed. The current liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized.

#### Warranty Costs

For certain contracts, the Company generally warrants labor for the first year after installation of new electrical systems. The Company generally warrants labor for 30 days after servicing of existing electrical systems. An accrual for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

#### Income Taxes

The Company follows the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under this method, deferred assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the underlying assets or liabilities are recovered or settled.

#### Collective Bargaining Agreements

The Company is a party to various collective bargaining agreements with certain of its employees. The agreements require the Company to pay specified wages and provide certain benefits to its union employees. These agreements expire at various times through the year 2000.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Reference is made to the "Revenue Recognition" section of this footnote and Note 11 for discussion of certain estimates reflected in the Company's financial statements.

#### New Accounting Pronouncement

Effective January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and

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#### PAR ELECTRICAL CONTRACTORS, INC.

#### NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

#### 3.PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

<TABLE> <CAPTION>			
	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1996	SEPTEMBER 30, 1997
-----			
<S>	<C>	<C>	<C>
Land.....	--	\$ 1,105	\$ 1,221
Buildings and leasehold improvements.	5-31	1,255	1,255
Operating equipment and vehicles.....	5-10	21,980	25,821
Office equipment, furniture and fixtures.....	5	386	529
		-----	-----
		24,726	28,826
Less--Accumulated depreciation and amortization.....		(13,749)	(14,834)
		-----	-----
Property and equipment, net.....		\$10,977	\$13,992
		=====	=====

</TABLE>

#### 4.DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Accounts payable and accrued expenses consist of the following (in thousands):

<TABLE> <CAPTION>		
	DECEMBER 31, 1996	SEPTEMBER 30, 1997
-----		
<S>	<C>	<C>
Accounts payable, trade.....	\$1,068	\$1,572
Accrued compensation and other expenses.....	1,657	5,804
	-----	-----
	\$2,725	\$7,376
	=====	=====

</TABLE>

Contracts in progress are as follows (in thousands):

<TABLE> <CAPTION>		
	DECEMBER 31, 1996	SEPTEMBER 30, 1997
-----		
<S>	<C>	<C>
Costs incurred on contracts in progress.....	\$ 9,926	\$ 16,439
Estimated earnings, net of losses.....	2,322	2,386
	-----	-----
	12,248	18,825
Less--Billings to date.....	(12,753)	(17,692)
	-----	-----
	\$ (505)	\$ 1,133

	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 663	\$ 1,218
Less--Billings in excess of costs and estimated earnings on uncompleted contracts.....	(1,168)	(85)
	-----	-----
	\$ (505)	\$ 1,133
	=====	=====

</TABLE>

#### 5. DEBT:

The Company has an \$8,000,000 bank revolving line of credit bearing interest at the bank's prime rate (8.5 percent at September 30, 1997), of which \$2,378,000 and \$4,275,000 was outstanding as of

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#### PAR ELECTRICAL CONTRACTORS, INC.

##### NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

December 31, 1996, and September 30, 1997, respectively. With regard to the line of credit, the Company has outstanding a \$1,000,000 letter of credit outstanding related to its workman's compensation insurance program (see Note 11 for discussion related to the Company self-insuring for certain workers' compensation insurance). The Company also has a \$4,000,000 equipment fixed line of credit bearing interest at the bank's prime rate (8.5 percent at September 30, 1997). These lines of credit expire in May 1998.

The Company's long-term debt obligations consisted of the following:

<TABLE>

<CAPTION>

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
Note payable to bank, prime plus 1%, interest rate, due \$79,359 monthly including interest with final maturity October 1997.....	\$ 797	\$ 119
Note payable to bank, prime plus .75%, interest rate, due \$47,968 monthly including interest with final maturity December 1997.....	551	145
Note payable to bank, prime plus .50% interest rate, due \$47,795 monthly including interest with final maturity December 1998.....	1,042	671
Note payable to bank, prime plus .50% interest rate, due \$31,747 monthly including interest with final maturity May 1999.....	825	589
Note payable to bank, prime plus .50% interest rate, due \$25,391 monthly including interest with final maturity December 1999.....	800	620
Note payable to bank, prime interest rate, due \$42,695 monthly including interest with final maturity April 2000.....	--	1,183
Installment note payable to bank, fixed 9.75% interest rate, due \$3,631 monthly including interest with balance due December 1999; collateralized by real estate.....	318	308
Installment note payable, fixed 9% interest rate, due \$100,000 in December 1997 and \$45,000 in December 1998; unsecured.....	145	145
Installment note payable, fixed 6.5% interest rate, due \$25,500 annually plus interest with final maturity January 1999; collateralized by real estate.....	77	51
	-----	-----
	4,555	3,831
Less--Current maturities.....	(2,555)	(1,964)
	-----	-----
Total long-term debt.....	\$2,000	\$1,867
	=====	=====

</TABLE>

The loan agreement covering the notes payable to bank and the bank lines of credit contains various covenants, including a minimum net worth requirement and a compensating balance requirement.

The notes payable to bank and the bank lines of credit are collateralized by all equipment, receivables and other assets. The Company's two shareholders have pledged their stock as security to the bank on this indebtedness.

The maturities of long-term debt as of September 30, 1997, are as follows (in thousands):

<TABLE>	
<S>	
Year ending September 30--	
1998.....	\$1,964
1999.....	1,219
2000.....	648
	-----
	\$3,831
	=====
</TABLE>	

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PAR ELECTRICAL CONTRACTORS, INC.  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

6. LEASES:

Obligations Under Capital Leases

The Company leases various equipment under noncancelable capital leases and the leased assets are included as part of "Property and equipment." Details of the capital leased assets are as follows (in thousands):

<TABLE>	
<CAPTION>	
	DECEMBER 31, 1996
	SEPTEMBER 30, 1997
	-----
<S>	
	<C>
Automobiles.....	\$ 44
Operating equipment and vehicles.....	540
	-----
	584
Less--Accumulated depreciation.....	(479)
	-----
Net capitalized leased assets.....	\$ 105
	=====
</TABLE>	

The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of September 30, 1997 (in thousands):

<TABLE>	
<S>	
Year ending September 30--	
1998.....	\$ 68
1999.....	68
2000.....	60
2001.....	20
	-----
Total minimum lease payments.....	216
Less--Amounts representing interest.....	(20)
Present value of minimum lease payments.....	196
Less--Current portion.....	(55)
	-----
Long-term obligation.....	\$141
	=====
</TABLE>	

Operating Leases

The Company rents certain office equipment and warehouse space under several operating lease agreements which vary in length and terms. The rent paid under these lease agreements was approximately \$20,000, \$21,000, \$205,000 and \$453,000 for the years ended December 31, 1994, 1995 and 1996, and nine months ended September 30, 1997, respectively.

Future minimum lease payments under these noncancelable operating leases are as follows (in thousands):

<TABLE>	
<S>	
Year ending September 30--	
1998.....	\$ 615
1999.....	402
2000.....	147
2001.....	24
2002.....	8
	-----
	\$1,196
	=====
</TABLE>	

PAR ELECTRICAL CONTRACTORS, INC.  
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

## 7. INCOME TAXES:

Federal and state income taxes are as follows (in thousands):

&lt;TABLE&gt;

&lt;CAPTION&gt;

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1997	
	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>
Federal--					
Current.....	\$550	\$154	\$234	\$1,513	
Deferred.....	168	138	169	(542)	
State--					
Current.....	114	33	49	314	
Deferred.....	35	28	35	(113)	
	-----	-----	-----	-----	
	\$867	\$353	\$487	\$1,172	
	=====	=====	=====	=====	

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 35 percent to income (loss) before provision for income taxes as follows (in thousands):

&lt;CAPTION&gt;

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1996	1997	
	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>
Provision at the statutory rate.....	\$748	\$304	\$433	\$1,017	
Increase resulting from--					
State income tax, net of related tax effect.....	96	40	54	130	
Nondeductible expenses.....	23	9	--	25	
	-----	-----	-----	-----	
	\$867	\$353	\$487	\$1,172	
	=====	=====	=====	=====	

&lt;/TABLE&gt;

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences, representing deferred tax assets and liabilities, result principally from the following (in thousands):

&lt;TABLE&gt;

&lt;CAPTION&gt;

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
	-----	-----
<S>	<C>	<C>
Deferred income tax liabilities--		
Property and equipment.....	\$ (2,066)	\$ (2,224)
State taxes.....	9	9
Other.....	(156)	(164)
	-----	-----
Total deferred income tax liabilities.....	(2,213)	(2,379)
	-----	-----
Deferred income tax assets--		
Bad debt reserves.....	42	42
State taxes.....	(18)	(68)
Other accruals not currently deductible.....	283	1,153
	-----	-----
Total deferred income tax assets.....	307	1,127
Valuation allowance.....	--	--
	-----	-----
Total deferred income tax liabilities.....	\$ (1,906)	\$ (1,252)
	=====	=====

&lt;/TABLE&gt;

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The net deferred tax assets and liabilities are comprised of the following (in thousands):

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
	-----	-----
<S>	<C>	<C>
Deferred tax assets--		
Current.....	\$ 307	\$ 1,127
Long-term.....	--	--
	-----	-----
Total.....	307	1,127
	-----	-----
Deferred tax liabilities--		
Current.....	(147)	(155)
Long-term.....	(2,066)	(2,224)
	-----	-----
Total.....	(2,213)	(2,379)
	-----	-----
Net deferred income tax liabilities.....	\$ (1,906)	\$ (1,252)
	=====	=====

</TABLE>

8. RELATED-PARTY TRANSACTIONS:

As of December 31, 1996 and September 30, 1997, the Company had a \$45,000 note receivable due from one of its shareholders. The note receivable included in "Accounts receivable--other receivables" in the accompanying balance sheet as of September 30, 1997, was paid in full by the shareholder in October 1997.

9. EMPLOYEE BENEFIT PLAN:

In connection with its collective bargaining agreements with various electrical unions, the Company participates with other companies in the unions' multi-employer pension plans. These plans cover all of the Company's employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multi-employer plan in the event of the employer's withdrawal from, or upon termination of such plan. The Company has no plans to withdraw from these plans. The plans do not maintain information on net assets and actuarial present value of the accumulated share of the plans' unfunded vested benefits allocable to the Company, and amounts, if any, for which the Company may be contingently liable is not ascertainable at this time.

The Company has a 401(k) plan and profit sharing plan covering substantially all nonbargaining employees. Participant contributions to be in the 401(k) plan are limited to 6.6 percent of total compensation paid to participants during the plan year. The Company may also make discretionary contributions. Contributions to the plan were approximately \$243,000, \$230,000, \$182,000 and \$125,000 for the years ended December 31, 1994, 1995, 1996 and the nine months ended September 30, 1997, respectively, and had accrued approximately \$182,000 and \$125,000 at December 31, 1996 and September 30, 1997, respectively.

In addition to the 401(k) plan and profit sharing plan, the financial statements include discretionary bonuses to employees of \$1,035,000, \$564,000, \$1,087,000 and \$1,763,000 for the years ended December 31, 1994, 1995 and 1996 and for the nine months ended September 30, 1997, respectively.

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PAR ELECTRICAL CONTRACTORS, INC.  
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, lines of credit, accounts payable, notes payable and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

11. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, business property liability, workers' compensation, general liability and an umbrella policy.

Effective January 1, 1996, the Company began self-insuring for certain workers' compensation risks up to \$1,000,000 per occurrence. In October 1997, the Company reduced the deductible to \$500,000 per occurrence. The Company has accrued for the estimated probable claims costs in satisfying the deductible provisions of the insurance policies for claims occurring through September 30, 1997. The accrual is based on known facts and historical trends, and management believes such accrual to be adequate.

#### Product Rights

In May 1997, the Company entered into an agreement with a third party which gives the Company exclusive rights for 30 months to the use of a patented product used in the construction, maintenance, repair and improvement of energized transmission and distribution lines in all states west of the Mississippi River. The product is a telescoping robotic arm for temporarily supporting energized power lines to enable repair or replacement of transmission poles, cross-arms, insulators and the like while maintaining an energized connection. In exchange for the exclusive rights, the Company agreed to pay the third party a fixed fee and a percentage of gross profits generated from the use of the product. As of September 30, 1997, the Company had made payments totaling \$150,000 related to fees for the use of such product.

#### Performance Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its contract commitments which are personally guaranteed by certain stockholders of the Company.

#### 12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales greater than 10 percent of total sales to two major customers (comprising approximately 25 percent and 16 percent of total sales), three major customers (comprising approximately 16 percent, 15 percent and 11 percent of total sales), three major customers (comprising approximately 23 percent, 12 percent and 10 percent of total sales) and three major customers (comprising approximately 19 percent, 12 percent and 11 percent of total sales) during the years ended December 1994, 1995 and 1996, and for the nine months ended September 30, 1997, respectively.

The Company grants credit, generally without collateral, to its customers, which include utility companies, municipalities and commercial companies located primarily in the Midwestern region of the United States. Consequently, the Company is subject to potential credit risk related to changes in business

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#### PAR ELECTRICAL CONTRACTORS, INC.

##### NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

and economic factors within the Midwestern region of the United States. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

#### 13. SUBSEQUENT EVENTS TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In December 1997, the Company and its shareholders entered into a definitive agreement with Quanta Services, Inc. (Quanta), subject to certain conditions, pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Quanta common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by Quanta. In addition, the two executives of the Company will enter into employment agreements with the Company and Quanta which have an initial term of three years and generally restrict the disclosure of confidential information as well as restrict competition with the Company and Quanta for a period of five years from the date of the employment agreement.

Upon signing the definitive agreement, the shareholders of the Company will purchase a portion of land and equipment from the Company. The net book value of the land and the equipment to be purchased is approximately \$759,000 and \$742,000 at December 31, 1996, and September 30, 1997, respectively. Proceeds received from the sale of the land and the equipment will be netted against the installment note payable assumed related to the land. The installment note payable was \$77,000 and \$51,000 at December 31, 1996, and September 30, 1997, respectively.

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#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Quanta Services, Inc.:

We have audited the accompanying balance sheet of Quanta Services, Inc., a Delaware corporation, as of September 30, 1997, and the related statement of operations, and stockholders' equity for the period from inception (August 19, 1997) through September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quanta Services, Inc., as of September 30, 1997, and the results of its operations for the period from inception (August 19, 1997) through September 30, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas  
December 5, 1997

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QUANTA SERVICES, INC.  
BALANCE SHEET--SEPTEMBER 30, 1997  
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

<TABLE>		
<S>		<C>
CASH AND CASH EQUIVALENTS.....	\$ 8	
DEFERRED OFFERING COSTS.....	56	
	---	
Total assets.....	\$64	
	===	
</TABLE>		

LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>		
<S>		<C>
ACCRUED LIABILITIES AND AMOUNTS DUE TO STOCKHOLDER.....	\$64	
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.00001 par value, 10,000,000 authorized, none issued and outstanding.....	--	
Common stock, \$.00001 par value, 40,000,000 shares authorized, 1,693,779 shares issued and outstanding.....	--	
Additional paid-in capital.....	--	
Retained deficit.....	--	
	---	
Total stockholders' equity.....	--	
	---	
Total liabilities and stockholders' equity.....	\$64	
	===	
</TABLE>		

Reflects a 1,613.6016 for-one stock split effected in December 1997.

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

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QUANTA SERVICES, INC.  
STATEMENT OF OPERATIONS  
FOR THE PERIOD FROM INCEPTION  
(AUGUST 19, 1997) THROUGH SEPTEMBER 30, 1997  
(IN THOUSANDS)

<TABLE>		
<S>		<C>
REVENUES.....	\$ --	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	--	
	----	
LOSS BEFORE INCOME TAXES.....	--	
PROVISION FOR INCOME TAXES.....	--	
	----	
NET LOSS.....	\$ --	



</TABLE>

=====

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

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QUANTA SERVICES, INC.  
STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE PERIOD FROM INCEPTION  
(AUGUST 19, 1997) THROUGH SEPTEMBER 30, 1997  
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

<TABLE>

<CAPTION>

	COMMON STOCK		ADDITIONAL	RETAINED	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	DEFICIT	STOCKHOLDERS' EQUITY
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
INITIAL CAPITALIZATION,					
August 19, 1997.....	1,693,779	\$--	\$--	\$--	\$--
NET INCOME (LOSS).....	--	--	--	--	--
	-----	---	----	---	----
BALANCE, September 30, 1997.	1,693,779	\$--	\$--	\$--	\$--
	=====	===	====	===	=====

</TABLE>

Reflects a 1,613.6016 for-one stock split effected in December 1997.

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

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QUANTA SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Quanta Services, Inc., a Delaware corporation (Quanta or the Company), was founded in August 1997 to create a leading provider of specialty electrical contracting and maintenance services primarily related to electric and telecommunications infrastructure in North America. Quanta intends to acquire certain businesses (the Acquisitions), complete an initial public offering (the Offering) of its common stock and, subsequent to the Offering, continue to acquire through merger or purchase similar companies to expand its national and regional operations.

Quanta has not conducted any operations, and all activities to date have related to the Offering and the Acquisitions. All expenditures of the Company to date have been funded by the primary stockholders, on behalf of the Company. The primary stockholders have also committed to fund future organization expenses and offering costs. As of November 30, 1997, costs of approximately \$1,227,000 have been incurred in connection with the Offering, and such costs will be treated as a reduction of the proceeds from the Offering. Quanta has treated costs incurred through September 30, 1997, as deferred offering costs in the accompanying balance sheet. Quanta is dependent upon the Offering to execute the pending Acquisitions and to repay its current primary stockholder for funding deferred offering costs. There is no assurance that the pending Acquisitions will be completed. The ability of Quanta to generate future operating revenues is dependent upon the ability of the Company to manage the effect on the combined companies of changes in demand for infrastructure services, the effect of business growth, including the availability of linemen and electricians, and the need for other key personnel. These risk factors, among others, are discussed in more detail in "Risk Factors."

2. STOCKHOLDERS' EQUITY:

Common Stock and Preferred Stock

In connection with the organization and initial capitalization of Quanta, the Company issued 1,693,779 shares (as restated for the 1,613.6016 for-one stock split discussed in Note 5) of common stock at \$.00001 par value (Common Stock) for \$10.48. Subsequent to September 30, 1997, Quanta issued approximately 1.5 million shares and 0.2 million shares, respectively (as restated for the 1,613.6016 for-one stock split discussed in Note 5) of Common Stock at \$.00001 par value to an initial stockholder and management of Quanta. As a result of the issuance of shares to an initial stockholder and management for nominal consideration, the Company recorded in November 1997, for financial statement presentation purposes, a nonrecurring, noncash charge of \$11.5 million, which has been estimated based on a fair value of such shares which has been determined to be \$6.75 per share (a discount of 25% from the estimated initial public offering price). The fair value of such shares was based on specific factors related to the Company and the transactions

including restrictions on transferability and sale of the shares issued and the limited vote provisions of such shares.

#### Stock Plan

In December 1997, the Company's board of directors and stockholders approved the Company's 1997 Stock Option Plan (the Plan), which provides for the granting or awarding of incentive or nonqualified stock options to directors, officers, key employees and consultants of the Company. The aggregate amount of Common Stock of the Company with respect to which options may be granted may not exceed the greater of 2.38 million shares or 15 percent of the aggregate number of shares of Common Stock outstanding. The Plan will be administered by the compensation committee (the Committee) of the Company's board of directors. The Company intends to file a registration statement on Form S-8 under the Securities Act of 1933 registering the issuance of shares upon exercise of options granted under this

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#### QUANTA SERVICES, INC.

##### NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Plan. Options will be exercisable during the period specified in each option agreement and will generally become exercisable in installments pursuant to a vesting schedule designated by the Committee. No options will remain exercisable later than ten years after the date of grant. The exercise price of options may be no less than the fair market value of the Common Stock on the date of grant (or 110 percent in the case of options granted to employees owning more than 10 percent of the voting capital stock).

The Plan also provides for automatic option grants to directors who are not otherwise employed by the Company or its subsidiaries. Upon commencement of service, a nonemployee director will receive a nonqualified option to purchase 10,000 shares of Common Stock and continuing or re-elected nonemployee directors annually will receive options to purchase 5,000 shares of Common Stock. Options granted to nonemployee directors are fully exercisable following the expiration of six months from the date of grant.

#### 3. STOCK-BASED COMPENSATION:

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," allows entities to choose between a new fair value method of accounting for employee stock options or similar equity instruments and the current method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, under which compensation expense is recorded to the extent that the fair market value of the related stock is in excess of the options' exercise price at date of grant. Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value method of accounting prescribed in SFAS No. 123 had been applied. The Company will measure compensation expense attributable to stock options based on the method prescribed in APB Opinion No. 25 and will provide the required pro forma disclosure of net income and earnings per share, as applicable, in the notes to future consolidated annual financial statements.

#### 4. NEW ACCOUNTING PRONOUNCEMENTS:

SFAS No. 128 requires the presentation of basic earnings per share and diluted earnings per share in financial statements of public enterprises rather than primary and fully diluted earnings per share as previously required. Under the provisions of this statement, basic earnings per share will be computed based on weighted average shares outstanding and will exclude dilutive securities such as options and warrants. Diluted earnings per share will be computed including the impact of all potentially dilutive securities. The Company will adopt this statement in December 1997, but does not anticipate that the statement will have a material impact on earnings per share.

SFAS No. 129 requires additional disclosure of information about an entity's capital structure, including, but not limited to, information about dividend and liquidation preferences, voting rights, contracts to issue additional shares and conversion and exercise prices. The Company will adopt this statement in December 1997.

SFAS No. 130 requires the presentation of comprehensive income in an entity's financial statements. Comprehensive income represents all changes in equity of an entity during the reporting period, including net income and charges directly to equity which are excluded from net income. This statement is not anticipated to have a material impact on the Company, or its financial disclosures, as the Company currently does not plan to enter into any material transactions which result in charges (or credits) directly to equity (such as additional minimum pension liability changes, currency translation adjustments, unrealized gains and losses on available-for-sale securities, etc.).

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QUANTA SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

5. SUBSEQUENT EVENTS TO THE DATE OF AUDITORS' REPORT (UNAUDITED):

Quanta effected a 1,613.6016 for-one stock split in December 1997 for each share of Common Stock of the Company then outstanding. In addition, the Company increased the number of authorized shares of Common Stock to 40,000,000 and increased the number of authorized shares of \$.00001 par value preferred stock to 10,000,000. The effects of the Common Stock split and the increase in the shares of authorized Common Stock have been retroactively reflected on the balance sheet, statement of stockholders' equity and in the accompanying notes.

