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

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM   TO   .

COMMISSION FILE NO. 001-13831

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

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	74-2851603 (I.R.S. EMPLOYER IDENTIFICATION NO.)
1360 POST OAK BLVD. SUITE 2100 HOUSTON, TEXAS 77056 (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	3555 TIMMONS LANE SUITE 610 HOUSTON, TEXAS 77027 (FORMER ADDRESS)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 629-7600

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

16,594,419 shares of Common Stock were outstanding as of August 13, 1998. As of the same date, 3,345,333 shares of Limited Vote Common Stock were outstanding.

QUANTA SERVICES, INC.

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QUANTA SERVICES, INC.

PART I, ITEM 1--FINANCIAL INFORMATION

SUPPLEMENTAL PRO FORMA COMBINED FINANCIAL INFORMATION

OVERVIEW AND BASIS OF PRESENTATION

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. In February 1998, Quanta completed its initial public offering (the "Offering"), concurrent with which Quanta acquired, in separate transactions, four entities (the "Founding Companies"). From the date of the Offering through June 30, 1998, the Company has acquired three additional businesses for approximately $23.5 million in cash and 2,248,685 shares of Common Stock. Of these additional acquired businesses, one was accounted for as a pooling-of-interests and is referred to herein as the "Pooled Company." The remaining acquired businesses were accounted for as purchases and are referred to herein as the "Purchased Companies." Quanta intends to continue to acquire through merger or purchase similar companies to expand its national and regional operations.

Pursuant to the Securities and Exchange Commission's Staff Accounting Bulletin No. 97 (SAB 97), the financial statements of Quanta for periods prior to February 18, 1998 (the effective closing date of the acquisitions of the Founding Companies) are the financial statements of PAR Electrical Contractors, Inc. ("PAR" or the "Accounting Acquiror"). The operations of the other Founding Companies and Quanta, acquired by the Accounting Acquiror, have been included in the Company's historical financial statements beginning February 19, 1998.

The accompanying pro forma combined statements of operations of the Company for the six months ended June 30, 1997 and 1998, respectively, include the combined operations of the Pooled Company and the Founding Companies from January 1, 1997, and the Purchased Companies from the date of their respective acquisition.

The unaudited pro forma combined statements of operations for the six months ended June 30, 1997 and 1998 assume that the Offering and related transactions were closed on January 1, 1997 and present certain data for the Company as adjusted for: 1) the acquisition of the Founding Companies; 2) the IPO completed on February 18, 1998; 3) certain reductions in salaries, bonuses and benefits to former owners of the Founding Companies; 4) amortization of goodwill resulting from the acquisition of the Founding Companies; 5) reduction in interest expense, net of interest expense on borrowings to fund S corporation distributions by certain of the Founding Companies, and 6) adjustments to the federal and state income tax provision based on pro forma operating results.

The unaudited pro forma combined statements of operations are presented herein as the Company believes certain investors find the information useful. This statement should be read in conjunction with the Company's historical unaudited financial statements and notes thereto included in this Form 10-Q. The pro forma adjustments are based on estimates, available information and certain assumptions which may be revised as additional information becomes available. The pro forma financial data does not purport to represent what the Company's combined financial position or results of operations would actually have been if such transactions had in fact occurred on those dates and are not necessarily representative of the Company's financial position or results of operations for any future period. Since Quanta, the Founding Companies, the Pooled Company and the Purchased Companies were not under common control or management for a portion of the periods presented, historical combined results may not be comparable to, or indicative of, future performance.

Operating results for the interim periods are not necessarily indicative of the results for full years. The results of the Company have historically been subject to significant seasonal fluctuations. It is suggested that these pro forma combined financial statements be read in conjunction with the pro forma combined financial statements and the notes thereto included in the Company's Registration Statement on Form S-4, as amended, (Reg. No. 333-47083), which was filed with the Securities and Exchange Commission ("SEC") on February 27, 1998.

QUANTA SERVICES, INC. AND SUBSIDIARIES

SUPPLEMENTAL PRO FORMA COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE INFORMATION)
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1998
Revenues	$79,024	$108,253
Cost of services (including depreciation)	66,039	88,854
Gross profit	12,985	19,399
Selling, general & administrative expenses	6,953	9,845
Merger expenses--pooling	--	231
Goodwill amortization	848	967
Income from operations	5,184	8,356
Other income (expense):		
Interest expense	(657)	(1