In December 1997, the 3.3 million shares of Common Stock held by certain primary stockholders of Quanta were converted into 3.3 million shares of limited vote common stock. The shares of limited vote common stock have rights similar to shares of Common Stock, except that such shares are entitled to elect one member of the board of directors and are entitled to one-tenth of one vote for each share held on all other matters. Each share of limited vote common stock will convert into Common Stock upon disposition by the holder of such shares in accordance with the transfer restrictions applicable to such shares.

Quanta has signed definitive agreements to acquire the following entities (the Founding Companies) to be effective concurrently with the Offering. The entities to be acquired are:

PAR Electrical Contractors, Inc.  
Potelco, Inc.  
TRANS TECH Electric, Inc.  
Union Power Construction Company

The aggregate consideration that will be paid by Quanta to acquire the Founding Companies is approximately \$21.0 million in cash and 7.5 million shares of Common Stock. The cash portion of the Acquisition Consideration will be adjusted based on the initial public offering price of Common Stock offered.

In addition, the Company plans to enter into employment agreements with certain key executives of the Founding Companies and the executive officers of Quanta. These employment agreements generally prohibit such individuals from disclosing confidential information and trade secrets, and restrict such individuals from competing with the Company for a period of five years from the date of the employment agreement. The initial term of these employment agreements is three years with provisions for annual extensions at the end of the initial term.

In December 1997, Quanta filed a registration statement on Form S-1 for the sale of its Common Stock.

The Company expects to enter into a credit facility effective concurrent with the closing of the Offering. A commercial bank has agreed to structure the credit facility subject to the terms and conditions of a commitment letter. The terms provide for an unsecured five year \$50,000,000 revolving credit facility to provide funds to be used for working capital, to finance acquisitions and for other general corporate purposes. Amounts borrowed under the proposed credit facility will bear interest at a rate equal to either (a) the London Interbank Offered Rate ("LIBOR") plus 0.75% to 1.75%, as determined by the ratio of the Company's total funded debt to EBITDA (as defined in the credit facility) or (b) the bank's prime rate plus up to 0.25%, as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.175% to 0.30% (based on certain financial ratios) are due on any unused borrowing capacity under the credit facility. The Company's existing and future subsidiaries will guarantee the repayment of all amounts due under the facility and the facility restricts pledges on all material assets. The Company expects that the credit facility will require usual and customary covenants for a credit facility of this nature including the consent of the lenders for acquisitions exceeding a certain level of cash consideration.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Union Power Construction Company:

We have audited the accompanying balance sheets of Union Power Construction Company, a Colorado corporation, as of August 31, 1996 and 1997, and the related statements of operations, cash flows and stockholders' equity for the three years ended August 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing

standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Power Construction Company as of August 31, 1996 and 1997, and the results of its operations and cash flows for the three years ended August 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas  
December 5, 1997

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UNION POWER CONSTRUCTION COMPANY  
BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

<TABLE>

<CAPTION>

	AUGUST 31,		NOVEMBER 30, 1997
	1996	1997	
	-----	-----	-----
	<C>	<C>	(UNAUDITED) <C>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 612	\$ 404	\$ 951
Marketable securities.....	101	110	123
Accounts receivable--			
Trade, net of allowance for doubtful accounts			
of \$84,000.....	3,902	8,822	12,259
Retainage.....	204	498	601
Related-party receivables.....	65	32	--
Costs and estimated earnings in excess of			
billings on uncompleted contracts.....	--	77	113
Deferred income taxes.....	30	115	--
Prepaid expenses and other current assets.....	44	95	46
	-----	-----	-----
Total current assets.....	4,958	10,153	14,093
PROPERTY AND EQUIPMENT, net.....	4,810	5,868	6,836
	-----	-----	-----
Total assets.....	\$9,768	\$16,021	\$20,929
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt.....	\$ 249	\$ 663	\$ 1,916
Current maturities of related-party debt.....	238	128	200
Accounts payable and accrued expenses.....	2,878	6,209	8,239
Related-party payable.....	22	--	--
Billings in excess of costs and estimated			
earnings on uncompleted contracts.....	--	322	700
	-----	-----	-----
Total current liabilities.....	3,387	7,322	11,055
LONG-TERM DEBT, net of current maturities.....	1,065	748	1,234
RELATED-PARTY DEBT, net of current maturities....	38	328	237
DEFERRED INCOME TAXES.....	843	1,257	1,311
OTHER LONG-TERM LIABILITIES.....	20	22	--
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Common stock, \$1.00 par value, 25,000 shares			
authorized, 25,000 shares issued and			
outstanding.....	25	25	25
Unrealized loss on securities.....	(62)	(56)	(44)
Retained earnings.....	4,452	6,375	7,111
	-----	-----	-----
Total stockholders' equity.....	4,415	6,344	7,092
	-----	-----	-----
Total liabilities and stockholders' equity.	\$9,768	\$16,021	\$20,929
	=====	=====	=====

</TABLE>

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

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UNION POWER CONSTRUCTION COMPANY  
STATEMENTS OF OPERATIONS  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED AUGUST 31,			THREE MONTHS ENDED NOVEMBER 30,	
	1995	1996	1997	1996	1997
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES.....	\$12,614	\$25,636	\$42,792	\$7,211	\$15,357
COST OF SERVICES (including depreciation).....	10,240	22,319	37,766	6,037	13,474
Gross profit.....	2,374	3,317	5,026	1,174	1,883
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,896	1,563	1,966	491	677
Income from operations.....	478	1,754	3,060	683	1,206
OTHER INCOME (EXPENSE):					
Interest expense.....	(7)	(84)	(110)	(36)	(39)
Related-party interest expense...	(10)	(6)	(22)	(2)	(7)
Other, net.....	142	166	229	7	45
Other income, net.....	125	76	97	(31)	(1)
INCOME BEFORE PROVISION FOR INCOME TAXES.....	603	1,830	3,157	652	1,205
PROVISION FOR INCOME TAXES.....	239	718	1,234	254	469
NET INCOME.....	\$ 364	\$ 1,112	\$ 1,923	\$ 398	\$ 736

</TABLE>

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

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UNION POWER CONSTRUCTION COMPANY  
STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED AUGUST 31,			THREE MONTHS ENDED NOVEMBER 30,	
	1995	1996	1997	1996	1997
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 364	\$ 1,112	\$ 1,923	\$ 398	\$ 736
Adjustments to reconcile net income to net cash provided by operating activities--					
Depreciation and amortization.....	217	486	577	156	362
Deferred taxes.....	137	296	329	132	172
Changes in operating assets and liabilities--					
(Increase) decrease in--					
Accounts receivable.....	249	(2,523)	(5,180)	(381)	(3,540)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(226)	237	(77)	--	(36)
Prepaid expenses and other current assets.....	12	15	(51)	22	47
Increase (decrease) in--					
Accounts payable and accrued expenses.....	280	1,578	3,331	222	2,030
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(28)	--	322	65	378
Other, net.....	80	84	(132)	7	8
Net cash provided by operating activities.....	1,085	1,285	1,042	621	157

CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment.....	41	27	105	--	--
Additions of property and equipment.....	(605)	(2,771)	(1,634)	(283)	(1,330)
	-----	-----	-----	-----	-----
Net cash used in investing activities.....	(564)	(2,744)	(1,529)	(283)	(1,330)
	-----	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term debt.....	300	1,432	786	--	2,450
Payments of long-term debt.....	(272)	(239)	(507)	(101)	(730)
	-----	-----	-----	-----	-----
Net cash provided by financing activities.....	28	1,193	279	(101)	1,720
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	549	(266)	(208)	237	547
CASH AND CASH EQUIVALENTS, beginning of year.....	329	878	612	612	404
	-----	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of year.....	\$ 878	\$ 612	\$ 404	\$ 849	\$ 951
	=====	=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for--					
Interest.....	\$ 17	\$ 90	\$ 161	\$ 27	\$ 50
Income taxes.....	55	340	831	290	532

</TABLE>

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

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UNION POWER CONSTRUCTION COMPANY  
STATEMENTS OF STOCKHOLDERS' EQUITY  
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

<TABLE>  
<CAPTION>

	COMMON STOCK				
			RETAINED	UNREALIZED	TOTAL
	SHARES	AMOUNT	EARNINGS	HOLDING GAIN (LOSS)	STOCKHOLDERS' EQUITY
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, August 31, 1994.....	25,000	\$25	\$2,976	\$--	\$3,001
Change in market value of securities.....	--	--	--	(70)	(70)
Net income.....	--	--	364	--	364
	-----	-----	-----	-----	-----
BALANCE, August 31, 1995.....	25,000	25	3,340	(70)	3,295
Change in market value of securities.....	--	--	--	8	8
Net income.....	--	--	1,112	--	1,112
	-----	-----	-----	-----	-----
BALANCE, August 31, 1996.....	25,000	25	4,452	(62)	4,415
Change in market value of securities.....	--	--	--	6	6
Net income.....	--	--	1,923	--	1,923
	-----	-----	-----	-----	-----
BALANCE, August 31, 1997.....	25,000	25	6,375	(56)	6,344
Change in market value of securities (unaudited).....	--	--	--	12	12
Net income (unaudited).....	--	--	736	--	736
	-----	-----	-----	-----	-----
BALANCE, November 30, 1997 (unaudited).....	25,000	\$25	\$7,111	\$ (44)	\$7,092
	=====	=====	=====	=====	=====

</TABLE>

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

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UNION POWER CONSTRUCTION COMPANY  
NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Union Power Construction Company, a Colorado corporation (the Company or Union), provides electrical power line installation, repair and maintenance services for utilities throughout the western United States. The Company performs the majority of its contract work under time and equipment contracts, fixed price contracts and unit cost contracts with contract terms generally ranging from one month to two years. The Company performs the majority of its

work in Colorado, Nevada and California.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Interim Financial Information

The interim financial statements for the three months ended November 30, 1996 and 1997 are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnote disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

### Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense was \$217,000, \$486,000 and \$577,000 for the years ended August 31, 1995, 1996 and 1997, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

### Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a fixed price or cost-plus-fee contract. Such contracts generally provide that the customer accept completion of progress to date and compensate the Company for services which have been rendered, measured typically in terms of units installed, hours expended or some other measure of progress. Revenues from fixed price or cost-plus-fee contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. Contract costs include all direct material, subcontractor and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined.

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### UNION POWER CONSTRUCTION COMPANY NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

The balances billed but not paid by customers pursuant to retainage provisions in fixed price or cost-plus-fee contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

The current asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed. The current liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized.

### Warranty Costs

For certain contracts, the Company generally warrants labor for one to two years after project completion. An accrual for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

### Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the

specific identification of accounts receivable where collection is deemed no longer probable and an allowance based upon the level of accounts receivable balances.

#### Income Taxes

The Company follows the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes." Under this method, deferred assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets or liabilities are recovered or settled.

#### Collective Bargaining Agreement

The Company is a party to various collective bargaining agreements with certain of its employees. The agreements require the Company to pay specified wages and provide certain benefits to its union employees. These agreements will expire at various times through 2005.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Reference is made to the "Revenue Recognition" section of this footnote for discussion of significant estimates reflected in the Company's financial statements.

#### New Accounting Pronouncements

Effective January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and

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#### UNION POWER CONSTRUCTION COMPANY NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

SFAS No. 130, "Reporting Comprehensive Income" requires the presentation of comprehensive income in an entity's financial statements. Comprehensive income represents all changes in equity of an entity during the reporting period, including net income and charges directly to equity which are excluded from net income. This statement will be adopted by the Company during fiscal year 1998.

#### 3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

<TABLE>

<CAPTION>

	ESTIMATED USEFUL LIVES IN YEARS	AUGUST 31, ----- 1996      1997	
<S>	<C>	<C>	<C>
Land.....	--	\$ 126	\$ 126
Operating equipment and vehicles.....	5-10	9,440	10,497
Leasehold improvements.....	10	88	113
Office furniture and equipment.....	5	110	145
		-----	-----
		9,764	10,881
Less--Accumulated depreciation and amortization.....		4,954	5,013
		-----	-----
Property and equipment, net.....		\$4,810	\$5,868
		=====	=====

#### 4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Accounts payable and accrued expenses consist of the following (in thousands):



<CAPTION>

		AUGUST 31,	
		1996	1997
		-----	-----
<S>	<C>	<C>	<C>
Accounts payable, trade.....		\$1,750	\$3,840
Accrued compensation and benefits.....		456	1,300
Other accrued expenses.....		672	1,069
		-----	-----
		\$2,878	\$6,209
		=====	=====

Contracts in progress are as follows (in thousands):

<CAPTION>

		AUGUST 31,	
		1996	1997
		-----	-----
<S>	<C>	<C>	<C>
Costs incurred on contracts in progress.....		\$15,529	\$45,025
Estimated earnings, net of losses.....		603	4,183
		-----	-----
		16,132	49,208
Less--Billings to date.....		16,132	49,453
		-----	-----
		\$ --	\$ (245)
		=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....		\$ --	\$ 77
Less--Billings in excess of costs and estimated earnings on uncompleted contracts.....		--	(322)
		-----	-----
		\$ --	\$ (245)
		=====	=====

</TABLE>

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UNION POWER CONSTRUCTION COMPANY  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

5. LONG-TERM DEBT:

In August 1995, the Company entered into a \$300,000 secured installment loan with a bank. The loan is due August 1999 and bears interest at 8.27 percent with monthly payments of \$7,400. Amounts outstanding under this loan were \$221,000 and \$149,000 at August 31, 1996 and 1997, respectively. In November 1995, the Company entered into a \$200,000 secured installment loan with a bank for the purchase of construction equipment. This loan is due November 1999 and bears interest at 8.22 percent with monthly payments of \$5,000. At August 31, 1996 and 1997, \$163,000 and \$116,000, respectively, were outstanding under this agreement.

The Company entered into a \$1 million secured installment loan with a bank in August 1996. The loan matures in April 2000 and bears interest at a rate of 8 percent with monthly payments due of \$24,000. Amounts outstanding under this agreement were \$929,000 and \$682,000 at August 31, 1996 and 1997, respectively. In April 1997, the Company entered into a \$360,000 installment loan with a bank. This loan matures February 2001 with monthly payments of \$8,800 and an interest rate of 8.25 percent. There was \$314,000 outstanding under this arrangement at August 31, 1997.

The Company has established a \$2 million secured revolving line of credit with a bank effective August 1997. Borrowings under this facility bear interest at a rate of prime, as defined, minus 1 percent for the first \$1 million in borrowings and at prime for any balance over \$1 million and are due February 1998. Outstanding indebtedness under this facility was \$150,000 and \$1,500,000 at August 31, 1997 and November 30, 1997, respectively.

The Company also has loans outstanding from certain stockholders or other related parties totaling \$277,000 and \$456,000 at August 31, 1996 and 1997, respectively. These loans bear interest at rates ranging from 7 percent to 9 percent and are due at various times from November 1997 to June 2001.

The loan agreement covering the bank line of credit contains various covenants, including a minimum tangible net worth requirement, a minimum working capital requirement and various financial ratios.

All of the Company's debt is secured by property and equipment. Two of the Company's stockholders have personally guaranteed substantially all debt with banks.

The maturities of long-term debt as of August 31, 1997, are as follows (in

thousands):

<TABLE>	
<S>	<C>
Year ending August 31 --	
1998.....	\$ 791
1999.....	588
2000.....	406
2001.....	82
	-----
	\$1,867
	=====

</TABLE>

#### 6. LEASES:

Union leases its Denver office and facility from a company which is owned by the Company's stockholders. The lease is renewable on a monthly basis at Union's election. Rent paid under this related-party lease was approximately \$42,000 for each of the years ended August 31, 1995, 1996 and 1997.

The Company also leases its Las Vegas, Nevada, office and yard from two of the Company's stockholders. The lease terminates in June 2006 and rent paid was \$19,000 and \$56,000 for each of the years ended August 31, 1996 and 1997, respectively.

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#### UNION POWER CONSTRUCTION COMPANY NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

The Company also enters into various vehicle and construction equipment operating leases. Vehicle lease terms are typically five years or less, and construction equipment leases typically are short-term (one year or less). Payments made for vehicle leases were \$11,000, \$19,000 and \$149,000 for the years ended August 31, 1995, 1996 and 1997, respectively.

Union rents various construction equipment under a one-year operating lease from a company owned by two of Union's stockholders. Total related-party equipment rental expense was \$96,000 for the year ended August 31, 1997.

Future minimum lease payments under these noncancelable operating leases are as follows (in thousands):

<TABLE>	
<S>	<C>
Year ending August 31 --	
1998.....	\$ 343
1999.....	248
2000.....	240
2001.....	188
2002.....	56
Thereafter.....	215
	-----
	\$1,290
	=====

</TABLE>

#### 7. INCOME TAXES:

Federal and state income taxes are as follows (in thousands):

<TABLE>	
<CAPTION>	
	YEAR ENDED AUGUST 31,
	-----
	1995    1996    1997
	-----
<S>	<C>    <C>    <C>
Federal--	
Current.....	\$ 87    \$358    \$ 745
Deferred.....	116    251    303
State--	
Current.....	15    64    160
Deferred.....	21    45    26
	-----
	\$239    \$718    \$1,234
	=====

</TABLE>

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 35 percent to income (loss) before provision for income taxes as follows (in thousands):

<TABLE>

<CAPTION>

	YEAR ENDED AUGUST 31,		
	1995	1996	1997
<S>	<C>	<C>	<C>
Provision at the statutory rate.....	\$211	\$641	\$1,106
Increase resulting from--			
Permanent differences, mainly meals and entertainment.....	5	7	7
State income tax, net of benefit for federal deduction.....	23	70	121
	\$239	\$718	\$1,234
	=====	=====	=====

</TABLE>

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UNION POWER CONSTRUCTION COMPANY  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences, representing deferred tax assets and liabilities, result principally from the following (in thousands):

<TABLE>  
<CAPTION>

	YEAR ENDED AUGUST 31,	
	1996	1997
<S>	<C>	<C>
Deferred income tax liabilities--		
Property and equipment.....	\$ (843)	\$ (1,257)
Other.....	(347)	(14)
Total deferred income tax liabilities.....	(1,190)	(1,271)
Deferred income tax assets--		
Property and equipment.....	5	5
Other accruals not currently deductible.....	377	129
Total deferred income tax assets.....	382	134
Valuation allowance.....	(5)	(5)
Total deferred income tax liabilities.....	\$ (813)	\$ (1,142)
	=====	=====

The net deferred tax assets and liabilities are comprised of the following (in thousands):

<CAPTION>

	YEAR ENDED AUGUST 31,	
	1996	1997
<S>	<C>	<C>
Deferred tax assets--		
Current.....	\$ 377	\$ 129
Long-term.....	--	--
Total.....	377	129
Deferred tax liabilities--		
Current.....	(347)	(14)
Long-term.....	(843)	(1,257)
Total.....	(1,190)	(1,271)
Net deferred income tax liabilities.....	\$ (813)	\$ (1,142)
	=====	=====

</TABLE>

8. RELATED-PARTY TRANSACTIONS:

Note Receivable

The Company has loaned funds to various entities owned by the Company's stockholders. Interest income under this arrangement was \$15,000, \$13,000 and \$3,000 for the years ended August 31, 1995, 1996 and 1997, respectively.

Rental Income

Union has from time to time leased or rented construction equipment on a

short-term basis to various related parties. Total rental revenue under these arrangements was \$4,000 for the year ended August 31, 1996.

#### Management Fee Income

The Company also receives management fee income from a related-party owned by two of Union's stockholders for financial and management services rendered. Total payments received were \$7,000, \$13,000 and \$9,000 for the years ended August 31, 1995, 1996 and 1997.

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### UNION POWER CONSTRUCTION COMPANY NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

#### 9. EMPLOYEE BENEFIT PLAN:

In connection with its collective bargaining agreements with various electrical, labor and operating engineer unions, the Company participates with other companies in the various multiemployer pension plans. These plans cover all of the Company's employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multiemployer plan in the event of the employer's withdrawal from, or upon termination of, such plan. The Company has no plan to withdraw from these plans. The plans do not maintain information on net assets and actuarial present value of the accumulated share of the plans' unfunded vested benefits allocable to the Company, and amounts, if any, for which the Company may be contingently liable are not ascertainable at this time. Total contributions to these plans were approximately \$1.2 million, \$2.3 million and \$2.9 million at August 31, 1995, 1996 and 1997, respectively.

The Company has a defined contribution profit-sharing plan for employees not covered by a union bargaining agreement. The plan provides for the Company to make discretionary contributions of up to 15 percent of an employee's salary. Total contributions by the Company under the plan were approximately \$127,000, \$130,000 and \$155,000 for the years ended August 31, 1995, 1996 and 1997, respectively.

#### 10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, available for sale securities, a line of credit, accounts payable, notes payable and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

#### 11. COMMITMENTS AND CONTINGENCIES:

##### Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

##### Performance Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its contract commitments which are personally guaranteed by certain stockholders of the Company.

#### 12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

The Company had sales greater than 10 percent of total sales to three major customers (comprising approximately 27 percent, 17 percent and 16 percent of total sales), three major customers (comprising approximately 39 percent, 27 percent and 11 percent of total sales) and two major customers (comprising approximately 40 percent and 34 percent of total sales) during the years ended August 31, 1995, 1996 and 1997, respectively.

The Company grants credit, generally without collateral, to its customers, which are major public utilities, located primarily in the western United States. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within the region it operates. However,

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### UNION POWER CONSTRUCTION COMPANY NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

#### 13. CONTRACT CLAIM:

In 1995, the Company received a \$970,000 settlement from the Western Area Power Administrator (WAPA). During the course of the project, the job was shut down by WAPA for a protracted length of time due to an accident by an unrelated contractor working on the same project. As a result, the Company incurred significant idle crew time. The Company presented WAPA with a claim for costs incurred by the Company for WAPA's actions and received the settlement, which is included in 1995 revenues.

#### 14. SUBSEQUENT EVENTS:

##### Construction Contract

In October 1997, the Company was awarded a major contract for construction of 164 miles of electrical transmission lines and two substation facilities. The contract requires substantial completion by December 1, 1998, and carries significant penalties for work not being completed by the substantial completion date. Work began in December 1997.

##### Debt

In November 1997, the Company entered into a \$500,000 term loan agreement due November 2001 with a bank for the purchase of construction equipment. The loan bears interest at a rate of 8.5 percent and monthly principal and interest payments of \$12,300. The loan is secured by the equipment purchased.

#### 15. SUBSEQUENT EVENTS TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In December 1997, the Company amended its \$2 million secured revolving line of credit to increase total available borrowings under the facility to \$3 million. The terms of the facility, including interest and maturity date, remain unchanged. See discussion of the facility in Note 5.

In December 1997, the Company and its stockholders entered into a definitive agreement with Quanta Services, Inc. (Quanta), subject to certain conditions, pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Quanta common stock concurrent with the consummation of an initial public offering (the Offering) of additional common stock by Quanta. In addition, the key executives of the Company will enter into employment agreements with the Company and Quanta which have an initial term of three years and generally restricts the disclosure of confidential information as well as competition with the Company and Quanta for a period of five years following from the date of the employment agreement.

Prior to the consummation of the Offering, two of Company's stockholders will purchase certain nonoperating assets not used in the business at a price equal to the net book value of such assets (approximately \$183,000 at August 31, 1997).

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#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To TRANS TECH Electric, Inc.:

We have audited the accompanying balance sheets of TRANS TECH Electric, Inc., an Indiana Subchapter S corporation, as of December 31, 1996, and September 30, 1997, and the related statements of operations, cash flows and shareholders' equity for the years ended December 31, 1995 and 1996, and the nine months ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRANS TECH Electric, Inc., as of December 31, 1996, and September 30, 1997, and the results of its operations and cash flows for the years ended December 31, 1995 and 1996, and the nine months ended September 30, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas December 5, 1997

TRANS TECH ELECTRIC, INC.  
BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE INFORMATION)

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	SEPTEMBER 30, 1997	PRO FORMA SEPTEMBER 30, 1997 (1)
<S>	<C>	<C>	<C>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents.....	\$ 389	\$ 865	\$ 865
Accounts receivable--			
Trade, net of allowance of \$130			
and \$158, respectively.....	4,484	4,301	4,301
Retainage.....	1,822	1,838	1,838
Inventories.....	610	684	684
Costs and estimated earnings in			
excess of billings on uncompleted			
contracts.....	1,853	4,320	4,320
Prepaid expenses and other current			
assets.....	66	86	86
	-----	-----	-----
Total current assets.....	9,224	12,094	12,094
PROPERTY AND EQUIPMENT, net.....	2,642	2,924	2,924
OTHER ASSETS.....	3	3	3
	-----	-----	-----
Total assets.....	\$11,869	\$15,021	\$15,021
	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Note payable.....	\$ 797	\$ 2,294	\$ 2,294
Current maturities of long-term			
debt.....	107	89	89
Current portion of capital lease			
obligations.....	285	414	414
Accounts payable and accrued			
expenses.....	4,465	5,166	5,166
Billings in excess of costs and			
estimated earnings on uncompleted			
contracts.....	728	173	173
	-----	-----	-----
Total current liabilities.....	6,382	8,136	8,136
LONG-TERM DEBT, net of current			
maturities.....	607	543	6,384
LONG-TERM CAPITAL LEASE OBLIGATIONS,			
net of current obligations.....	467	438	438
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock, no par value, 1,000			
shares authorized, 926 shares			
issued and outstanding.....	125	125	125
Retained earnings.....	4,350	5,841	--
Treasury stock, 150 shares, at cost.	(62)	(62)	(62)
	-----	-----	-----
Total shareholders' equity.....	4,413	5,904	63
	-----	-----	-----
Total liabilities and			
shareholders' equity.....	\$11,869	\$15,021	\$15,021
	=====	=====	=====

</TABLE>

- - - - -

(1) The pro forma balance sheet column presented reflects the impact of Sub S distributions. See Note 12 for further discussion.

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

TRANS TECH ELECTRIC, INC.  
STATEMENTS OF OPERATIONS

(IN THOUSANDS)

<TABLE>  
<CAPTION>

YEAR ENDED DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,
-----	-----

	1995	1996	1996	1997	
	-----	-----	-----	-----	
			(UNAUDITED)		
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES.....	\$21,397	\$24,414	\$16,575	\$24,278	
COST OF SERVICES (including depreciation).....	18,934	20,426	13,683	19,687	
	-----	-----	-----	-----	
Gross profit.....	2,463	3,988	2,892	4,591	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,639	1,848	1,300	1,362	
	-----	-----	-----	-----	
Income from operations.....	824	2,140	1,592	3,229	
	-----	-----	-----	-----	
OTHER INCOME (EXPENSE):					
Interest expense.....	(297)	(313)	(249)	(232)	
Other, net.....	34	45	31	38	
	-----	-----	-----	-----	
Other income (expense), net.....	(263)	(268)	(218)	(194)	
	-----	-----	-----	-----	
NET INCOME.....	\$ 561	\$ 1,872	\$ 1,374	\$ 3,035	
	=====	=====	=====	=====	

</TABLE>

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

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TRANS TECH ELECTRIC, INC.  
STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,		
	1995	1996	1996	1997	
	-----	-----	-----	-----	
			(UNAUDITED)		
<S>	<C>	<C>	<C>	<C>	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 561	\$ 1,872	\$ 1,374	\$ 3,035	
Adjustments to reconcile net income to net cash provided by operating activities --					
Depreciation and amortization.....	442	574	428	496	
Gain on sale of property and equipment.....	(19)	(31)	(21)	(15)	
Bad debt expense.....	83	34	10	38	
Changes in operating assets and liabilities--					
(Increase) decrease in --					
Accounts receivable.....	827	(2,134)	225	129	
Inventories.....	(254)	256	(223)	(74)	
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(241)	377	(601)	(2,467)	
Prepaid expenses and other current assets.....	(33)	(7)	1	(20)	
Increase (decrease) in--					
Accounts payable and accrued expenses.....	(878)	1,359	219	701	
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(141)	583	(145)	(555)	
	-----	-----	-----	-----	
Net cash provided by operating activities.....	347	2,883	1,267	1,268	
	-----	-----	-----	-----	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment.....	46	69	59	92	
Additions of property and equipment....	(1,180)	(923)	(803)	(856)	
	-----	-----	-----	-----	
Net cash used in investing activities.	(1,134)	(854)	(744)	(764)	
	-----	-----	-----	-----	
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net borrowings (repayments) on line of credit.....	1,139	(2,283)	(1,115)	1,496	
Proceeds from long-term debt.....	537	1,185	1,185	327	
Payments of long-term debt.....	(148)	(477)	(387)	(307)	
Distributions to shareholders.....	(457)	(542)	(522)	(1,544)	
	-----	-----	-----	-----	
Net cash provided by (used in)					

financing activities.....	1,071	(2,117)	(839)	(28)
	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	284	(88)	(316)	476
CASH AND CASH EQUIVALENTS, beginning of period.....	193	477	477	389
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 477	\$ 389	\$ 161	\$ 865
	=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest.....	\$ 310	\$ 297	\$ 246	\$ 233

</TABLE>

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

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TRANS TECH ELECTRIC, INC.  
STATEMENTS OF SHAREHOLDERS' EQUITY  
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

<TABLE>  
<CAPTION>

	COMMON STOCK		RETAINED	TREASURY	TOTAL
	SHARES	AMOUNT	EARNINGS	STOCK	SHAREHOLDERS' EQUITY
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1994.....	926	\$125	\$ 2,916	\$ (62)	\$ 2,979
Distributions to shareholders...	--	--	(457)	--	(457)
Net income.....	--	--	561	--	561
	---	---	-----	---	-----
BALANCE, December 31, 1995.....	926	125	3,020	(62)	3,083
Distributions to shareholders...	--	--	(542)	--	(542)
Net income.....	--	--	1,872	--	1,872
	---	---	-----	---	-----
BALANCE, December 31, 1996.....	926	125	4,350	(62)	4,413
Distributions to shareholders...	--	--	(1,544)	--	(1,544)
Net income.....	--	--	3,035	--	3,035
	---	---	-----	---	-----
BALANCE, September 30, 1997.....	926	\$125	\$ 5,841	\$ (62)	\$ 5,904
	===	====	=====	====	=====

</TABLE>

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

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TRANS TECH ELECTRIC, INC.  
NOTES TO FINANCIAL STATEMENTS

1.BUSINESS AND ORGANIZATION:

TRANS TECH Electric, Inc., an Indiana Subchapter S corporation (the Company), focuses on providing traffic signals, street and sign lighting installation and general commercial and industrial electrical construction primarily for commercial, state and regulatory entities. The Company performs the majority of its contract work under fixed price contracts, unit-price and fixed price contracts modified by penalty provisions, with contract terms generally ranging from six to 18 months. The Company performs the majority of its work in Indiana and Michigan.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Interim Financial Information

The interim financial statements for the nine months ended September 30, 1996, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Supplemental Cash Flow Information



The Company had the following noncash investing and financing activities related to capital leases and equipment acquired by seller financing of approximately \$621,000, \$485,000 and \$327,000 for the years ended December 31, 1995 and 1996, and the nine months ended September 30, 1997.

#### Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are stated at the lower of cost or market using the last-in, first-out (LIFO) method. The excess of current costs over the carrying value of LIFO inventories was \$105,000 and \$126,000 at December 31, 1996, and September 30, 1997, respectively.

#### Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer deemed probable and an allowance based upon the level of total accounts receivable balances.

#### Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense was \$442,000, \$574,000 and \$496,000 for the years ended December 31, 1995 and 1996, and the nine months ended September 30, 1997, respectively.

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#### TRANS TECH ELECTRIC, INC., NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

#### Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under a fixed price contract. Such contracts generally provide that the customer accept completion of progress to date and compensate the Company for services which have been rendered, measured typically in terms of units installed, hours expended or some other measure of progress. Revenues from fixed price contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined.

The balances billed but not paid by customers pursuant to retainage provisions in fixed price contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

The current asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed. The current liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized.

#### Warranty Costs

For certain contracts, the Company warrants labor for the first year after installation of new electrical systems. An accrual for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

#### Income Taxes

The Company has elected S corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S corporation status, the shareholders report their shares of the Company's taxable earnings or losses in their personal tax returns. The Company will terminate its S corporation status concurrently with the

effective date of the Offering (see Note 12).

#### Collective Bargaining Agreements

The Company is a party to various collective bargaining agreements with certain of its employees. The agreements require the Company to pay specified wages and provide certain benefits to its union employees. These agreements will expire at various times through 2002.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the

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#### TRANS TECH ELECTRIC, INC., NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Reference is made to the "Revenue Recognition" section of this footnote and Note 9 for discussion of certain estimates reflected in the Company's financial statements.

#### New Accounting Pronouncement

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

#### 3.PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

<TABLE>  
<CAPTION>

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1996	SEPTEMBER 30, 1997
<S>	<C>	<C>	<C>
Operating equipment and vehicles....	5-7	\$3,957	\$4,559
Leasehold improvements.....	5-20	384	384
Office furniture and equipment.....	5	317	346
		-----	-----
		4,658	5,289
Less--Accumulated depreciation and amortization.....		(2,016)	(2,365)
		-----	-----
Property and equipment, net.....		\$2,642	\$2,924
		=====	=====

</TABLE>

#### 4.DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Accounts payable and accrued expenses consist of the following (in thousands):

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
<S>	<C>	<C>
Accounts payable, trade.....	\$3,702	\$4,242
Accrued compensation and benefits.....	340	453
Other accrued expenses.....	423	471
	-----	-----
	\$4,465	\$5,166
	=====	=====

</TABLE>

Contracts in progress are as follows (in thousands):

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
<S>	<C>	<C>
Costs incurred on contracts in progress.....	\$9,178	\$11,236
Estimated earnings, net of losses.....	1,630	2,534
	-----	-----
	10,808	13,770
Less--Billings to date.....	9,683	9,623
	-----	-----
	\$1,125	\$ 4,147
	=====	=====
Costs and estimated earnings in excess of bill- ings on uncompleted contracts.....	\$1,853	\$ 4,320
Less--Billings in excess of costs and estimated earnings on uncompleted contracts..	728	173
	-----	-----
	\$1,125	\$ 4,147
	=====	=====

</TABLE>

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TRANS TECH ELECTRIC, INC.,  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

5. DEBT:

The Company has a \$4 million line of credit agreement with a bank bearing interest at the national prime rate. The line of credit is collateralized by the Company's receivables, inventory, property and equipment. The Company's weighted average interest rate for the facility was 8.4 percent and 8.5 percent as of December 31, 1996, and September 30, 1997, respectively. At December 31, 1996, and September 30, 1997, the outstanding balance on this facility was \$797,000 and \$2,294,000, respectively, and is payable upon demand.

The Company's debt obligations consisted of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
<S>	<C>	<C>
Note payable to bank, 8.2% and 8.6% weighted average interest rate, respectively, due \$10,000 monthly with final maturity on May 1, 2001.....	\$663	\$614
Note payable to commercial finance company, 8.1% interest rate, \$3,871 due monthly with final maturity on March 1, 1998.....	51	18
	----	----
	714	632
Less--Current maturities.....	107	89
	----	----
Total long-term debt.....	\$607	\$543
	=====	=====

</TABLE>

The long-term debt is secured by the Company's receivables, inventory, property and equipment and is guaranteed by the Company's principal shareholders. The line of credit and note payable to the bank are subject to certain financial reporting and financial ratio requirements. The Company was in compliance with such covenants for all periods presented. In October 1997, the Company violated its minimum debt to net worth ratio due to the distribution of the Company's accumulated adjustment account (see Note 11). The Company has received a waiver, effective through January 1, 1999, from the bank for this violation.

The maturities of long-term debt as of September 30, 1997, are as follows (in thousands):

<S>	<C>
Year ending September 30--	
1998.....	\$89
1999.....	77
2000.....	83
2001.....	383

</TABLE>

6. LEASES:

The Company leases its office and warehouse space from an entity owned principally by the Company's shareholders. The lease expires in June 2000 and requires the Company to pay all taxes, insurance and maintenance on the property. The rent paid on this related-party lease was approximately \$49,000, \$59,000 and \$44,000 for the years ended December 31, 1995 and 1996, and the nine months ended September 30, 1997, respectively.

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TRANS TECH ELECTRIC, INC.,  
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The Company leases various equipment under noncancelable sale-leaseback capital leases and the leased assets are included as part of "Property and equipment." Details of the capital leased assets are as follows:

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
Operating equipment and vehicles.....	\$1,022	\$1,312
Less--Accumulated depreciation.....	(194)	(306)
	-----	-----
Net capitalized leased assets.....	\$ 828	\$1,006
	=====	=====

</TABLE>

At September 30, 1997, the future minimum lease payments under operating and capital leases are as follows (in thousands):

<TABLE>  
<CAPTION>

	SEPTEMBER 30	
	-----	-----
	OPERATING LEASES	CAPITAL LEASES
	-----	-----
<S>	<C>	<C>
1998.....	\$ 59	\$483
1999.....	59	318
2000.....	44	162
	----	----
Total.....	\$162	963
		=====
Less--Amount representing interest.....		(111)
		----
Present value of minimum lease payments.....		852
Less--Current maturities.....		(414)
		----
Long-term obligations.....		\$438
		=====

</TABLE>

7.EMPLOYEE BENEFIT PLAN:

In connection with its collective bargaining agreements with various electrical, labor and operating engineer unions, the Company participates with other companies in the unions' multiemployer pension plans. These plans cover all of the Company's employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multiemployer plan in the event of the employer's withdrawal from, or upon termination of, such plan. The Company has no plan to withdraw from these plans. The plans do not maintain information on net assets and actuarial present value of the accumulated share of the plan's unfunded vested benefits allocable to the Company, and amounts, if any, for which the Company may be contingently liable are not ascertainable at this time. Total contributions to the plans were approximately \$403,000, \$474,000 and \$435,000 for the years ended December 31, 1995 and 1996, and the nine months ended September 30, 1997, respectively.

The Company has a defined contribution profit-sharing plan. The plan provides for the Company to match one-half of employee contributions to the plan up to a maximum of \$3,500 per year per employee. Total contributions by the Company under the plan were approximately \$31,000, \$30,000 and \$16,000 for the years ended December 31, 1995 and 1996, and the nine months ended September 30, 1997, respectively. The Company may also make discretionary contributions. The Company made discretionary contributions of \$44,000, \$70,000 and \$ -- for the years ended December 31, 1995 and 1996, and the nine months ended September 30, 1997, respectively.

TRANS TECH ELECTRIC, INC.,  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

## 8. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, a line of credit, accounts payable, notes payable and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

## 9. COMMITMENTS AND CONTINGENCIES:

## Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

## Insurance

The Company carries a broad range of insurance coverage, including workers' compensation, business auto liability, general liability and an umbrella policy. The Company is self-insured for medical claims up to \$5,000 per year per covered individual. The Company has recorded accruals for its estimated portion of self-insured claims based on estimated claims incurred through December 31, 1995 and 1996, and September 30, 1997.

## Performance Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its contract commitments which are personally guaranteed by certain shareholders of the Company.

## 10. MAJOR CUSTOMERS AND RISK CONCENTRATION:

During 1995 and 1996, one customer accounted for 17 percent and 21 percent of the Company's revenue, respectively. During 1997, two customers accounted for 19 percent and 14 percent of the Company's revenues, respectively.

The Company grants credit, generally without collateral, to its customers, which include real estate operators, general contractors and state and regulatory agencies, located primarily in Indiana and Michigan. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within Indiana and Michigan. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

## 11. SUBSEQUENT EVENTS:

In October 1997, the Company made cash distributions of approximately \$5,050,000. The Company entered into a \$5,050,000 note payable to a bank bearing an 8 percent interest rate to finance these cash distributions. The Company must make monthly payments of interest with final maturity in November 2000. Had this transaction been recorded at September 30, 1997, the effect on the accompanying balance sheet would be an increase in liabilities of \$5,050,000 and a decrease in shareholders' equity of \$5,050,000.

TRANS TECH ELECTRIC, INC.,  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

## 12. SUBSEQUENT EVENTS TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In December 1997, the Company and its shareholders entered into a definitive agreement with Quanta Services, Inc. (Quanta), subject to certain conditions pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Quanta common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by Quanta. In addition, two executives of the Company will enter into employment agreements with the Company and Quanta which have an initial term of three years and generally restricts the disclosure of confidential information as well as restricts competition with the Company and Quanta for a period of five years from the date of the employment agreement. In the event that the proposed sale of the Company to Quanta Services, Inc. does not occur, the shareholders intend, if necessary, to contribute amounts to provide for additional liquidity to the Company.

Prior to the closing of the transaction discussed above, the Company plans to make additional Sub S distributions of approximately \$791,000 based on the Company's retained earnings balance at September 30, 1997. The Company intends

to fund the distribution through bank borrowings. The Company will also make Sub S distributions to its owners of substantially all of their previously-taxed undistributed earnings through December 31, 1997.

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# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Potelco, Inc.:

We have audited the accompanying balance sheets of Potelco, Inc., a Washington Subchapter S corporation, as of December 31, 1996, and September 30, 1997, and the related statements of operations, cash flows and stockholder's equity for the year ended December 31, 1996, and the nine months ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Potelco, Inc., as of December 31, 1996, and September 30, 1997, and the results of its operations and cash flows for the year ended December 31, 1996, and the nine months ended September 30, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas  
December 5, 1997

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## POTELCO, INC. BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE INFORMATION)

<TABLE>  
<CAPTION>

	PRO FORMA		
	DECEMBER 31, 1996	SEPTEMBER 30, 1997	SEPTEMBER 30, 1997(1)
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 36	\$ 280	\$ 280
Accounts receivable --			
Trade, net of allowance of \$15 and			
\$47, respectively.....	2,987	4,428	4,428
Retainage.....	902	541	541
Costs and estimated earnings in ex-			
cess of billings on uncompleted con-			
tracts.....	117	975	975
Prepaid expenses and other current			
assets.....	25	34	34
	-----	-----	-----
Total current assets.....	4,067	6,258	6,258
PROPERTY AND EQUIPMENT, net.....	2,679	3,206	3,206
	-----	-----	-----
Total assets.....	\$6,746	\$9,464	\$9,464
	=====	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Notes payable to bank.....	\$ 550	\$1,162	\$3,162
Note payable to stockholder.....	109	35	35
Current maturities of long-term debt.	445	491	491
Current portion of note payable to			
related party.....	216	219	219
Accounts payable and accrued ex-			
penses.....	1,839	2,163	2,163
Billings in excess of costs and esti-			
mated earnings on uncompleted con-			
tracts.....	139	74	74
	-----	-----	-----
Total current liabilities.....	3,298	4,144	6,144

LONG-TERM DEBT, net of current maturities --

Note payable to related party.....	863	823	823
Other long-term debt.....	537	559	559

COMMITMENTS AND CONTINGENCIES

STOCKHOLDER'S EQUITY:

Common stock, \$5 par value, 10,000 shares authorized, 22 shares issued and 2 shares outstanding.....	--	--	--
Additional paid-in capital.....	160	160	160
Retained earnings.....	1,888	3,778	1,778
	-----	-----	-----
Total stockholder's equity.....	2,048	3,938	1,938
	-----	-----	-----
Total liabilities and stockholder's equity.....	\$6,746	\$9,464	\$9,464
	=====	=====	=====

</TABLE>

- - - - -

(1) The pro forma balance sheet column presented reflects the impact of Sub S distributions. See Note 13 for further discussion.

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

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POTELCO, INC.  
STATEMENTS OF OPERATIONS  
(IN THOUSANDS)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, ----- 1996      1997 -----	
		(UNAUDITED)	
<S>	<C>	<C>	<C>
REVENUES.....	\$14,549	\$10,173	\$13,248
COST OF SERVICES (including depreciation).....	12,946	9,343	10,416
	-----	-----	-----
Gross profit.....	1,603	830	2,832
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	971	691	777
	-----	-----	-----
Income from operations.....	632	139	2,055
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest expense.....	(321)	(218)	(185)
Other, net.....	(123)	30	20
	-----	-----	-----
Other income (expense), net.....	(444)	(188)	(165)
	-----	-----	-----
NET INCOME (LOSS).....	\$ 188	\$ (49)	\$ 1,890
	=====	=====	=====

</TABLE>

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

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POTELCO, INC.  
STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, ----- 1996      1997 -----	
		(UNAUDITED)	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$188	\$ (49)	\$1,890
Adjustments to reconcile net income to net cash provided by (used in) operating activities --			
Depreciation.....	473	354	380
Loss (gain) on sale of property and equipment.....	129	30	(6)
Changes in operating assets and			

liabilities --			
(Increase) decrease in --			
Accounts receivable.....	208	193	(1,080)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	79	(375)	(858)
Prepaid expenses and other current assets.	(16)	--	(9)
Increase (decrease) in --			
Accounts payable and accrued expenses.....	(611)	(759)	324
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(371)	316	(65)
	----	----	-----
Net cash provided by (used in) operating activities.....	79	(290)	576
	----	----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment.	60	44	48
Additions to property and equipment.....	(322)	(235)	(621)
	----	----	-----
Net cash used in investing activities.....	(262)	(191)	(573)
	----	----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in notes payable to bank.....	250	500	612
Net decrease in note payable to stockholder..	(8)	(4)	(74)
Payments of note payable to related party....	(45)	(33)	(37)
Payments of other long-term debt.....	(437)	(413)	(404)
Proceeds from other long-term debt.....	50	26	144
Distributions to stockholder.....	(101)	(101)	--
	----	----	-----
Net cash provided by (used in) financing activities.....	(291)	(25)	241
	----	----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(474)	(506)	244
CASH AND CASH EQUIVALENTS, beginning of period.....	510	510	36
	----	----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 36	\$ 4	\$ 280
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest.....	\$328	\$224	\$ 200

<TABLE>  
<CAPTION>

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

## 1.BUSINESS AND ORGANIZATION:



## 2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Interim Financial Information

The interim statements of operations and cash flows for the nine months ended September 30, 1996, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the unaudited interim financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

### Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### Supplemental Cash Flow Information

The Company had noncash investing and financing activities related to capital leases of approximately \$374,000 and \$328,000 during the year ended December 31, 1996, and nine months ended September 30, 1997, respectively.

### Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer deemed probable and an allowance based upon the level of total accounts receivable balances.

### Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense was approximately \$473,000 and \$380,000 for the year ended December 31, 1996, and the nine months ended September 30, 1997, respectively.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

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POTELCO, INC.  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

### Revenue Recognition

The Company recognizes revenue when services are performed except when work is being performed under fixed price or cost-plus-fee contracts. Such contracts generally provide that the customer accept completion of progress to date and compensate the Company for services which have been rendered, measured typically in terms of units installed, hours expended or some other measure of progress. Revenues from fixed price contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to total estimated costs for each contract. Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred during the year, plus the fee earned, and are measured by the cost-to-cost method. 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. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined.

The balances billed but not paid by customers pursuant to retainage provisions in fixed price or cost plus fee contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

The current asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The current liability, "Billings in excess of costs and estimated

earnings on uncompleted contracts," represents billings in excess of revenues recognized.

#### Warranty Costs

For certain contracts, the Company generally warrants labor for the first year after completion of the installation. An accrual for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

#### Income Taxes

The Company has elected S corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S corporation status, the shareholders report their shares of the Company's taxable earnings or losses in their personal tax returns. The Company will terminate its S corporation status concurrently with the effective date of the Offering (see Note 13).

#### Collective Bargaining Agreements

The Company is a party to various collective bargaining agreements with certain of its employees. The agreements require the Company to pay specified wages and provide certain benefits to its union employees. These agreements will expire at various times through 2000.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Reference is made to the "Revenue Recognition" section of this footnote for discussion of significant estimates reflected in the Company's financial statements.

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POTELCO, INC.  
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

#### New Accounting Pronouncement

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such property is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

#### 3. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following (in thousands):

		ESTIMATED	DECEMBER 31,	SEPTEMBER 30,
		USEFUL LIVES	1996	1997
		IN YEARS		
		-----	-----	-----
<S>	<C>			
Operating equipment and vehicles....	5-10	\$ 5,279	\$ 6,080	
Office equipment, furniture and fixtures.....	5	99	111	
Leasehold improvements.....	5	184	210	
		-----	-----	
Total cost.....		5,562	6,401	
Less--Accumulated depreciation.....		(2,883)	(3,195)	
		-----	-----	
Property and equipment, net.....		\$ 2,679	\$ 3,206	
		=====	=====	

</TABLE>

#### 4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Accounts payable and accrued expenses consist of the following (in thousands):

<TABLE>  
<CAPTION>

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
<S>	<C>	<C>
Accounts payable, trade.....	\$1,117	\$1,132
Accrued compensation and benefits.....	149	258
Other accrued expenses.....	573	773
	-----	-----
	\$1,839	\$2,163
	=====	=====

</TABLE>

Contracts in progress are as follows (in thousands):

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
<S>	<C>	<C>
Costs incurred on contracts in progress.....	\$ 1,147	\$ 1,958
Estimated earnings, net of losses.....	782	898
	-----	-----
	1,929	2,856
Less--Billings to date.....	(1,951)	(1,955)
	-----	-----
	\$ (22)	\$ 901
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 117	\$ 975
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(139)	(74)
	-----	-----
	\$ (22)	\$ 901
	=====	=====

</TABLE>

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POTELCO, INC.  
NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

5. NOTES PAYABLE TO BANK:

The notes payable to bank as of December 31, 1996, represents borrowings under a revolving credit agreement maturing April 30, 1997. Borrowings are based on percentages of contract billings and are secured by substantially all of the Company's assets. This agreement provides for a total credit limit of \$800,000, of which \$550,000, had been drawn at December 31, 1996, and requires monthly interest payments of prime plus .75 percent.

On May 2, 1997, the Company entered into revolving credit agreements with a bank maturing May 1, 1998. The agreements provide for total credit limits of \$1,000,000 and \$400,000, of which approximately \$995,000 and \$167,000, respectively, had been drawn at September 30, 1997, and requires monthly interest payments of prime (8.50 percent at September 30, 1997) plus .75 percent beginning June 1, 1997. On October 1, 1997, the \$1,000,000 revolving credit agreement was amended to increase the credit limit to \$1,500,000.

The notes payable outstanding as of December 31, 1996, and September 30, 1997, related to the revolving credit agreements contain several ratio and covenant requirements, including a minimum working capital ratio and a debt to net worth restriction. Furthermore, these notes are guaranteed by the stockholder. The Company was in compliance with these requirements for the year ended December 31, 1996, and the nine months ended September 30, 1997.

6. LONG-TERM DEBT AND CAPITAL LEASES:

Long-term debt and capital leases consist of the following:

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
<S>	<C>	<C>
Notes payable to a third party due in monthly installments aggregating approximately \$10,000, including interest ranging from 7.9% to 11%, collateralized by equipment.....	\$ 263	\$ 183
Notes payable to a third party due in monthly installments aggregating approximately \$12,000 plus interest at 10%, collateralized by equipment.....	128	159

Notes payable to a third party due in monthly installments of approximately \$800 plus interest at 10.27%, collateralized by equipment.....	21	16
Obligations under capital leases.....	570	692
	-----	-----
	982	1,050
Less--Current maturities of long-term debt.....	(445)	(491)
	-----	-----
Other long-term debt.....	\$ 537	\$ 559
	=====	=====

</TABLE>

Future required principal payments on long-term debt (excluding capital leases) as of September 30, 1997, are as follows (in thousands):

<S>	<C>
Twelve months ending September 30 --	
1998.....	\$227
1999.....	131

</TABLE>

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# POTELCO, INC.

## NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The Company has entered into noncancellable lease agreements with third-party leasing companies for the acquisition of trucks and equipment. The leases require payments, including interest at varying rates implicit in the leases, as of September 30, 1997, over the next five years and are as follows (in thousands):

<S>	<C>
Twelve months ending September 30 --	
1998.....	\$ 309
1999.....	293
2000.....	251
2001.....	94
	-----
Net minimum lease payments.....	947
Less amount representing interest.....	(255)
	-----
Present value of net minimum lease payments.....	\$ 692
Less--Current maturities.....	(264)
	-----
Long-term obligations.....	\$ 428
	=====

</TABLE>

## 7. RELATED-PARTY NOTES PAYABLE:

The Company entered into a debt agreement amended with the father of the Company's sole stockholder for approximately \$1,163,000. The agreement stipulates that the note will accrue interest at 8 percent, with required monthly payments including interest and principal of at least \$10,000. The note is scheduled to mature on December 1, 2014. The balance outstanding was approximately \$1,079,000 and \$1,042,000 as of December 31, 1996, and September 30, 1997, respectively.

The Company's sole stockholder advanced funds to the Company totaling \$200,000 to provide short-term liquidity during 1994. The interest rate on the advance is based on a blended annual rate, which is approximately 6.35 percent as of December 31, 1996, and September 30, 1997, respectively. Amounts due totaled approximately \$109,000 and \$35,000 as of December 31, 1996, and September 30, 1997, respectively.

Principal payments on related-party debt as of September 30, 1997, over the next five years are as follows (in thousands):

<S>	<C>
Twelve months ending September 30 --	
1998.....	\$254
1999.....	56
2000.....	61
2001.....	66
2002 and thereafter.....	640

</TABLE>

## 8. RELATED-PARTY LEASES:

The Company leases a facility from the father of the Company's sole

stockholder for a monthly rental of \$2,000 plus annual property taxes. The lease is month-to-month, with no termination date.

The Company also leases a facility from its sole stockholder at a monthly rental of \$2,800 plus annual property taxes. The lease is month-to-month, with no termination date.

Lease payments on the above facilities aggregated approximately \$58,000 and \$43,000 for the year ended December 31, 1996, and the nine months ended September 30, 1997, respectively.

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POTELCO, INC.  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

9. EMPLOYEE BENEFIT PLANS:

In connection with its collective bargaining agreements with various electrical, labor and operating engineer unions, the Company participates with other companies in the unions' multiemployer pension plans. These plans cover all of the Company's employees who are members of such unions. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multiemployer plan in the event of the employer's withdrawal from, or upon termination of, such plan. The Company has no plans to withdraw from these plans. The plans do not maintain information on net assets and actuarial present value of the accumulated share of the plan's unfunded vested benefits allocable to the Company, and amounts, if any, for which the Company may be contingently liable are not ascertainable at this time. Total contributions to the plans were approximately \$246,000 and \$247,000 for the year ended December 31, 1996, and the nine months ended September 30, 1997, respectively.

The Company has two retirement plans covering all employees not included in a collective bargaining unit. These noncontributory plans consist of a money purchase pension plan and a profit-sharing plan. The money purchase pension plan requires Company contributions equal to 10 percent of the covered salaries. Contributions to this plan totaled approximately \$27,000 and \$26,000 for the year ended December 31, 1996, and the nine months ended September 30, 1997, respectively. The Company made discretionary contributions to the profit-sharing plan of approximately \$14,000 and \$36,000 for the year ended December 31, 1996, and the nine months ended September 30, 1997, respectively. In addition, during the nine months ended September 30, 1997, the Company accrued \$30,000 related to employee bonuses that are anticipated to be paid subsequent to September 30, 1997.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, a line of credit, accounts payable, notes payable and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheets approximates their fair value.

11. COMMITMENTS AND CONTINGENCIES:

Litigation

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, general liability, workers' compensation and an umbrella policy.

Performance Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its contract commitments which are personally guaranteed by certain stockholders of the Company.

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POTELCO, INC.  
NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

12. MAJOR CUSTOMERS AND RISK CONCENTRATION:

During the year ended December 31, 1996, three customers accounted for 36%, 20% and 12% of the Company's revenues, respectively. During the nine months

ended September 30, 1997, three customers accounted for 37%, 18% and 10% of the Company's revenues, respectively.

The Company grants credit, generally without collateral, to its customers, which are located primarily in the northwestern United States. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors within this region. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

### 13. SUBSEQUENT EVENTS TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In December 1997, the Company and its stockholder entered into a definitive agreement with Quanta Services, Inc. (Quanta), subject to certain conditions pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Quanta common stock, concurrent with the consummation of an initial public offering (the Offering) of additional common stock by Quanta. In addition, the key executives of the Company will enter into employment agreements with the Company and Quanta which have an initial term of three years, and generally restricts the disclosure of confidential information as well as restricts competition with the Company and Quanta for a period of five years following termination of employment.

Prior to the closing of the transaction noted above, the Company plans to make a Sub S distribution of approximately \$2.0 million estimated based on the Company's retained earnings balance at September 30, 1997. The Company intends to fund the distribution through bank borrowings. The Company will make the Sub S distribution to its owner of substantially all of the previously-taxed undistributed earnings through December 31, 1997.

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-----  
NO DEALER, SALES REPRESENTATIVE OR ANY OTHER PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THE OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION AND REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR SOLICITATION OF AN OFFER TO BUY, SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES OR AN OFFER TO, OR SOLICITATION OF, ANY PERSON IN ANY JURISDICTION WHERE AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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-----  
UNTIL , 1998 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK OFFERED HEREBY, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A

PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A  
PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD  
ALLOTMENTS OR SUBSCRIPTIONS.

5,000,000 Shares

[LOGO FOR QUANTA SERVICES, INC. APPEARS HERE]

Common Stock

PROSPECTUS

BT ALEX. BROWN

BANCAMERICA ROBERTSON STEPHENS

SANDERS MORRIS MUNDY

, 1998

## PART II

### INFORMATION NOT REQUIRED IN PROSPECTUS

#### ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the expenses to be paid by the Company (other than underwriting compensation expected to be incurred) in connection with the offering described in this Registration Statement. All amounts are estimates, except the SEC Registration Fee, the NASD Filing Fee and the NYSE Listing Fee.

<TABLE>	
<S>	<C>
SEC Registration Fee.....	\$ 16,962.50
NASD Filing Fee.....	6,250.00
NYSE Listing Fee.....	130,986.00
Printing Costs.....	150,000.00
Legal Fees and Expenses.....	350,000.00
Accounting Fees and Expenses.....	2,000,000.00
Transfer Agent and Registrar Fees and Expenses.....	7,500.00
D & O Insurance.....	85,000
Miscellaneous.....	252,301.50
	-----
Total.....	\$2,914,000.00
	=====

</TABLE>

#### ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

##### Delaware General Corporation Law

Section 145(a) of the General Corporation Law of the State of Delaware (the "DGCL") provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 145(b) of the DGCL states that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any

threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the

## II-1

best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 145(c) of the DGCL provides that to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 145(d) of the DGCL states that any indemnification under subsections (a) and (b) of Section 145 (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

Section 145(e) of the DGCL provides that expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in Section 145. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

Section 145(f) of the DGCL states that the indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

Section 145(g) of the DGCL provides that a corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of Section 145.

Section 145(j) of the DGCL states that the indemnification and advancement of expenses provided by, or granted pursuant to, Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

## Amended and Restated Certificate of Incorporation

The Amended and Restated Certificate of Incorporation provides that a director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary

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duty as a director, except for liability for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided for in Section 174 of the DGCL. If the DGCL is amended to authorize the further elimination or



limitation of the liability of directors, then the liability of a director of the Company, in addition to the limitation on personal liability described above, shall be limited to the fullest extent permitted by the amended DGCL. Further, any repeal or modification of such provision of the Amended and Restated Certificate of Incorporation by the stockholders of the Company shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Company existing at the time of such repeal or modification.

#### Bylaws

The Bylaws of the Company provide that the Company will indemnify and hold harmless any director or officer of the Company to the fullest extent permitted by applicable law, as in effect as of the date of the adoption of the Bylaws or to such greater extent as applicable law may thereafter permit, from and against all losses, liabilities, claims, damages, judgments, penalties, fines, amounts paid in settlement and expenses (including attorneys' fees) whatsoever arising out of any event or occurrence related to the fact that such person is or was a director or officer of the Company and further provide that the Company may, but is not required to, indemnify and hold harmless any employee or agent of the Company or a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise who is or was serving in such capacity at the written request of the Company; provided, however, that the Company is only required to indemnify persons serving as directors, officers, employees or agents of the Company for the expenses incurred in a proceeding if such person has met the standards of conduct that make it permissible under the laws of the State of Delaware for the Company to indemnify the claimant for the amount claimed, but the burden of proving such defense will be on the Company. The Bylaws further provide that, in the event of any threatened, or pending action, suit or proceeding in which any of the persons referred to above is a party or is involved and that may give rise to a right of indemnification under the Bylaws, following written request by such person, the Company will promptly pay to such person amounts to cover expenses reasonably incurred by such person in such proceeding in advance of its final disposition upon the receipt by the Company of (i) a written undertaking executed by or on behalf of such person providing that such person will repay the advance if it is ultimately determined that such person is not entitled to be indemnified by the Company as provided in the Bylaws and (ii) satisfactory evidence as to the amount of such expenses.

#### Underwriting Agreement

The Underwriting Agreement provides for the indemnification of the directors and officers of the Company in certain circumstances.

#### Insurance

The Company intends to maintain liability insurance for the benefit of its directors and officers.

#### ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following information relates to securities issued or sold by the Company within the last three years:

(a) Quanta was initially capitalized in August 1997 by a group of investors, including Midwest Acquisition Support, LLC (an entity controlled by Bernard J. Gram), Kevin D. Miller, Steven P. Colmar and William G. Parkhouse, an advisory director of the Company, and certain of their affiliates, who paid aggregate cash consideration of \$10.47 for 1,048 shares of pre-split common stock that were reclassified into 1,620,624 shares of Limited Vote Common Stock.

(b) In November 1997 Main Street paid cash consideration of \$9.60 for 960 shares of pre-split common stock that were reclassified into 1,484,542 shares of Limited Vote Common Stock.

(c) In November 1997, James H. Haddox, Chief Financial Officer of the Company, paid \$.65 cash for shares of pre-split common stock that were reclassified into 100,000 shares of Limited Vote Common Stock.

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(d) In December 1997, the Company issued 37,500 shares of Limited Vote Common Stock to Derrick Jensen, Vice President and Controller of the Company, for nominal consideration.

(e) In January 1998, the Company issued, for nominal consideration, 20,000 shares of Limited Vote Common Stock to each of Messrs. James R. Ball, Rodney R. Proto and Michael T. Willis, who have all agreed to become directors of the Company upon the consummation of the Offering.

(f) The Company has agreed to issue shares of Limited Vote Common Stock

in an amount equal to \$375,000 divided by the initial Offering price to an investor who agreed to advance the Company up to \$125,000 prior to the Offering in order to cover expenses. At an assumed offering price of \$9.00 per share, this will result in 41,667 shares of Limited Vote Common Stock being issued in connection with this transaction.

(g) Concurrent with the closing of the Offering, the Company will issue 500 shares of Limited Vote Common Stock to each of two consultants in consideration for services rendered to the Company prior to the Offering.

(h) In connection with the Acquisition, the Company will acquire all of the outstanding shares of equity stock of the Founding Companies in exchange for an aggregate of 7,527,000 shares of Common Stock and \$21.0 million in cash.

All of the transactions described above were exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereunder. All of such sales were conducted without any public solicitation and all of the purchasers were provided with all material information that was available regarding the Company. All of such purchasers were informed that the transactions were being effected without registration under the Securities Act and that the shares acquired by them could not be resold without registration under the Securities Act unless the sale was effected pursuant to an exemption from the registration requirements thereof. All of such purchasers also agreed to contractual restrictions on the resale of the shares acquired by them.

#### ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

##### (a) Exhibits.

<TABLE> <CAPTION> EXHIBIT NUMBER		DESCRIPTION
-----		-----
<C>	<S>	
1.1	--Form of Underwriting Agreement	
2.1	--Amended and Restated Agreement and Plan of Organization dated as of December 11, 1997 by and among Quanta Services, Inc. and PAR Electrical Contractors, Inc. and its stockholders**	
2.2	--Amended and Restated Agreement and Plan of Organization dated as of December 11, 1997 by and among Quanta Services, Inc. and Union Power Construction Company and its stockholders**	
2.3	--Amended and Restated Agreement and Plan of Organization dated as of December 11, 1997 by and among Quanta Services, Inc. and TRANS TECH Electric, Inc. and its stockholders**	
2.4	--Amended and Restated Agreement and Plan of Organization dated as of December 11, 1997 by and among Quanta Services, Inc. and Potelco, Inc. and its stockholders**	
3.1	--Amended and Restated Certificate of Incorporation	
3.2	--Bylaws	
4.1	--Form of Common Stock Certificate*	
5.1	--Opinion of Jackson Walker L.L.P.*	
10.1	--Form of Employment Agreement**	
10.2	--1997 Stock Option Plan	
21.1	--Subsidiaries*	
23.1	--Consent of Arthur Andersen LLP	
23.2	--Consent of Jackson Walker L.L.P. (contained in Exhibit 5)*	

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<TABLE> <CAPTION> EXHIBIT NUMBER		DESCRIPTION
-----		-----
<C>	<S>	
23.4	--Consent of John R. Wilson**	
23.5	--Consent of Timothy A. Soule**	
23.6	--Consent of John A. Martell**	
23.7	--Consent of Gary A. Tucci**	
23.8	--Consent of Michael T. Willis**	
23.9	--Consent of Rodney R. Proto**	
23.10	--Consent of James R. Ball	
24.1	--Power of Attorney**	
27	--Financial Data Schedule**	

\*To be filed by amendment.

\*\*Previously filed.

##### (b) Financial Statement Schedules.

All schedules are omitted because they are not applicable or because the required information is contained in the Financial Statements or Notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes as follows:

(1) To provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 14, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payments by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(3) That, for the purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(4) That, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act, Quanta Services, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on January 23, 1998.

Quanta Services, Inc.

/s/ John R. Colson  
By: \_\_\_\_\_  
John R. Colson  
Chief Executive Officer

Pursuant to the requirements of the Securities Act, as amended, this Registration Statement has been signed by the following persons in the capacities indicated and on January 23, 1998.

<TABLE>  
<CAPTION>

SIGNATURE -----	TITLE -----
<S> /s/ John R. Colson _____ John R. Colson	<C> Chief Executive Officer (Principal Executive Officer)
/s/ James H. Haddox _____ James H. Haddox	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Vincent D. Foster _____ Vincent D. Foster	Director

</TABLE>

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## EXHIBIT INDEX

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&lt;/TABLE&gt;

- -----

\*To be filed by amendment.

\*\*Previously filed.

5,000,000 Shares

QUANTA SERVICES, INC.

Common Stock

UNDERWRITING AGREEMENT

February \_\_, 1998

BT Alex. Brown Incorporated  
BancAmerica Robertson Stephens  
Sanders Morris Mundy Inc.  
As Representatives of the  
Several Underwriters  
c/o BT Alex. Brown Incorporated  
One South Street  
Baltimore, Maryland 21202

Ladies and Gentlemen:

Quanta Services, Inc., a Delaware corporation (the "Company"), proposes to sell to the several underwriters (the "Underwriters") named in Schedule I hereto for whom you are acting as representatives (the "Representatives") an aggregate of 5,000,000 shares of the Company's Common Stock, par value \$.00001 per share (the "Firm Shares"). The respective amounts of the Firm Shares to be so purchased by the several Underwriters are set forth opposite their names in Schedule I hereto. The Company also proposes to sell at the Underwriters' option an aggregate of up to 750,000 additional shares of the Company's Common Stock (the "Option Shares") as set forth below.

As the Representatives, you have advised the Company that you are authorized to enter into this Agreement on behalf of the several Underwriters, and that the several Underwriters are willing, acting severally and not jointly, to purchase the numbers of Firm Shares set forth opposite their respective names in Schedule I, plus their pro rata portion of the Option Shares if you elect to exercise the over-allotment option in whole or in part for the accounts of the several Underwriters. The Firm Shares and the Option Shares (to the extent the aforementioned option is exercised) are herein collectively called the "Shares."

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Simultaneously with the closing with respect to the purchase of the Firm Shares by the Underwriters, the Company will acquire each of the Founding Companies (as hereinafter defined) (collectively, the "Founding Company Acquisitions"), the consideration for which will be a combination of cash and shares of the Company's Common Stock as described in the Registration Statement (as hereinafter defined).

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Underwriters as follows:

(a) A registration statement on Form S-1 (Reg. No. 333-42957) with respect to the Shares has been carefully prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the Rules and Regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder and has been filed with the Commission. The Company has complied with the conditions for the use of Form S-1. Copies of such registration statement, including any amendments thereto, the preliminary prospectuses (meeting the requirements of the Rules and Regulations) contained therein and the exhibits, financial statements and schedules, as finally amended and revised, have heretofore been delivered by the Company to you. Such registration statement, together with any registration statement filed by the Company pursuant to Rule 462(b) of the Act, herein referred to as the "Registration Statement," which shall be deemed to include all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, has become effective under the Act and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. "Prospectus" means (a) the form of prospectus first filed with the Commission pursuant to Rule 424(b) or (b) the last preliminary prospectus included in the Registration Statement filed prior to the time it

becomes effective or filed pursuant to Rule 424(a) under the Act that is delivered by the Company to the Underwriters for delivery to purchasers of the Shares, together with the term sheet or abbreviated term sheet filed with the Commission pursuant to Rule 424(b)(7) under the Act. Each preliminary prospectus included in the Registration Statement prior to the time it becomes effective is herein referred to as a "Preliminary Prospectus."

(b) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. Each of PAR Electrical Contractors, Inc., Union Power Construction Company, TRANS TECH Electric, Inc., and Potelco, Inc. (collectively the

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"Founding Companies") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. As of the date hereof, the Company has no subsidiaries except those listed as an Exhibit to the Registration Statement. The Company and each of the Founding Companies are duly qualified to transact business in all jurisdictions in which the conduct of their respective businesses requires such qualification. The outstanding shares of capital stock of each of the Founding Companies have been duly authorized and validly issued, are fully paid and non-assessable. As of the Closing Date (as hereinafter defined), after giving effect to the Founding Company Acquisitions, all of the outstanding shares of capital stock of each of the Founding Companies will be owned by the Company free and clear of all liens, encumbrances and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in any of the Founding Companies will be outstanding.

(c) The outstanding shares of Common Stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; the Shares to be issued and sold by the Company pursuant to the terms of this Agreement have been duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and no preemptive rights of stockholders exist with respect to any of the Shares or the issue and sale thereof. Neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock. Upon completion of the Founding Company Acquisitions in the manner described in the Registration Statement, the shares of Common Stock of the Company to be issued in such acquisitions will be duly authorized, validly issued and fully paid and non-assessable.

(d) The information set forth under the caption "Capitalization" in the Prospectus is true and correct. All of the Shares conform to the description thereof contained in the Registration Statement. The form of certificates for the Shares conforms to the corporate law of the jurisdiction of the Company's incorporation.

(e) The Commission has not issued an order preventing or suspending the use of any Prospectus relating to the proposed offering of the Shares nor instituted proceedings for that purpose. The Registration Statement contains, and the Prospectus and any amendments or supplements thereto will contain, all statements which are required to be stated therein by, and will conform to the requirements of the Act and the Rules and Regulations. The Registration Statement and any amendment thereto do not contain, and will not contain, any untrue statement of a material fact and do not omit, and will not omit, to state any material fact required to be stated therein or necessary to make

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the statements therein not misleading. The Prospectus and any amendments and supplements thereto do not contain, and will not contain, any untrue statement of a material fact; and do not omit, and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representatives, specifically for use in the preparation thereof.

(f) All of the financial statements of the Company and the separate financial statements of the Founding Companies, in each case together with related notes and schedules, as set forth in the Registration Statement, present fairly in all material respects the financial position and the results of operations and cash flows of the Company and of each of the Founding Companies, respectively, at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with

generally accepted principles of accounting, consistently applied throughout the periods involved, except as disclosed therein, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary historical and pro forma financial and statistical data included in the Registration Statement present fairly the information shown therein and such data have been compiled on a basis consistent with the financial statements presented therein and the books and records of the Company and the Founding Companies, as applicable. The pro forma combined financial statements of the Company and the Founding Companies (including the supplemental pro forma information shown therein), together with the related notes, as set forth in the Registration Statement and the Prospectus, present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the pro forma bases described therein, and in the opinion of the Company, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein.

(g) Arthur Andersen LLP, who have certified certain of the financial statements filed with the Commission as part of the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations.

(h) There is no action, suit, claim or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of the Founding Companies before any court or administrative agency or otherwise, which if determined adversely to the Company or such Founding Company is reasonably likely to result in any material

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adverse change in the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Founding Companies, taken as a whole, or to prevent the consummation of the transactions contemplated hereby except as set forth in the Registration Statement.

(i) Each of the Company and the Founding Companies has good and marketable title to all of its properties and assets reflected in its financial statements (or as described in the Registration Statement) hereinabove described, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements (or as described in the Registration Statement) or which are not material in amount. Each of the Company and the Founding Companies occupies its leased properties under valid and binding leases conforming in all material respects to the description thereof set forth in the Registration Statement.

(j) Each of the Company and the Founding Companies has filed all Federal, state, local and foreign income tax returns which have been required to be filed and have paid all taxes indicated by said returns and all assessments received by it or any of them to the extent that such taxes have become due and are not being contested in good faith. All tax liabilities have been adequately provided for in the financial statements of the Company and the Founding Companies, as applicable.

(k) Since the respective dates as of which information is given in the Registration Statement, as it may be amended or supplemented, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise), or prospects of the Company and the Founding Companies, taken as a whole, whether or not occurring in the ordinary course of business, and there has not been any material transaction entered into or any material transaction that is probable of being entered into by the Company or the Founding Companies, other than transactions in the ordinary course of business and changes and transactions described in the Registration Statement, as it may be amended or supplemented. Neither the Company nor any of the Founding Companies has any material contingent obligations which are not disclosed in the Company's or such Founding Company's financial statements, as applicable, included in the Registration Statement.

(l) Neither the Company nor any of the Founding Companies is, or with the giving of notice or lapse of time or both, will be, in violation of or in default under its Charter or By-Laws or under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound and which default is of material significance in respect of the condition (financial or otherwise) of the Company and the Founding Companies, taken as a whole, or the

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business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Founding Companies, taken as a whole. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the

terms hereof will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any of the Founding Companies is a party, or of the Charter or By-Laws of the Company or any of the Founding Companies or any order, rule or regulation applicable to the Company or any of the Founding Companies of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction. No consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the consummation of the transactions contemplated by this Agreement in connection with the issuance or sale of the securities by the Company, except such as have been obtained under the Act and such as may be required under the state securities laws in connection with the purchase and distribution of the Shares by the Underwriters.

(m) Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated (except such additional steps as may be required by the Commission or the National Association of Securities Dealers, Inc. (the "NASD")) has been obtained or made and is in full force and effect.

(n) The Company and each of the Founding Companies hold all material licenses, certificates and permits from governmental authorities which are necessary to the conduct of their businesses; and neither the Company nor any of the Founding Companies has infringed any patents, patent rights, trade names, trademarks or copyrights, which infringement is material to the business of the Company or such Founding Company. The Company knows of no material infringement by others of patents, patent rights, trade names, trademarks or copyrights owned by or licensed to the Company or any of the Founding Companies.

(o) Neither the Company, nor to the Company's best knowledge, any of its affiliates or any of the Founding Companies or any of their affiliates, has taken or may take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares.

(p) Neither the Company nor any of the Founding Companies is an "investment company" within the meaning of such term under the Investment Company

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Act of 1940, as amended (the "1940 Act") and the rules and regulations of the Commission thereunder.

(q) The Company and each of the Founding Companies maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(r) The Company and each of the Founding Companies carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar industries.

(s) The Company and each of the Founding Companies are in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company or any of the Founding Companies would have any liability; neither the Company nor any of the Founding Companies has incurred nor expects to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan," or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company or any of the Founding Companies would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(t) No labor dispute with the employees of the Company or any of the Founding Companies exists, or to the knowledge of the Company, is threatened other than such disputes which would not individually or in the aggregate, have a material adverse effect upon the condition (financial or otherwise) business, management, properties, assets, rights, operations or prospects of the Company.



(u) There is (i) no significant unfair labor practice complaint pending against the Company or any of the Founding Companies or, to the best knowledge of the Company, threatened against any of them, before the National Labor Relations Board or

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any state or local labor relations board, and no significant grievance or more significant arbitration proceeding arising out of or under any collective bargaining agreement is so pending against any of the Founding Companies or, to the best knowledge of the Company, threatened against any of them, and (ii) no significant strike, labor dispute, slowdown or stoppage pending against any of the Founding Companies or, to the best knowledge of the Company, threatened against any of the Founding Companies except for such actions specified in clause (i) or (ii) above, which, singly or in the aggregate could not reasonably be expected to have a material adverse effect on the Founding Companies, taken as a whole.

(v) (i) To the best of the Company's knowledge and belief, except as set forth in each Amended and Restated Agreement and Plan of Organization or otherwise disclosed in writing to the Underwriters, (A) each of the Founding Companies has conducted its business in compliance with applicable Environmental Laws, including without limitation, having all permits, licenses and other approvals and authorizations necessary for the operation of their respective businesses as presently conducted, (B) none of the properties owned by the Founding Companies contain any Hazardous Substance as a result of any activity of any of the Founding Companies in amounts exceeding the levels permitted by applicable Environmental Laws, (C) none of the Founding Companies has received any notices, demand letters or requests for information from any Federal, state, local or foreign governmental entity or third party indicating that such Founding Company may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of its business, (D) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings pending or threatened, against any of the Founding Companies relating to any violation, or alleged violation, of any Environmental Law, (E) no reports have been filed, or are required to be filed, by any of the Founding Companies concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law, (F) no Hazardous Substance has been disposed of, released or transported in violation of any applicable Environmental Law from any properties owned by any of the Founding Companies as a result of any activity of any of the Founding Companies during the time such properties were owned, leased, or operated by any of the Founding Companies, (G) there have been no environmental investigations, studies, audits, tests, reviews or other analysis regarding compliance or non-compliance with any applicable Environmental Law conducted by or which are in the possession of any of the Founding Companies relating to the activities of any of the Founding Companies which are not described in the Amended and Restated Agreements and Plans of Organization prior to the date hereof, (H) there are no underground storage tanks on, in or under any properties owned by the Founding Companies and no underground storage tanks have been closed or removed from any of such properties during the time such properties were owned, leased or operated by any of the Founding Companies, (I) there is no asbestos or asbestos containing material present in any of the properties owned by any of the Founding

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Companies, and no asbestos has been removed from any of such properties during the time such properties were owned, leased or operated by any of the Founding Companies, and (J) neither the Company or any Founding Companies nor any of their respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law, except for violations of the foregoing clauses (A) through (K) that, singly or in the aggregate, would not reasonably be expected to have a material adverse effect on the condition or (financial or otherwise) business, management, properties, assets, rights, operations or prospects of the Company and the Founding Companies taken as a whole.

(ii) As used herein, "Environmental Law" means any Federal, State, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity relating to (A) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other nature resource) or to human health or safety or (B) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended as in effect on the Closing Date. The term Environmental Law includes, without limitation, (X) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, the Federal Insecticide, Fungicide and

Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as in effect on the Closing Date, and (Y) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(iii) As used herein, "Hazardous Substance" means any substance presently or hereafter listed, defined, designated, or classified as hazardous, toxic, radioactive, or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any governmental authority or any Environmental Law including, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product

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thereof, radon, radioactive material, asbestos or asbestos containing material, urea, formaldehyde, foam insulation, lead or polychlorinated biphenyls.

## 2. PURCHASE, SALE AND DELIVERY OF THE FIRM SHARES.

(a) On the basis of the representations, warranties and covenants herein contained, and subject to the conditions herein set forth, the Company agrees to sell to the Underwriters and each Underwriter agrees, severally and not jointly, to purchase, at a price of \$\_\_\_\_\_ per share, the number of Firm Shares set forth opposite the name of each Underwriter in Schedule I hereof, subject to adjustments in accordance with Section 9 hereof.

(b) Payment for the Firm Shares to be sold hereunder is to be made in same day funds via wire transfer to the order of the Company against delivery of certificates therefor to the Representatives for the several accounts of the Underwriters. Such payment and delivery are to be made at the offices of BT Alex. Brown Incorporated, One South Street, Baltimore, Maryland, at 10:00 a.m., Baltimore time, on the third business day after the date of this Agreement or at such other time and date not later than three business days thereafter as you and the Company shall agree upon, such time and date being herein referred to as the "Closing Date." (As used herein, "business day" means a day on which the New York Stock Exchange is open for trading and on which banks in New York are open for business and are not permitted by law or executive order to be closed.) The certificates for the Firm Shares will be delivered in such denominations and in such registrations as the Representatives request in writing not later than the third full business day prior to the Closing Date, and will be made available for inspection by the Representatives at least one business day prior to the Closing Date.

(c) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase the Option Shares at the price per share as set forth in paragraph (a) of this Section 2. The option granted hereby may be exercised in whole or in part by giving written notice (i) at any time before the Closing Date and (ii) only once thereafter within 30 days after the date of this Agreement, by you, as Representatives of the several Underwriters, to the Company setting forth the number of Option Shares as to which the several Underwriters are exercising the option, the names and denominations in which the Option Shares are to be registered and the time and date at which such certificates are to be delivered. The time and date at which certificates for Option Shares are to be delivered shall be determined by the Representatives but shall not be earlier than three nor later than 10 full business days after the exercise of such option, nor in any event prior to the Closing Date (such time and date being herein referred to as the "Option Closing Date"). If the date of exercise of the option is three or more days before the Closing Date, the notice of exercise shall set the

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Closing Date as the Option Closing Date. The number of Option Shares to be purchased by each Underwriter shall be in the same proportion to the total number of Option Shares being purchased as the number of Firm Shares being purchased by such Underwriter bears to 5,000,000, adjusted by you in such manner as to avoid fractional shares. The option with respect to the Option Shares granted hereunder may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters. You, as Representatives of the several Underwriters, may cancel such option at any time prior to its expiration by giving written notice of such cancellation to the Company. To the extent, if any, that the option is exercised, payment for the Option Shares shall be made on the Option Closing Date in same day funds via wire transfer to the order of the Company against delivery of certificates therefor at the offices of BT Alex. Brown Incorporated, One South Street, Baltimore, Maryland.

## 3. OFFERING BY THE UNDERWRITERS.

It is understood that the Underwriters are to make a public offering of the Firm Shares as soon as the Representatives deem it advisable to do so. The Firm Shares are to be initially offered to the public at the public offering price set forth in the Prospectus. The Representatives may from time to time thereafter change the public offering price and other selling terms. To the extent, if at all, that any Option Shares are purchased pursuant to Section 2 hereof, the Underwriters will offer them to the public on the foregoing terms. It is further understood that you will act as the Representatives for the Underwriters in the offering and sale of the Shares in accordance with a Master Agreement Among Underwriters entered into by you and the several other Underwriters.

#### 4. COVENANTS OF THE COMPANY.

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The Company covenants and agrees with the Underwriters that:

(a) The Company will (A) use its best efforts to cause the Registration Statement to become effective or, if the procedure in Rule 430A of the Rules and Regulations is followed, to prepare and timely file with the Commission under Rule 424(b) of the Rules and Regulations a Prospectus in a form approved by the Representatives containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A of the Rules and Regulations, and (B) not file any amendment to the Registration Statement or supplement to the Prospectus of which the Representatives shall not previously have been advised and furnished with a copy or to which the Representatives shall have reasonably objected in writing or which is not in compliance with the Rules and Regulations.

(b) The Company will advise the Representatives promptly (A) when the Registration Statement or any post-effective amendment thereto shall have become

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effective, (B) of receipt of any comments from the Commission, (C) of any request of the Commission for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information and (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus or of the institution of any proceedings for that purpose. The Company will use its best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(c) The Company will cooperate with the Representatives in endeavoring to qualify the Shares for sale under the securities laws of such jurisdictions as the Representatives may reasonably have designated in writing and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representatives may reasonably request for distribution of the Shares.

(d) The Company will deliver to, or upon the order of, the Representatives, from time to time, as many copies of any Preliminary Prospectus as the Representatives may reasonably request. The Company will deliver to, or upon the order of, the Representatives during the period when delivery of a Prospectus is required under the Act, as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representatives may reasonably request. The Company will deliver to the Representatives at or before the Closing Date, three signed copies of the Registration Statement and all amendments thereto including all exhibits filed therewith, and will deliver to the Representatives such number of copies of the Registration Statement (including such number of copies of the exhibits filed therewith that may reasonably be requested), and of all amendments thereto, as the Representatives may reasonably request.

(e) The Company will comply with the Act and the Rules and Regulations and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Underwriters, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not

misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus so that the Prospectus as so amended or supplemented will not, in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with the law.

(f) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earning statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earning statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 of the Rules and Regulations and will advise you in writing when such statement has been so made available.

(g) The Company will, for a period of five (5) years from the Closing Date, deliver to the Representatives copies of annual reports and copies of all other documents, reports and information furnished by the Company to its stockholders or filed with any securities exchange pursuant to the requirements of such exchange or with the Commission pursuant to the Act or the Exchange Act. The Company will deliver to the Representatives similar reports with respect to significant subsidiaries, as that term is defined in the Rules and Regulations, which are not consolidated in the Company's financial statements.

(h) No offering, sale, short sale or other disposition of any shares of Common Stock of the Company or other securities convertible into or exchangeable or exercisable for shares of Common Stock or derivative of Common Stock (or agreement for such) will be made for a period of 180 days after the date of the Prospectus, directly or indirectly, by the Company otherwise than hereunder or with the prior written consent of BT Alex. Brown Incorporated, except that the Company may, without such consent, issue shares (i) upon exercise of options granted under the 1997 Stock Option Plan, (ii) in connection with acquisitions of businesses or (iii) in connection with the conversion of shares of Limited Vote Common Stock to Common Stock.

(i) The Company will use its best efforts to list, subject to notice of issuance, the Shares on the New York Stock Exchange.

(j) The Company has caused each executive officer, director and current stockholder of the Company and each person acquiring shares of the Company's Common Stock in connection with the Founding Company Acquisitions to furnish to you, on or prior to the date of this Agreement, a letter or letters, in form and substance satisfactory to the Underwriters, pursuant to which each such person has agreed not to offer, sell, sell

short or otherwise dispose of any shares of Common Stock or Limited Vote Common Stock of the Company, as the case may be, owned by such person (or as to which such person has the right to direct the disposition of) or request the registration for the offer or sale of any of the foregoing for a period of two (2) years after the Closing Date, directly or indirectly, except with the prior written consent of BT Alex. Brown Incorporated ("Lockup Agreements").

(k) The Company will (i) use its best efforts to satisfy all conditions to the consummation of the Founding Company Acquisitions as set forth in the agreements with respect thereto, (ii) use its best efforts to cause each other party to such agreements to satisfy all conditions to the consummation of the Founding Company Acquisitions, and (iii) promptly notify the Underwriters of the occurrence of any event which may result in the non-consummation of any of the Founding Company Acquisitions on the Closing Date.

(l) The Company shall apply the net proceeds of its sale of the Shares as set forth in the Prospectus and shall file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required in accordance with Rule 463 under the Act.

(m) The Company shall not invest, or otherwise use, the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company or any of the Founding Companies to register as an investment company under the 1940 Act.

(n) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(o) The Company will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

5. COSTS AND EXPENSES.

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The Company will pay all costs, expenses and fees incident to the performance of the obligations of the Company under this Agreement and in connection with the Founding Company Acquisitions, including, without limiting the generality of the foregoing, the following: accounting fees of the Company; the fees and disbursements of counsel for the Company; the cost of printing and delivering to, or as requested by, the Underwriters copies of the Registration Statement, Preliminary Prospectuses, the Prospectus, and this Agreement; the Underwriters' Selling Memorandum and the Underwriters' Invitation Letter; the fees of the Commission; the filing fee of the NASD; transfer agent and registrar fees and expenses; and the Listing Fee of The

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New York Stock Exchange. The Company shall not, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification under NASD regulations) except that, if this Agreement shall not be consummated because the conditions in Section 6 hereof are not satisfied, or because this Agreement is terminated by the Representatives pursuant to Section 11 hereof, or by reason of any failure, refusal or inability on the part of the Company to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on its part to be performed, unless such failure to satisfy said condition or to comply with said terms be due to the default or omission of any Underwriter, then the Company shall reimburse the several Underwriters for reasonable out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred in connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder; but the Company shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares.

6. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS.

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The several obligations of the Underwriters to purchase the Firm Shares on the Closing Date and the Option Shares, if any, on the Option Closing Date are subject to the accuracy, as of the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties of the Company contained herein, and to the performance by the Company of its covenants and obligations hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective and any and all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made, and any request of the Commission for additional information (to be included in the Registration Statement or otherwise) shall have been disclosed to the Representatives and complied with to their reasonable satisfaction. No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company, shall be contemplated by the Commission and no injunction, restraining order, or order of any nature by a Federal or state court of competent jurisdiction shall have been issued as of the Closing Date, which would prevent the issuance of the Shares.

(b) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Jackson Walker L.L.P., counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own or lease its properties and conduct its

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business as described in the Registration Statement; each of the Founding Companies has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business; the Company and each of the Founding Companies are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification, or in which the failure to qualify would have a materially adverse effect upon the business of the Company and the

Founding Companies taken as a whole; and, upon consummation of the Founding Company Acquisitions, the outstanding shares of capital stock of each of the Founding Companies will have been duly authorized and validly issued and will be fully paid and non-assessable and will be owned by the Company; and, to the best of such counsel's knowledge, the outstanding shares of capital stock of each of the Founding Companies will be owned by the Company, free and clear of all liens, encumbrances and equities and claims, and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock of or other ownership interests in any of the Founding Companies will be outstanding.

(ii) The Company has authorized and outstanding capital stock as set forth under the caption "Capitalization" in the Prospectus; the outstanding shares of the Company's Common Stock and the Company's Limited Vote Common Stock have been duly authorized and validly issued and are fully paid and non-assessable; all of the Shares conform to the description thereof contained in the Prospectus; the certificates for the Shares, assuming they are in the form filed with the Commission, are in the form required by Delaware law; the shares of Common Stock including the Firm Shares and Option Shares, if any, to be sold by the Company pursuant to this Agreement and the shares of Common Stock of the Company to be issued in connection with the Founding Company Acquisitions have been duly authorized and will be validly issued, fully paid and non-assessable when issued and paid for as contemplated by this Agreement; and no statutory or, to the best of such counsel's knowledge, contractual preemptive rights of stockholders exist with respect to any of the Shares or the shares to be issued in the Founding Company Acquisitions or the issue or sale thereof.

(iii) Except as described in or contemplated by the Prospectus, to the best knowledge of such counsel, there are no outstanding securities of the Company convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of capital stock of the Company and there are no outstanding or authorized options, warrants or rights of any character obligating the Company to issue any shares of its capital stock or any securities convertible or exchangeable into or evidencing the right to purchase or subscribe for any

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shares of such stock; and except as described in the Prospectus, to the best knowledge of such counsel, no holder of any securities of the Company or any other person has the right, contractual or otherwise, which has not been satisfied or effectively waived, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, any of the Shares or the right to have any shares of Common Stock or other securities of the Company included in the Registration Statement or the right, as a result of the filing of the Registration Statement, to require registration under the Act of any shares of Common Stock or other securities of the Company.

(iv) The Registration Statement has become effective under the Act and, to the best of the knowledge of such counsel, no stop order proceedings with respect thereto have been instituted or are pending or threatened under the Act.

(v) The Registration Statement, the Prospectus and each amendment or supplement thereto comply as to form in all material respects with the requirements of the Act and the applicable rules and regulations thereunder (except that such counsel need express no opinion as to the financial statements, notes thereto and related schedules and other financial and statistical information included therein or any information furnished by the Underwriters for use therein).

(vi) The statements under the captions "Business--Employees," "Management--Executive Compensation," "--Employment Agreements," "--1997 Stock Option Plan," "Certain Transactions," "Description of Capital Stock" and "Shares Eligible for Future Sale" in the Prospectus, insofar as such statements constitute a summary of documents referred to therein or matters of law, fairly summarize in all material respects the information called for with respect to such documents and matters.

(vii) Each Amended and Restated Agreement and Plan of Organization with respect to the Founding Company Acquisitions (which have been filed with the Commission as exhibits to the Registration Statement) has been duly authorized, executed and delivered by the Company and each of the Founding Companies and constitutes the valid binding obligation of the Company and each of the Founding Companies.

(viii) Such counsel does not know of any contracts or documents

required to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus which are not so filed or described as required, and such contracts and documents as are summarized in the Registration Statement or the Prospectus are fairly summarized in all material respects.

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(ix) Such counsel knows of no material legal or governmental proceedings pending or threatened against the Company or any of the Founding Companies except as set forth in the Prospectus.

(x) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Certificate of Incorporation, as amended or restated, or By-Laws of the Company, or, any agreement or instrument known to such counsel to which the Company or any of the Founding Companies is a party or by which the Company or any of the Founding Companies may be bound.

(xi) This Agreement has been duly authorized, executed and delivered by the Company.

(xii) No approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other than as may be required by the NASD as to which such counsel need express no opinion), except such as have been obtained or made or except as relate to state, county or municipal engineering or related licenses or permits relating to the business of the Company as conducted by the Founding Companies.

(xiii) The Company is not, and will not become, as a result of the consummation of the transactions contemplated by this Agreement, and application of the net proceeds therefrom as described in the Prospectus, required to register as an investment company under the 1940 Act.

In rendering such opinion, Jackson Walker L.L.P. may provide that its opinion is limited to matters governed by the laws of Texas and the General Corporation law of the State of Delaware and the Federal securities laws of the United States and may rely on counsel (such counsel having been deemed acceptable by the Underwriters) to one or more of the Founding Companies with respect to matters related to the Founding Companies, provided that, in lieu of such reliance, Jackson Walker L.L.P. may provide separate opinions of such counsel so long as such opinions are addressed to the Underwriters, and further provided that, in each case, Jackson Walker L.L.P. shall state that they believe that they and the Underwriters are justified in relying on such other counsel. In addition to the matters set forth above, the opinion of Jackson Walker L.L.P. shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, at the time it became effective under the Act (but after giving effect to any modifications incorporated

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therein pursuant to Rule 430A under the Act) and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Jackson Walker L.L.P. may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(c) The Representatives shall have received from Piper & Marbury L.L.P., counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, substantially to the effect specified in subparagraphs (ii), (iii), (iv), and (xi) of Paragraph (b) of this Section 6, and that the Company is a duly organized and validly existing corporation under the laws of the State of Delaware. In rendering such opinion, Piper & Marbury L.L.P. may rely as to the matters relating to the laws of the States other than Maryland and Delaware or Federal laws on the opinions of counsel referred to in Paragraph (b) of this Section 6. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, or

any amendment thereto, as of the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact, necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Piper & Marbury L.L.P. may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(d) You shall have received, on the date hereof, the Closing Date and the Option Closing Date, as the case may be, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to you, of Arthur Andersen LLP confirming that they are independent public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder

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and stating that, in their opinion, the financial statements and schedules of the Company and the Founding Companies examined by them and included in the Registration Statement comply in form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations; and containing such other statements and information as is ordinarily included in accountants' "comfort letters" to Underwriters with respect to such financial statements and certain financial and statistical information contained in the Registration Statement and Prospectus.

(e) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, a certificate or certificates of the Company and signed by the Chief Executive Officer and the Chief Financial Officer of the Company to the effect that, as of the Closing Date or the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) The Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for such purpose have been taken or are, to his knowledge, contemplated by the Commission;

(ii) The representations and warranties of the Company contained in Section 1 hereof are true and correct as of the Closing Date or the Option Closing Date, as the case may be;

(iii) All filings required to have been made pursuant to Rules 424 or 430A under the Act have been made;

(iv) He or she has carefully examined the Registration Statement and the Prospectus and, in his or her opinion, as of the effective date of the Registration Statement, the statements contained in the Registration Statement and Prospectus did not omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement to or an amendment of the Prospectus which has not been so set forth in such supplement or amendment; and

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(v) Since the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company or any of the Founding Companies or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company or any of the Founding Companies, whether or not arising in the ordinary course of business.

(f) The Company shall have furnished to the Representatives such further certificates and documents confirming the representations and warranties, covenants and conditions contained herein and related matters as the Representatives may reasonably have requested.

(g) The Firm Shares and Option Shares, if any, shall have been approved for designation upon notice of issuance on the New York Stock Exchange.



(h) The Lockup Agreements described in Section 4(j) shall be in full force and effect.

(i) Each of the Founding Company Acquisitions shall have been completed upon the terms set forth in the Prospectus simultaneously with the closing of the purchase of the Firm Shares by the Underwriters.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Representatives and to Piper & Marbury L.L.P., counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representatives by notifying the Company of such termination in writing or by telegram at or prior to the Closing Date or the Option Closing Date, as the case may be.

In such event, the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 8 hereof).

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#### 7. CONDITIONS OF THE OBLIGATIONS OF THE COMPANY.

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The obligations of the Company to sell and deliver the portion of the Shares required to be delivered as and when specified in this Agreement are subject to the conditions that: (a) at the Closing Date or the Option Closing Date, as the case may be, no stop order suspending the effectiveness of the Registration Statement shall have been issued and in effect or proceedings therefor initiated or threatened, and (b) each of the Founding Company Acquisitions shall have been completed upon the terms set forth in the Prospectus simultaneously with the closing of the purchase of the Firm Shares by the Underwriters.

#### 8. INDEMNIFICATION.

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(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities to which such Underwriter or any such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse each Underwriter and each such controlling person upon demand for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any action or proceeding; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Underwriter severally and not jointly will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Act against any losses, claims, damages or liabilities to which the Company or any such director, officer, or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or

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proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto or (ii) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the

circumstances under which they were made; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Section 8, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing. No indemnification provided for in Section 8(a) or (b) shall be available to any party who shall fail to give notice as provided in this Section 8(c) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of the provisions of Section 8(a) or (b). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay as incurred (or within 30 days of presentation) the fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) the indemnifying party shall have failed to assume the defense and employ counsel

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acceptable to the indemnified party within a reasonable period of time after notice of commencement of the action. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm for all such indemnified parties. Such firm shall be designated in writing by you in the case of parties indemnified pursuant to Section 8(a) and by the Company in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, the indemnifying party will not, without the prior written consent of the indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding of which indemnification may be sought hereunder (whether or not any indemnified party is an actual or potential party to such claim, action or proceeding) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action or proceeding.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or (b) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the

statements or omissions which resulted in such losses, claims, damages or liabilities, (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bears to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent,

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knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 8(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 8(d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 8 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon him, her or it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join him, her or it as an additional defendant in any such proceeding in which such other contributing party is a party.

(f) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, and (iii) any termination of this Agreement. A successor to any Underwriter, or to the Company, its directors or officers, or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

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#### 9. DEFAULT BY UNDERWRITERS.

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If on the Closing Date or the Option Closing Date, as the case may be, any Underwriter shall fail to purchase and pay for any portion of the Shares which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company), you, as Representatives of the Underwriters, shall use your reasonable efforts to procure within 36 hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company such amounts as may be agreed upon and upon the terms set forth herein, the Firm Shares or Option Shares, as the case may be, which the defaulting Underwriter failed to purchase. If during such 36 hours, you, as such Representatives, shall not have procured such other Underwriters, or any others, to purchase the Firm Shares or Option Shares, as the case may be, agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of shares with respect to which such default shall occur does not exceed 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the other Underwriters shall be obligated, severally, in proportion to

the respective numbers of Firm Shares or Option Shares, as the case may be, which they are obligated to purchase hereunder, to purchase the Firm Shares or Option Shares, as the case may be, which such defaulting Underwriter or Underwriters failed to purchase or (b) if the aggregate number of Firm Shares or Option Shares, as the case may be, with respect to which such default shall occur exceeds 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the Company or you, as the Representatives of the Underwriters, will have the right, by written notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company except to the extent provided in Section 8 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 9, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven (7) days, you, as the Representatives of the Underwriters, may determine in order that the required changes in the Registration Statement or in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any person substituted for a defaulting Underwriter. Any action taken under this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

#### 10. NOTICES.

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All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered, telecopied or telegraphed and confirmed as follows: if to the Underwriters, to BT Alex. Brown Incorporated, One South Street, Baltimore, Maryland 21202, Attention: David M. Gray, Managing Director, with a copy to BT Alex. Brown Incorporated, One South Street, Baltimore, Maryland 21202 Attention: General Counsel; and if to the Company; to Quanta Services, Inc., 3555 Timmons Lane, Suite 610, Houston, Texas 77027,

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Attention: John R. Colson, Chief Executive Officer, with copies to Jackson Walker L.L.P., 901 Main Street, Suite 6000, Dallas, Texas 75287, Attention: Brad L. Whitlock, Esq.

#### 11. TERMINATION.

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This Agreement may be terminated by you by notice to the Company as follows:

(a) at any time prior to the earlier of (i) the time the Shares are released by you for sale by notice to the Underwriters or (ii) 11:30 a.m. on the first business day following the date of this Agreement;

(b) at any time prior to the Closing Date if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company and the Founding Companies taken as a whole or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Founding Companies taken as a whole, whether or not arising in the ordinary course of business; (ii) any outbreak or escalation of hostilities or declaration of war or national emergency or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your reasonable judgment, make it impracticable to market the Shares or to enforce contracts for the sale of the Shares; (iii) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, American Stock Exchange or the Nasdaq Stock Market or limitation on prices (other than limitations on hours or numbers of days of trading); (iv) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects or may materially and adversely affect the business or operations of the Company; (v) declaration of a banking moratorium by United States or New York State authorities; (vi) the suspension of trading of the Company's Common Stock by the Commission on the New York Stock Exchange; or (vii) the taking of any action by any governmental body or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the securities markets in the United States; or

(c) as provided in Sections 6 and 9 of this Agreement.

#### 12. SUCCESSORS.

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This Agreement has been and is made solely for the benefit of the Underwriters

and the Company and their respective successors, executors, administrators, heirs and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign merely because of such purchase.

13. INFORMATION PROVIDED BY UNDERWRITERS.

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The Company and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Underwriter to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth in the last paragraph on the front cover page (insofar as such information relates to the Underwriters), legends required by Item 502(d) of Regulation S-K under the Act and the information under the caption "Underwriting" in the Prospectus.

14. MISCELLANEOUS.

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The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations and covenants in this Agreement shall remain in full force and effect, regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or its directors or officers and (c) delivery of and payment for the Shares under this Agreement.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

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If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Company and the Underwriters in accordance with its terms.

Very truly yours,

QUANTA SERVICES, INC.

By: \_\_\_\_\_  
John R. Colson,  
Chief Executive Officer

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

BT Alex. Brown Incorporated  
BancAmerica Robertson Stephens  
Sanders Morris Mundy Inc.

By: BT Alex. Brown Incorporated

By \_\_\_\_\_  
Authorized Officer

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SCHEDULE I

Schedule of Underwriters

Underwriter -----	Number of Firm Shares to be Purchased -----
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BT Alex. Brown Incorporated  
BancAmerica Robertson Stephens  
Sanders Morris Mundy Inc.

Total

5,000,000

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
QUANTA SERVICES, INC.

Quanta Services, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "DGCL"), hereby adopts this Amended and Restated Certificate of Incorporation, which accurately restates and integrates the provisions of the existing Certificate of Incorporation of the Corporation and all amendments and restatements thereto that are in effect on the date hereof (the "Certificate of Incorporation") and further amends the provisions of the Certificate of Incorporation as described below, and does hereby further certify that:

1. The name of the Corporation is Quanta Services, Inc. The original certificate of incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 19, 1997, and the Corporation was formerly known as Fabal Construction, Inc. The Certificate of Incorporation was further amended and restated on December 22, 1997.
2. The Board of Directors of the Corporation duly adopted a resolution proposing and declaring advisable the amendments to the Certificate of Incorporation as described herein, and the holders of at least a majority of the Corporation's outstanding capital stock have duly adopted such amendments, all in accordance with the provisions of Sections 228, 242 and 245 of the DGCL.
3. This Amended and Restated Certificate of Incorporation is being filed pursuant to Sections 242 and 245 of the Delaware General Corporation Law in order to restate the Certificate of Incorporation of the Corporation as amended to date, and also to amend further the Certificate of Incorporation to provide that from and after such time that any class of the Corporation's equity securities is traded on a national securities exchange, the stockholders of the Corporation may take action only at an annual or special meeting of stockholders of the Corporation and not via any consent in writing by such stockholders.
4. In the preceding Amended and Restated Certificate of Incorporation, each outstanding share of then existing Common Stock, par value \$0.01 per share, was converted into and reclassified as 1,613.6016 shares of Limited Vote Common Stock (as defined below), par value \$0.00001 per share. Certificates representing reclassified shares were canceled and upon presentation of the canceled certificates to the Corporation, the holders thereof shall be entitled to receive certificate(s) representing the new shares into which such canceled shares have been converted.
5. The Certificate of Incorporation is hereby restated and further amended to read in its entirety as follows:

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

FIRST. The name of the corporation is Quanta Services, Inc.

SECOND. The Corporation's registered office in the State of Delaware is 1209 Orange Street, Corporation Trust Center, in the City of Wilmington, County of New Castle. The name and address of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware.

THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. The aggregate number of shares of capital stock that the Corporation will have authority to issue is Fifty Million (50,000,000), Thirty Six Million, Six Hundred Fifty Four Thousand, Six Hundred Sixty Seven (36,654,667) of which will be shares of Common Stock, having a par value of \$0.00001 per share (hereinafter called "Common Stock"), Three Million, Three Hundred Forty Five Thousand, Three Hundred Thirty Three (3,345,333) of which will be shares of Limited Vote Common Stock, having a par value of \$0.00001 per share (hereinafter called "Limited Vote Common Stock") and Ten Million (10,000,000) of which will be shares of preferred stock, having a par value of \$0.00001 per share (hereinafter called "Preferred Stock").

(a) Preferred Stock may be issued in one or more series as may be determined from time to time by the Board of Directors. All shares of any one series of Preferred Stock will be identical except as to the dates of issue and the dates from which dividends on shares of the series issued on different dates will cumulate, if cumulative. Authority is hereby expressly granted to the Board of Directors to authorize the issuance of one or more series of Preferred Stock, and to fix by resolution or resolutions providing for the issue of each such series the voting powers, designations, preferences, and relative, participating, optional, redemption, conversion, exchange or other special rights, qualifications, limitations or restrictions of such series, and the number of shares in each series, to the full extent now or hereafter permitted

by law.

(b) Subject to the preferred rights of the holders of shares of any class or series of Preferred Stock, the holders of Common Stock shall be entitled to receive out of the funds of the Corporation legally available therefor, such dividends (payable in cash, stock or otherwise) as the Board of Directors may from time to time determine, payable to stockholders of record on such dates, not exceeding 60 days preceding the dividend payment dates, as shall be fixed for such purpose by the Board of Directors in advance of payment of each particular dividend. All dividends on Common Stock shall be paid *pari passu* with dividends on Limited Vote Common Stock.

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the distribution or payment to the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the remaining assets of the Corporation available for distribution to stockholders shall be distributed among and paid to the holders of Common Stock and Limited Vote Common Stock ratably in proportion to the number of shares of Common Stock and Limited Vote Common Stock held by them respectively.

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Except as otherwise required by law, each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock standing in such holder's name of the books of the Corporation.

(c) Subject to the preferred rights of the holders of shares of any class or series of Preferred Stock, the holders of the Limited Vote Common Stock shall be entitled to receive, as and when declared by the Board of Directors, such dividends (payable in cash, stock or otherwise) as the Board of Directors may from time to time determine, payable to stockholders of record on such dates, not exceeding 60 days preceding the dividend payment dates, as shall be fixed for such purpose by the Board of Directors in advance of payment of each particular dividend. All dividends on Limited Vote Common Stock shall be paid *pari passu* with dividends on Common Stock.

Holders of Limited Vote Common Stock voting as a class shall be entitled to elect one member of the Board of Directors, but shall not otherwise be entitled to vote in the election of directors of the Corporation. Only holders of Limited Vote Common Stock shall have the right to remove the member elected by them from the Board of Directors. Subject to the foregoing, and except as otherwise required by law, each holder of shares of Limited Vote Common Stock shall be entitled to one-tenth of one vote for each share of Limited Vote Common Stock standing in such holder's name of the books of the Corporation.

Each share of the Limited Vote Common Stock will automatically convert into Common Stock on a share-for-share basis in the event of a disposition of such share of Limited Vote Common Stock by the holder.

(d) The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable laws.

FIFTH. The number of directors of the Corporation shall be as specified in, or determined in the manner provided in, the Bylaws, but shall be at least one and not more than nineteen. Election of directors need not be by written ballot. A director of the Corporation may be removed only for cause and only upon the affirmative vote of the holders of a majority of the outstanding capital stock of the Corporation entitled to vote at an election of directors, subject to further restrictions on removal, not inconsistent with this Section, as may be contained in the bylaws.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Directors' resolutions applicable thereto, and such directors so elected shall not be subject to the provisions of this Section unless expressly provided by such terms.

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SIXTH. No stockholder of the Corporation will, solely by reason of holding shares of any class, have any preemptive or preferential right to purchase or subscribe for any shares of the Corporation, now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying warrants, rights or options to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares or such notes, debentures, bonds or other securities would adversely affect the dividend, voting or any other rights of such stockholder. The Board of Directors may authorize the issuance of, and the Corporation may issue, shares of any class of



the Corporation, or any notes, debentures, bonds or other securities convertible into or carrying warrants, rights or options to purchase any such shares, without offering any shares of any class to the existing holders of any class of stock of the Corporation.

SEVENTH. At all meetings of stockholders, a quorum will be present if the holders of a majority of the shares entitled to vote at the meeting are represented at the meeting in person or by proxy. From and after the first date as of which any class of the Corporation's equity securities is traded on a national securities exchange, (i) any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders and (ii) special meetings of the stockholders of the Corporation may be called only by the Chairman of the Board of Directors and shall be called within ten (10) days after receipt of the written request of the Board of Directors, pursuant to a resolution approved by a majority of the whole Board of Directors.

EIGHTH. Stockholders of the Corporation will not have the right of cumulative voting for the election of directors or for any other purpose.

NINTH. The Board of Directors is expressly authorized to alter, amend or repeal the Bylaws of the Corporation or to adopt new Bylaws.

TENTH. (a) The Corporation will, to the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereafter be amended, indemnify any and all persons it has power to indemnify under such law from and against any and all of the expenses, liabilities or other matters referred to in or covered by such law. Such indemnification may be provided pursuant to any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his director or officer capacity and as to action in another capacity while holding such office, will continue as to a person who has ceased to be a director, officer, employee or agent, and will inure to the benefit of the heirs, executors and administrators of such a person.

(b) If a claim under the preceding paragraph (a) is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant will be entitled to be paid also the expense of prosecuting such claim. It will be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct that make it permissible under the laws of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving

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such defense will be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the laws of the State of Delaware nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, will be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

ELEVENTH. To the fullest extent permitted by the laws of the State of Delaware as the same exist or may hereafter be amended, a director of the Corporation will not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of this Article will not increase the personal liability of any director of the Corporation for any act or occurrence taking place before such repeal or modification, or adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification. The provisions of this Article shall not be deemed to limit or preclude indemnification of a director by the Corporation for any liability of a director that has not been eliminated by the provisions of this Article.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be executed this 23rd day of January, 1998.

QUANTA SERVICES, INC.

By: /s/ John R. Colson

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John R. Colson

Chief Executive Officer

BYLAWS  
OF  
QUANTA SERVICES, INC.

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BYLAWS

OF

QUANTA SERVICES, INC.

ARTICLE I

OFFICES

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Section 1.1. Registered Office. The registered office and registered agent of Quanta Services, Inc. (the "Corporation") required to be maintained in the State of Delaware by the General Corporation Law of the State of Delaware (the "DGCL"), will be as from time to time set forth in the Corporation's Certificate of Incorporation (as may be amended from time to time) or in any certificate filed with the Secretary of State of the State of Delaware, and the appropriate county Recorder or Recorders, as the case may be, to amend such information.

Section 1.2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

STOCKHOLDERS

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Section 2.1. Place of Meetings. All meetings of the stockholders for the election of Directors will be held at such place, within or without the State of Delaware, as may be fixed from time to time by the Board of Directors. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as may be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2.2. Annual Meeting. An annual meeting of the stockholders will be held at such time as may be determined by the Board of Directors, at which meeting the stockholders will elect a Board of Directors, and transact such other business as may properly be brought before the meeting.

Section 2.3. List of Stockholders. At least ten days before each meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, with the address of and the number of voting shares registered in the name of each, will be prepared by the officer or agent having charge of the stock transfer books. Such list will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place will be specified in the notice of the meeting, or if not so specified at the place where the meeting is to be held. Such list will be produced and kept open at the time

and place of the meeting during the whole time thereof, and will be subject to the inspection of any stockholder who may be present.

Section 2.4. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by law, the Certificate of Incorporation or these Bylaws, may be called by the Chairman of the Board, the Chief Executive Officer or the Board of Directors. Business transacted at all special meetings will be confined to the purposes stated in the notice of the meeting unless all stockholders entitled to vote are present and consent. Except to the extent specified in the Certificate of Incorporation or the resolutions of the Board of Directors creating any class or series of preferred stock of the Corporation, stockholders of the Corporation may not call a special meeting.

Section 2.5. Notice. Written or printed notice stating the place, day and hour of any meeting of the stockholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, will be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the Chief Executive Officer, the Secretary, or the officer or person calling the meeting, to each stockholder of record entitled to vote at the meeting. If mailed, such notice will be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

Section 2.6. Quorum. At all meetings of the stockholders, the presence in person or by proxy of the holders of a majority of the shares issued and outstanding and entitled to vote will be necessary and sufficient to constitute a quorum for the transaction of business except as otherwise provided by law, the Certificate of Incorporation or these Bylaws. If, however, such quorum is not present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, will have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting will be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally notified.

Section 2.7. Voting. When a quorum is present at any meeting of the Corporation's stockholders, the vote of the holders of a majority of the shares entitled to vote on, and voted for or against, any matter will decide any questions brought before such meeting, unless the question is one upon which, by express provision of law, the Certificate of Incorporation or these Bylaws, a different vote is required, in which case such express provision will govern and control the decision of such question. The stockholders present in person or by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.8. Method of Voting. Each outstanding share of the Corporation's capital stock, regardless of class, will be entitled to one vote on each matter submitted to a vote at a meeting of

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stockholders, except to the extent that the voting rights of the shares of any class or classes are limited or denied by the Certificate of Incorporation, as amended from time to time. At any meeting of the stockholders, every stockholder having the right to vote will be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to such meeting, unless such instrument provides for a longer period. Each proxy will be revocable unless expressly provided therein to be irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally. Such proxy will be filed with the Secretary of the Corporation prior to or at the time of the meeting. Voting on any question or in any election, other than for directors, may be by voice vote or show of hands unless the presiding officer orders, or any stockholder demands, that voting be by written ballot.

Section 2.9. Record Date. The Board of Directors may fix in advance a record date for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, which record date will not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date will not be less than ten nor more than sixty days prior to such meeting. In the absence of any action by the Board of Directors, the close of business on the date next preceding the day on which the notice is given will be the record date, or, if notice is waived, the close of business on the day next preceding the day on which the meeting is held will be the record date.

Section 2.10. Action by Consent. Except as set forth below, any action

required or permitted by law, the Certificate of Incorporation or these Bylaws to be taken at a meeting of the stockholders of the Corporation may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and will be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business or an officer or agent of the Corporation having custody of the minute book. Notwithstanding the foregoing, from and after the first date that the Corporation has received funding from the sale of capital stock of the Corporation in an initial public offering any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of the stockholders of the Corporation and may not be effected by any consent in writing by the stockholders.

Section 2.11. Stockholder Proposals. No proposal by a stockholder made pursuant to this Article II may be voted upon at a meeting of stockholders unless such stockholder shall have delivered or mailed in a timely manner (as set herein) and in writing to the Secretary of the Corporation (i) notice of such proposal, (ii) the text of the proposed alteration, amendment or repeal, if such proposal relates to a proposed change to the Corporation's Certificate of Incorporation or Bylaws, or the text of such proposal for adoption and any supporting statement (which shall not exceed 500 words in length), (iii) evidence reasonably satisfactory to the Secretary of the Corporation of such stockholder's status as such and of the number of shares of each class of capital stock of the Corporation of which such stockholder is the beneficial owner, (iv) a list of the names and addresses of other beneficial owners of shares of the capital stock of the Corporation, if any, with

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whom such stockholder is acting in concert, and the number of shares of each class of capital stock of the Corporation beneficially owned by each such beneficial owner and (v) an opinion of counsel, which counsel and the form and substance of which opinion shall be reasonably satisfactory to the Board of Directors of the Corporation, to the effect that the Certificate of Incorporation or Bylaws resulting from the adoption of such proposal would not be in conflict with the laws of the State of Delaware, if such proposal relates to a proposed change to the Corporation's Certificate of Incorporation or Bylaws. To be timely in connection with an annual meeting of stockholders, a stockholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety nor more than 180 days prior to the earlier of the date of the meeting or the corresponding date on which the immediately preceding year's annual meeting of stockholders was held (PROVIDED, HOWEVER, that if no annual meeting was held in the previous year or the date of the annual meeting of stockholders has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, the notice must be received by the Corporation at least 45 days prior to the date the Corporation intends to distribute its proxy statement with respect to such meeting). To be timely in connection with the voting on any such proposal at a special meeting of the stockholders, a stockholder's notice and other aforesaid items shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than forty days nor more than sixty days prior to the date of such meeting; provided, however, that in the event that less than fifty days' notice or prior public disclosure of the date of the special meeting of the stockholders is given or made to the stockholders, such stockholder's notice and other aforesaid items to be timely must be so received not later than the close of business on the seventh day following the day on which such notice of date of the meeting was mailed or such public disclosure was made. Within thirty days (or such shorter period that may exist prior to the date of the meeting) after such stockholder shall have submitted the aforesaid items, the Secretary and the Board of Directors of the Corporation shall respectively determine whether the items to be ruled upon by them are reasonably satisfactory and shall notify such stockholder in writing of their respective determinations. If such stockholder fails to submit a required item in the form or within the time indicated, or if the Secretary or the Board of Directors of the Corporation determines that the items to be ruled upon by them are not reasonably satisfactory, then such proposal by such stockholder may not be voted upon by the stockholders of the Corporation at such meeting of stockholders. The presiding person at each meeting of stockholders shall, if the facts warrant, determine and declare to the meeting that a proposal was not made in accordance with the procedure prescribed by these Bylaws, and if he should so determine, he shall so declare to the meeting and the defective proposal shall be disregarded. The requirements of this Section 2.11 shall be in addition to any other requirements imposed by these Bylaws, by the Corporation's Certificate of Incorporation or the law.

Section 2.12. Nomination of Directors. Nominations for the election of directors may be made by the Board of Directors or by any stockholder (a "Nominator") entitled to vote in the election of directors. Such nominations, other than those made by the Board of Directors, shall be made in writing pursuant to timely notice delivered to or mailed and received by the Secretary of the Corporation as set forth in this Section 2.12. To be timely in connection with an annual meeting of stockholders, a Nominator's notice, setting forth the

name and address of the person to be nominated, shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety days nor more than 180 days prior to the earlier of the date of the meeting or the

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corresponding date on which the immediately preceding year's annual meeting of stockholders was held. To be timely in connection with any election of a director at a special meeting of the stockholders, a Nominator's notice, setting forth the name and address of the person to be nominated, shall be delivered to or mailed and received at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such notice of date of the meeting was mailed or such public disclosure was made, whichever first occurs. At such time, the Nominator shall also submit written evidence, reasonably satisfactory to the Secretary of the Corporation, that the Nominator is a stockholder of the Corporation and shall identify in writing (i) the name and address of the Nominator, (ii) the number of shares of each class of capital stock of the Corporation of which the Nominator is the beneficial owner, (iii) the name and address of each of the persons with whom the Nominator is acting in concert and (iv) the number of shares of capital stock of which each such person with whom the Nominator is acting in concert is the beneficial owner pursuant to which the nomination or nominations are to be made. At such time, the Nominator shall also submit in writing (i) the information with respect to each such proposed nominee that would be required to be provided in a proxy statement prepared in accordance with Regulation 14A under the Securities Exchange Act of 1934, as amended, and (ii) a notarized affidavit executed by each such proposed nominee to the effect that, if elected as a member of the Board of Directors, he will serve and that he is eligible for election as a member of the Board of Directors. Within thirty days (or such shorter time period that may exist prior to the date of the meeting) after the Nominator has submitted the aforesaid items to the Secretary of the Corporation, the Secretary of the Corporation shall determine whether the evidence of the Nominator's status as a stockholder submitted by the Nominator is reasonably satisfactory and shall notify the Nominator in writing of his determination. If the Secretary of the Corporation finds that such evidence is not reasonably satisfactory, or if the Nominator fails to submit the requisite information in the form or within the time indicated, such nomination shall be ineffective for the election at the meeting at which such person is proposed to be nominated. The presiding person at each meeting of stockholders shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The requirements of this Section 2.12 shall be in addition to any other requirements imposed by these bylaws, by the Certificate of Incorporation or by law.

Section 2.13. Inspectors of Election. Before any meeting of stockholders, the Board of Directors may, and if required by law shall, appoint one or more persons to act as inspectors of election at such meeting or any adjournment thereof. If any person appointed as inspector fails to appear or fails or refuses to act, the chairman of the meeting may, and if required by law or requested by any stockholder entitled to vote or his proxy shall, appoint a substitute inspector. If no inspectors are appointed by the Board of Directors, the chairman of the meeting may, and if required by law or requested by any stockholder entitled to vote or his proxy shall, appoint one or more inspectors at the meeting. Notwithstanding the foregoing, inspectors shall be appointed consistent with Section 231 of the DGCL. Inspectors may include individuals who serve the Corporation in other capacities (including as officers, employees, agents or representatives); PROVIDED, HOWEVER, that no Director or candidate for the office of Director shall act as an inspector. Inspectors need not be stockholders. The inspectors shall (i) determine the number of shares of capital stock of the Corporation outstanding and the voting power of each, the number of shares represented at the

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meeting, the existence of a quorum and the validity and effect of proxies and (ii) receive votes or ballots, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes and ballots, determine the results and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. The inspectors shall have such other duties as may be prescribed by Section 231 of the DGCL.

#### ARTICLE III

##### BOARD OF DIRECTORS -----

Section 3.1. Management. The business and affairs of the Corporation will be managed by or under the direction of its Board of Directors who may exercise all such powers of the Corporation and do all such lawful acts and

things as are not by law, by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 3.2. Qualification; Election; Term. None of the Directors need be a stockholder of the Corporation or a resident of the State of Delaware. Directors shall be elected at the annual meeting of the stockholders and each director shall be elected to serve until his successor shall be elected and shall qualify. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the election of Directors at any annual or special meeting of stockholders. Such election shall be by written ballot.

Section 3.3. Number. The number of Directors of the Corporation will be at least one and not more than nineteen. The number of Directors authorized will be fixed as the Board of Directors may from time to time designate, or if no such designation has been made, the number of Directors will be the same as the number of members of the initial Board of Directors as set forth in the Certificate of Incorporation.

Section 3.4. Removal. Any Director may be removed, only for cause, at any special meeting of stockholders by the affirmative vote of the holders of a majority in number of all outstanding voting stock entitled to vote; provided that notice of the intention to act upon such matter has been given in the notice calling such meeting.

Section 3.5. Vacancies. Newly created directorships resulting from any increase in the authorized number of Directors and any vacancies occurring in the Board of Directors caused by death, resignation, retirement, disqualification or removal from office of any Directors or otherwise, may be filled by the vote of a majority of the Directors then in office, though less than a quorum, or a successor or successors may be chosen at a special meeting of the stockholders called for that purpose, and each successor Director so chosen will hold office until whichever of the following occurs first: his successor is elected and qualified, his resignation, his removal from office by the stockholders or his death.

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Section 3.6. Place of Meetings. Meetings of the Board of Directors, regular or special, may be held at such place within or without the State of Delaware as may be fixed from time to time by the Board of Directors.

Section 3.7. Annual Meeting. The first meeting of each newly elected Board of Directors will be held without further notice immediately following the annual meeting of stockholders and at the same place, unless by unanimous consent, the Directors then elected and serving change such time or place.

Section 3.8. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as is from time to time determined by resolution of the Board of Directors.

Section 3.9. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or the Chief Executive Officer on oral or written notice to each Director, given either personally, by telephone, by telegram or by mail; special meetings will be called by the Chairman of the Board, Chief Executive Officer, or Secretary in like manner and on like notice on the written request of at least three Directors. The purpose or purposes of any special meeting will be specified in the notice relating thereto.

Section 3.10. Quorum. At all meetings of the Board of Directors the presence of a majority of the number of Directors fixed by these Bylaws will be necessary and sufficient to constitute a quorum for the transaction of business, and the affirmative vote of at least a majority of the Directors present at any meeting at which there is a quorum will be the act of the Board of Directors, except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws. If a quorum is not present at any meeting of the Board of Directors, the Directors present thereat may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum is present.

Section 3.11. Interested Directors. No contract or transaction between the Corporation and one or more of its Directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of the Corporation's Directors or officers are directors or officers or have a financial interest, will be void or voidable solely for this reason, solely because the Director or officer is present at or participates in the meeting of the Board of Directors or committee thereof that authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if: (i) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors be less than a quorum, (ii) the material facts as to his relationship or



interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders.

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Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract or transaction.

Section 3.12. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board, designate committees, each committee to consist of two or more Directors of the Corporation, which committees will have such power and authority and will perform such functions as may be provided in such resolution. Such committee or committees will have such name or names as may be designated by the Board and will keep regular minutes of their proceedings and report the same to the Board of Directors when required.

Section 3.13. Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee of the Board of Directors may be taken without such a meeting if a consent or consents in writing, setting forth the action so taken, is signed by all the members of the Board of Directors or such committee, as the case may be.

Section 3.14. Compensation of Directors. Directors will receive such compensation for their services and reimbursement for their expenses as the Board of Directors, by resolution, may establish; provided that nothing herein contained will be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

#### ARTICLE IV

##### NOTICE

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Section 4.1. Form of Notice. Whenever by law, the Certificate of Incorporation or of these Bylaws, notice is to be given to any Director or stockholder, and no provision is made as to how such notice will be given, such notice may be given in writing, by mail, postage prepaid, addressed to such Director or stockholder at such address as appears on the books of the Corporation. Any notice required or permitted to be given by mail will be deemed to be given at the time the same is deposited in the United States mails.

Section 4.2. Waiver. Whenever any notice is required to be given to any stockholder or Director of the Corporation as required by law, the Certificate of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated in such notice, will be equivalent to the giving of such notice. Attendance of a stockholder or Director at a meeting will constitute a waiver of notice of such meeting, except where such stockholder or Director attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

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#### ARTICLE V

##### OFFICERS AND AGENTS

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Section 5.1. In General. The officers of the Corporation will consist of a Chief Executive Officer, Chief Financial Officer and Secretary and such other officers as shall be elected by the Board of Directors or appointed by the Chief Executive Officer (except the Board of Directors alone shall have authority to elect a Chief Executive Officer). Any two or more offices may be held by the same person.

Section 5.2. Election. The Board of Directors, at its first meeting after each annual meeting of stockholders, will elect the officers, none of whom need be a member of the Board of Directors.

Section 5.3. Other Officers and Agents. Except as set forth in Section 5.1 hereof, the Board of Directors and Chief Executive Officer may also elect and appoint such other officers and agents as it or he deems necessary, who will be elected and appointed for such terms and will exercise such powers and perform such duties as may be determined from time to time by the Board or the Chief Executive Officer.

Section 5.4. Compensation. The compensation of all officers and agents of the Corporation will be fixed by the Board of Directors or any committee of the Board, if so authorized by the Board.

Section 5.5. Term of Office and Removal. Each officer of the Corporation will hold office until his death, his resignation or removal from office, or the election and qualification of his successor, whichever occurs first. Any officer or agent elected or appointed by the Board of Directors or the Chief Executive Officer may be removed at any time, for or without cause, by the affirmative vote of a majority of the entire Board of Directors or at the discretion of the Chief Executive Officer (without regard to how the agent or officer was elected), but such removal will not prejudice the contract rights, if any, of the person so removed. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors or, in the case of a vacancy in the office of officer other than Chief Executive Officer and Chief Operating Officer, such vacancy may be filled by the Chief Executive Officer.

Section 5.6. Employment and Other Contracts. The Board of Directors may authorize any officer or officers or agent or agents to enter into any contract or execute and deliver any instrument in the name or on behalf of the Corporation, and such authority may be general or confined to specific instances. The Board of Directors may, when it believes the interest of the Corporation will best be served thereby, authorize executive employment contracts that will have terms no longer than ten years and contain such other terms and conditions as the Board of Directors deems appropriate. Nothing herein will limit the authority of the Board of Directors to authorize employment contracts for shorter terms.

Section 5.7. Chairman of the Board of Directors. If the Board of Directors has elected a Chairman of the Board, he will preside at all meetings of the stockholders and the Board of Directors. In addition, the Chairman of the Board shall perform whatever duties and shall exercise all powers that are given to him by the Board of Directors.

Section 5.8. Chief Executive Officer. The Chief Executive Officer will be the chief executive officer of the Corporation and, subject to the control of the Board of Directors, will

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supervise and control all of the business and affairs of the Corporation. The Chief Executive Officer shall have the authority to elect any officer of the Corporation other than the Chief Executive Officer or President. He will, in the absence of the Chairman of the Board, preside at all meetings of the stockholders and the Board of Directors. The Chief Executive Officer will have all powers and perform all duties incident to the office of Chief Executive Officer and will have such other powers and perform such other duties as the Board of Directors may from time to time prescribe. During the absence or disability of the President, or if no President shall be elected, the Chief Executive Officer will exercise the powers and perform the duties of President.

Section 5.9. Chief Operating Officer. The Chief Operating Officer, if one shall be elected, will have responsibility for oversight of the Corporation's operating and development activities. In the absence or disability of the Chief Executive Officer and the Chairman of the Board, the Chief Operating Officer will exercise the powers and perform the duties of the Chief Executive Officer. The Chief Operating Officer will render to the Directors whenever they may require it an account of the operating and development activities of the Corporation and will have such other powers and perform such other duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer may from time to time delegate to him.

Section 5.10. Chief Financial Officer. The Chief Financial Officer will have principal responsibility for the financial operations of the Corporation. The Chief Financial Officer will render to the Directors whenever they may require it an account of the operating results and financial condition of the Corporation and will have such other powers and perform such other duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer may from time to time delegate to him.

Section 5.11. Secretary. The Secretary will attend all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose. The Secretary will perform like duties for the Board of Directors and committees thereof when required. The Secretary will give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors. The Secretary will keep in safe custody the seal of the Corporation. The Secretary will be under the supervision of the Chief Executive Officer. The Secretary will have such other powers and perform such other duties as the Board of Directors may from time to time prescribe or as the Chief Executive Officer may from time to time delegate to him.

Section 5.12. Bonding. The Corporation may secure a bond to protect the Corporation from loss in the event of defalcation by any of the officers, which bond may be in such form and amount and with such surety as the Board of Directors may deem appropriate.

## ARTICLE VI

### CERTIFICATES REPRESENTING SHARES

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Section 6.1. Form of Certificates. Certificates, in such form as may be determined by the Board of Directors, representing shares to which stockholders are entitled will be delivered to each stockholder. Such certificates will be consecutively numbered and will be entered in the stock book

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of the Corporation as they are issued. Each certificate will state on the face thereof the holder's name, the number, class of shares, and the par value of such shares or a statement that such shares are without par value. They will be signed by the Chief Executive Officer or Chief Operating Officer and the Secretary or an Assistant Secretary, and may be sealed with the seal of the Corporation or a facsimile thereof. If any certificate is countersigned by a transfer agent, or an assistant transfer agent or registered by a registrar, either of which is other than the Corporation or an employee of the Corporation, the signatures of the Corporation's officers may be facsimiles. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on such certificate or certificates, ceases to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the Corporation or its agents, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the Corporation.

Section 6.2. Lost Certificates. The Board of Directors may direct that a new certificate be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost or destroyed certificate, or his legal representative, to advertise the same in such manner as it may require and/or to give the Corporation a bond, in such form, in such sum, and with such surety or sureties as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed. When a certificate has been lost, apparently destroyed or wrongfully taken, and the holder of record fails to notify the Corporation within a reasonable time after such holder has notice of it, and the Corporation registers a transfer of the shares represented by the certificate before receiving such notification, the holder of record is precluded from making any claim against the Corporation for the transfer of a new certificate.

Section 6.3. Transfer of Shares. Shares of stock will be transferable only on the books of the Corporation by the holder thereof in person or by such holder's duly authorized attorney. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it will be the duty of the Corporation or the transfer agent of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 6.4. Registered Stockholders. The Corporation will be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, will not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it has express or other notice thereof, except as otherwise provided by law.

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## ARTICLE VII

### INDEMNIFICATION

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Section 7.1. Indemnification of Directors and Officers. (a) The Corporation (i) shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was, at any time prior to or during which this Article VII is in effect, a director or officer of the Corporation, or is or was, at any time prior to or during which this Article VII is in effect, serving at the request of the Corporation as a director or officer of another corporation partnership, joint venture, trust, other enterprises or employee

benefit plan and (ii) upon a determination by the Board of Directors that indemnification is appropriate, the Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was, at any time prior to or during which this Article VII is in effect, an employee or agent of the Corporation or at the request of the Corporation was serving as an employee or agent of any other corporation, partnership, joint venture, trust, other enterprise or employee benefit plan, in the case of (i) and (ii) against reasonable expenses (including attorneys' fees), judgments, fines, penalties, amounts paid in settlement and other liabilities actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation (i) shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was, at any time prior to or during which this Article VII is in effect, a director or officer of the Corporation, or is or was, at any time prior to or during which this Article VII is in effect, serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and (ii) upon a determination by the Board of Directors that indemnification is appropriate, the Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was, at any time prior to or during which this Article VII is in effect, an employee or agent of the Corporation or at the request of the Corporation was serving as an employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in the case of (i) and (ii) against expenses (including attorneys' fees), actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in

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good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; provided, that no indemnification shall be made under this subsection (b) in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Delaware Court of Chancery, or other court of appropriate jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity of such expenses which the Delaware Court of Chancery, or other court of appropriate jurisdiction, shall deem proper.

(c) Any indemnification under subsections (a) or (b) (unless ordered by the Delaware Court of Chancery or other court of appropriate jurisdiction) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of such person is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors not parties to such action, suit or proceeding; or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel, in written opinion, selected by the Board of Directors; or (3) by the Stockholders. In the event a determination is made under this subsection (c) that the director, officer, employer or agent has met the applicable standard of conduct as to some matters but not as to others, amounts to be indemnified may be reasonably prorated.

(d) Expenses incurred by a person who is or was a director or officer of the Corporation in appearing at, participating in or defending any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, shall be paid by the Corporation at reasonable intervals in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized by this Article VII. In addition, the Corporation shall pay or reimburse expenses incurred by any person who is or was a director or officer of the Corporation in connection with such person's appearance as a witness or other participant in a proceeding in which such person or the Corporation is not a named party to such proceeding, provided that such appearance or participation is on behalf of the Corporation

or by reason of his capacity as a director or officer, or former director or officer of the Corporation.

(e) If in a suit or proceeding for indemnification required under this Article VII of a director or officer, or former director or officer, of the Corporation of any of its affiliates, a court of competent jurisdiction determines that such person is entitled to indemnification under this Article VII, the court shall award, and the Corporation shall pay, to such person the expenses incurred in securing such judicial determination.

(f) It is the intention of the Corporation to indemnify the persons referred to in this Article VII to the fullest extent permitted by law and with respect to any action, suit or proceeding arising from events which occur at any time prior to or during which this Article VII is in effect. The indemnification and advancement of expenses provided by this Article VII not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be or

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become entitled under any law, the Certificate of Incorporation, these Bylaws, agreement, the vote of stockholders or disinterested directors or otherwise, or under any policy or policies of insurance purchased and maintained by the Corporation on behalf of any such person, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

(g) The indemnification provided by this Article VII shall be subject to all valid and applicable laws, and, in the event this Article VII or any other provisions hereof or the indemnification contemplated hereby are found to be inconsistent with or contrary to any such valid laws, the latter shall be deemed to control and this Article VII shall be regarded as modified accordingly, and, as so modified, to continue in full force and effect.

#### ARTICLE VIII

##### GENERAL PROVISIONS

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Section 8.1. Dividends. Dividends upon the outstanding shares of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting. Dividends may be declared and paid in cash, in property, or in shares of the Corporation, subject to the provisions of the General Corporation Law of the State of Delaware and the Certificate of Incorporation. The Board of Directors may fix in advance a record date for the purpose of determining stockholders entitled to receive payment of any dividend, such record date will not precede the date upon which the resolution fixing the record date is adopted, and such record date will not be more than sixty days prior to the payment date of such dividend. In the absence of any action by the Board of Directors, the close of business on the date upon which the Board of Directors adopts the resolution declaring such dividend will be the record date.

Section 8.2. Reserves. There may be created by resolution of the Board of Directors out of the surplus of the Corporation such reserve or reserves as the Directors from time to time, in their discretion, deem proper to provide for contingencies, or to equalize dividends, or to repair or maintain any property of the Corporation, or for such other purpose as the Directors may deem beneficial to the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created. Surplus of the Corporation to the extent so reserved will not be available for the payment of dividends or other distributions by the Corporation.

Section 8.3. Telephone and Similar Meetings. Stockholders, directors and committee members may participate in and hold meetings by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other. Participation in such a meeting will constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

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Section 8.4. Books and Records. The Corporation will keep correct and complete books and records of account and minutes of the proceedings of its stockholders and Board of Directors, and will keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each.

Section 8.5. Fiscal Year. The fiscal year of the Corporation will be fixed by resolution of the Board of Directors.

Section 8.6. Seal. The Corporation may have a seal, and the seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. Any officer of the Corporation will have authority to affix the seal to any document requiring it.

Section 8.7. Insurance. The Corporation may at the discretion of the Board of Directors purchase and maintain insurance on behalf of the Corporation and any person whom it has the power to indemnify pursuant to law, the Certificate of Incorporation, these Bylaws or otherwise.

Section 8.8. Resignation. Any director, officer or agent may resign by giving written notice to the President or the Secretary. Such resignation will take effect at the time specified therein or immediately if no time is specified therein. Unless otherwise specified therein, the acceptance of such resignation will not be necessary to make it effective.

Section 8.9. Amendment of Bylaws. Other than as set forth herein, these Bylaws may be altered, amended, or repealed at any meeting of the Board of Directors at which a quorum is present, by the affirmative vote of a majority of the Directors present at such meeting.

Section 8.10. Invalid Provisions. If any part of these Bylaws is held invalid or inoperative for any reason, the remaining parts, so far as possible and reasonable, will be valid and operative.

Section 8.11. Relation to the Certificate of Incorporation. These Bylaws are subject to, and governed by, the Certificate of Incorporation of the Corporation as amended from time to time.

QUANTA SERVICES, INC.  
1997 STOCK OPTION PLAN  
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SECTION 1. PURPOSE OF PLAN. The purpose of the Quanta Services, Inc. 1997 Stock Option Plan (the "Plan") shall be to provide for the grant to employees, officers, directors, and consultants of the Company options to acquire Stock of the Company.

SECTION 2. DEFINITIONS. Unless the context clearly indicates otherwise, the following terms, when used in the Plan, shall have the meanings set forth in this section.

a. "Board" shall mean the Board of Directors of the Company.

b. "Cause" shall mean (i) Grantee's willful, material and irreparable breach of any agreement that governs the terms and conditions of his or her employment; (ii) Grantee's gross negligence or gross incompetence in the performance or intentional nonperformance (continuing for ten days after receipt of written notice of such negligence) of any of Grantee's material duties and responsibilities; (iii) Grantee's dishonesty, fraud or misconduct with respect to the business or affairs of the Company or any Subsidiary; (iv) Grantee's conviction of a felony crime; or (v) chronic alcohol abuse or illegal drug abuse by Grantee.

c. A "Change in Control" of the Company shall occur when: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30 percent or more of the combined voting power of the Company's then outstanding securities; (ii) as a result of, or in connection with, any tender offer or exchange offer, merger, or other business combination (a "Transaction"), the persons who were directors of the Company immediately before the Transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company; (iii) the Company is merged or consolidated with another corporation and as a result of the merger or consolidation less than 75 percent of the outstanding voting securities of the surviving or resulting corporation shall then be owned in the aggregate by the former stockholders of the Company; (iv) a tender offer or exchange offer is made and consummated for the ownership of securities of the Company representing 50 percent or more of the combined voting power of the Company's then outstanding voting securities; or (v) the Company transfers substantially all of its assets to another corporation which is not controlled by the Company.

d. "Code" shall mean the Internal Revenue Code of 1986 as it may be amended from time to time.

e. "Committee" shall mean any Committee of two or more Directors that may be designated by the Board to administer the Plan, all of which Committee's members shall be Nonemployee Directors. Additionally, if any Options are intended to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code, all members of the Committee granting such Options shall be "outside directors" within the meaning of that Code section.

f. "Consultant" shall mean any person who is engaged to perform services for the Company or its Subsidiaries, other than as an Employee or Director.

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g. "Control Person" shall mean any person who, as of the date of grant of an Option, owns (within the meaning of Section 422(b)(6) of the Code) stock possessing more than ten percent of the total combined voting power or value of all classes of stock of the Company or of any parent or Subsidiary.

h. "Company" shall mean Quanta Services, Inc., a Delaware corporation.

i. "Director" shall mean any member of the Board.

j. "Employee" shall mean any full-time employee of the Company or any Subsidiary (including Directors who are otherwise employed on a full-time basis by the Company or any Subsidiary).

k. "Exchange Act" shall mean the Securities Exchange Act of 1934 as it may be amended from time to time.

l. "Fair Market Value" of the Stock on a given date shall be based upon: (i) if the Stock is listed on a national securities exchange or quoted in an interdealer quotation system, the last sales price or, if such price is unavailable, the average of the closing bid and asked prices per share of the

Stock on such date (or, if there was no trading or quotation in the Stock on such date, on the next preceding date on which there was trading or quotation) as provided by one of such organizations; or (ii) if the Stock is not listed on a national securities exchange or quoted in an interdealer quotation system, the value as determined by the Board in good faith in its sole discretion; provided, however, that the "Fair Market Value" of Stock on the date on which shares of Stock are first issued and sold pursuant to a registration statement filed with and declared effective by the SEC (the "Registration Statement") shall be the Initial Public Offering price of the shares so issued and sold, as set forth in the first final prospectus used in such offering.

m. "Grantee" shall mean a person granted an Option under the Plan.

n. "Initial Public Offering" shall mean the initial public offering of shares of Stock in a firm commitment underwriting registered with the SEC in compliance with the provisions of the 1933 Act.

o. "ISO" shall mean an Option granted pursuant to the Plan to purchase shares of the Stock and intended to qualify as an incentive stock option under Section 422 of the Code, as now or hereafter constituted.

p. "1933 Act" shall mean the Securities Act of 1933, as it may be amended from time to time.

q. "Nonemployee Director" shall mean a director who:

(i) Is not currently an officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company or a Subsidiary, or otherwise currently employed by the Company or a Subsidiary;

(ii) Does not receive compensation, either directly or indirectly, from the Company or a Subsidiary, for services rendered as a consultant or in any capacity other than as a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of SEC Regulation S-K;

(iii) Does not possess an interest in any other transaction for which disclosure by the Company would be required pursuant to Item 404(a) of SEC Regulation S-K; and

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(iv) Is not engaged in a business relationship for which disclosure by the Company would be required pursuant to Item 404(b) of SEC Regulation S-K.

r. "NQSO" shall mean an Option granted pursuant to the Plan to purchase shares of the Stock that is not an ISO.

s. "Option" or "Options" shall refer to one or more NQSOs and ISOs issued under and subject to the Plan.

t. "Parent" shall mean any parent corporation as defined in Section 424 of the Code.

u. "SEC" means the United States Securities and Exchange Commission.

v. "Plan" shall mean the Quanta Services, Inc. 1997 Stock Option Plan as set forth herein and as amended from time to time.

w. "Stock" shall mean shares of the common stock, par value \$.00001 per share, of the Company.

x. "Subsidiary" shall mean any corporation with respect to which the Company owns, directly or indirectly, 50 percent or more of the total combined voting power of all classes of stock of such corporation.

SECTION 3. SHARES OF STOCK SUBJECT TO THE PLAN. Subject to the provisions of Section 10 hereof, the total amount of Stock with respect to which Options may be granted under the Plan shall not exceed the greater of (i) 2,380,850 shares (subject to adjustment pursuant to Section 10 hereof) and (ii) 15 percent of the total number of shares of Stock outstanding from time to time. Notwithstanding the foregoing, the total amount of Stock with respect to which ISOs may be granted under the Plan shall not exceed 2,380,850 shares. Moreover, the total amount of Stock with respect to which Options may be granted under the Plan to any Grantee during the term of the Plan shall not exceed 1,000,000 shares. Stock issuable under the Plan may be authorized but unissued shares or reacquired shares of Stock. If, prior to exercise, any Options are forfeited, lapse, or terminate for any reason, the Stock covered thereby shall again be available for Option grants under the Plan.

SECTION 4. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have the authority to interpret the Plan, to prescribe, amend, and rescind



rules and regulations relating to the Plan, to determine the terms and provisions of stock option agreements thereunder, and to make all other determinations necessary or advisable for the administration of the Plan. Any controversy or claim arising out of or related to the Plan or the Options granted thereunder shall be determined unilaterally by, and at the sole discretion of, the Committee. To the extent necessary to comply with Rule 16b-3 under the Exchange Act, determinations concerning Options granted to any person who is a Director or officer or otherwise subject to Section 16 of the Exchange Act shall be made by the Committee.

SECTION 5. TYPES OF OPTIONS. Options granted under the Plan may be of two types: ISOs or NQSOs. The Committee shall have the authority and discretion to grant to an eligible Employee either ISOs, NQSOs, or both but shall clearly designate the nature of each Option at the time of grant. Grantees who are not Employees of the Company or a Subsidiary on the date an Option is granted shall receive only NQSOs.

SECTION 6. GRANT OF OPTIONS TO EMPLOYEES AND CONSULTANTS.

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(a) Employees and Consultants of the Company and its Subsidiaries shall be eligible to receive Options under the Plan.

(b) The exercise price per share of Stock subject to an Option granted to an Employee or Consultant shall be determined by the Committee; provided, however, that the exercise price of each share subject to an Option shall be not less than 100 percent of the Fair Market Value of a share of the Stock on the date such Option is granted, or, in the case of an ISO granted to a Control Person, not less than 110 percent of such Fair Market Value.

(c) The term of each Option granted to an Employee or Consultant shall be determined by the Committee, provided that no ISO shall be exercisable more than ten years from the date of grant of the Option and further provided that no ISO granted to a Control Person shall be exercisable more than five years from the date of grant of the Option.

(d) The Committee shall determine and designate from time to time Employees or Consultants who are to be granted Options, the nature of each Option granted and the number of shares of Stock subject to each such Option.

(e) Notwithstanding any other provisions hereof, the aggregate Fair Market Value (determined at the time the ISO is granted) of the Stock with respect to which ISOs are exercisable for the first time by any Employee during any calendar year under all plans of the Company and any Parent or Subsidiary corporation shall not exceed \$100,000. To the extent the limitation set forth in the preceding sentence is exceeded, the Options with respect to such excess shall be treated as NQSOs.

(f) The Committee, in its sole discretion, shall determine whether any Option granted to an Employee or Consultant shall become exercisable in one or more installments and shall specify the installment dates. The Committee may also make such other provisions, not inconsistent with the terms of this Plan, as it may deem desirable, including such provisions as it may deem necessary to qualify any ISO under the provisions of Section 422 of the Code. Without limitation of the foregoing, the Committee may, in its discretion, provide that Options shall immediately become exercisable upon (i) the death of an Employee or Consultant while in the employ of the Company or any Subsidiary or (ii) a Change in Control.

(g) The Committee may, at any time, grant new or additional options to any eligible Employee or Consultant who has previously received Options under the Plan or options under other plans, whether such prior Options or other options are still outstanding, have been exercised previously in whole or in part, or have been canceled. The exercise price of such new or additional Options may be established by the Committee, subject to Section 6(b) hereof, without regard to such previously granted Options or other options.

SECTION 7. GRANTS OF OPTIONS TO NONEMPLOYEE DIRECTORS.

(a) Nonemployee Directors of the Company shall be eligible to receive Options under the Plan only pursuant to the provisions of this Section 7. Each individual who agrees to become a Nonemployee Director prior to the filing of the Registration Statement covering the Initial Public Offering shall receive, without the exercise of the discretion of any person, an NQSO under the Plan relating to the purchase of 10,000 shares of Stock. Each individual who agrees to become a Nonemployee Director between the filing and effective date of the Registration Statement covering the Initial Public Offering shall receive, without the exercise of the discretion of any person, an NQSO under the Plan relating to the purchase of 10,000 shares of stock at

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an exercise price equal to the Initial Public Offering price per share. Thereafter, each individual who agrees to become a Nonemployee Director within six months following (i) the effective date of the Registration Statement covering the Initial Public Offering or (ii) an annual meeting of the Company's stockholders shall receive, without the exercise of the discretion of any person, an NQSO under the Plan relating to the purchase of 10,000 shares of Stock. In addition, on the day after the first annual meeting of stockholders next following the date of the Initial Public Offering, and the date after each subsequent annual meeting, each person who is a continuing Nonemployee Director on any such date shall receive, without the exercise of the discretion of any person, an NQSO under the Plan relating to the purchase of 5,000 shares of Stock, and each person who is a new, first-time Nonemployee Director on any such date and who became a Nonemployee Director more than six months following (i) the effective date of the Registration Statement covering the Initial Public Offering or (ii) the immediately preceding annual meeting of the Company's stockholders shall receive, without the exercise of the discretion of any person, an NQSO under the Plan relating to the purchase of 10,000 shares of Stock. In the event that there are not sufficient shares available under the Plan to allow for the grant to each Nonemployee Director of an NQSO for the number of shares provided herein, each Nonemployee Director shall receive an NQSO for his pro rata share of the total number of shares of Stock available under the Plan.

(b) The exercise price of each share of Stock subject to an Option granted to a Nonemployee Director shall equal the Fair Market Value of a share of Stock on the date such Option is granted. Payment of the exercise price for the shares being purchased shall be made in cash.

(c) Each Option granted to a Nonemployee Director shall become exercisable six months from, and shall have a term of ten (10) years from, the date of Option grant, or, if later, the date the Grantee becomes a Nonemployee Director. Notwithstanding the exercise period of any Option granted to a Nonemployee Director, all such Options shall immediately become exercisable upon (i) the death of a Nonemployee Director while serving as such or (ii) a Change in Control.

#### SECTION 8. EXERCISE OF OPTIONS.

(a) A Grantee shall exercise an Option by delivery of written notice to the Company setting forth the number of shares with respect to which the Option is to be exercised, together with cash, certified check, bank draft, or postal or express money order payable to the order of the Company for an amount equal to the Option price of such shares and any income tax required to be withheld. The Committee may, in its sole discretion, permit a Grantee to pay all or a portion of the exercise price by a simultaneous sale of the shares of Stock to be issued pursuant to such exercise pursuant to a brokerage or similar arrangement.

(b) Except as provided pursuant to Section 9(a) hereof, no Option granted to an Employee or Consultant shall be exercised unless at the time of such exercise the Grantee is then an Employee or Consultant of the Company or a Subsidiary.

(c) Except as provided in Section 9(a) hereof, no Option granted to a Nonemployee Director shall be exercised unless at the time of such exercise the Grantee is then a Nonemployee Director.

(d) Before the Company issues Stock to a Grantee pursuant to the exercise of an NQSO, the Company shall have the right to require that the Grantee make such provision, or furnish the Company such authorization, necessary or desirable so that the Company may satisfy its obligation under applicable income tax laws to withhold income or other taxes due upon or incident to such exercise.

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#### SECTION 9. EXERCISE OF OPTIONS UPON TERMINATION.

(a) Subject to Section 9 (c) hereof, upon the termination of a Grantee's relationship with the Company and its Subsidiaries, the period during which such Grantee may exercise any outstanding and then exercisable installments of his Options shall not exceed (i) if such termination is due to death or permanent and total disability (within the meaning of Section 22(e)(3) of the Code), one year from the date of such termination, and (ii) in all other cases, three months (six months for Nonemployee Directors) from the date of such termination, provided, however, that in no event shall the period extend beyond the expiration of the Option term. Notwithstanding the foregoing, all Options shall immediately terminate upon a termination of a Grantee's employment if the Committee determines, in its sole discretion, that such termination is for Cause.

(b) In no event shall any Option be exercisable for more than the maximum number of shares that the Grantee was entitled to purchase at the date of termination of the relationship with the Company and its Subsidiaries; provided,

however, that in the case of Options granted prior to the Initial Public Offering to a Grantee who at no time prior to the date of termination of his relationship with the Company and its Subsidiaries was subject to the provisions of Section 16(b) of the Exchange Act, any member of the Board who had been the Grantee's immediate or ultimate supervisor prior to the Initial Public Offering may, in the sole discretion of such Board member, accelerate the exercisability of all or a portion of such Option which is not then otherwise exercisable if (i) such Grantee is terminated by the Company or a Subsidiary without Cause or (ii) the Subsidiary employing such Grantee is sold.

(c) The Committee may, in its discretion, extend the period of exercisability set forth in clauses (i) and (ii) in paragraph (a) above; provided, however, that such period may not be extended for Options granted to Nonemployee Directors.

(d) Subject to Section 9(b) hereof, the sale of any Subsidiary shall be treated as a termination of employment with respect to any Grantee employed by such Subsidiary.

(e) Subject to the foregoing, in the event of a Grantee's death, Options may be exercised by the Grantee's legal representative.

SECTION 10. ADJUSTMENT UPON CHANGES IN CAPITALIZATION. If the Company shall effect a subdivision or consolidation of shares or other increase or reduction of shares of Stock outstanding without receiving compensation therefor in money, services or property, or any other change in corporate capital structure shall occur, then (a) the number of shares subject to outstanding Options shall be proportionately adjusted (without a change in the total price applicable to any such Option, but with a corresponding adjustment in the price per share), and (b) the number of shares available for issuance under Sections 3 and 7(a) shall be proportionately adjusted.

SECTION 11. RESTRICTIONS ON ISSUING SHARES. No Stock shall be issued or transferred under the Plan unless and until all applicable legal requirements have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Option on the Grantee's undertaking in writing to comply with such restrictions on any subsequent disposition of the shares of Stock issued or transferred thereunder as the Committee shall deem necessary or advisable as a result of any applicable law, regulation, official interpretation thereof, or underwriting agreement, and certificates representing such shares may be legended to reflect any such restrictions.

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#### SECTION 12. OPTION AGREEMENTS; MISCELLANEOUS TERMS.

(a) Each Option shall be evidenced by a written agreement containing such terms and conditions, not inconsistent with the Plan, as the Committee shall approve. The terms and provisions of such agreements may vary among Grantees and among different Options granted to the same Grantee.

(b) The grant of an Option in any year shall not give the Grantee any right to similar grants in future years, any right to continue such Grantee's employment relationship with the Company or its Subsidiaries, or, until such Option is exercised and share certificates are issued, any rights as a Stockholder of the Company. All Grantees shall remain subject to discharge to the same extent as if the Plan were not in effect.

(c) No Grantee, and no beneficiary or other persons claiming under or through the Grantee, shall have any right, title, or interest by reason of any Option to any particular assets of the Company or its Subsidiaries or any shares of Stock allocated or reserved for the purposes of the Plan or subject to any Option except as set forth herein. The Company shall not be required to establish any fund or make any other segregation of assets to assure the payment of any Option.

(d) No Option shall be subject to anticipation, sale, assignment, pledge, encumbrance, or charge except by will or the laws of descent and distribution, and an Option shall be exercisable during the Grantee's lifetime only by the Grantee.

(e) The issuance of shares of Stock to Grantees or to their legal representatives shall be subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

SECTION 13. AMENDMENT AND TERMINATION. The Board may, at any time, alter, amend, suspend, discontinue, or terminate the Plan; provided, however, that no such action shall adversely affect the rights of Grantees to Options previously granted hereunder and provided further that any stockholder approval necessary or desirable in order to comply with Rule 16b-3 under the Exchange Act or with Section 422 of the Code (or other applicable law or regulation) shall be obtained in the manner required therein.

SECTION 14. EFFECTIVE DATE OF PLAN. The Plan shall be effective upon its

adoption by the Board and its approval by the Company's stockholders. No ISO may be granted more than ten years after such effective date.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports dated December 5, 1997, on the financial statements of the following businesses included in or made a part of this registration statement on Form S-1: PAR Electrical Contractors, Inc.; Quanta Services, Inc.; Union Power Construction Company; TRANS TECH Electric, Inc.; and Potelco, Inc.; and to all references to our firm included in this registration statement.

ARTHUR ANDERSEN LLP

Houston, Texas

January 23, 1998

CONSENT OF PROPOSED DIRECTOR

The undersigned hereby consents to being named as a proposed member of the Board of Directors of Quanta Services, Inc. (the "Registrant") in the Prospectus constituting a part of the Registration Statement on Form S-1 of the Registrant filed under the Securities Act of 1933, as amended.

/s/ James R. Ball

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James R. Ball

January 21, 1998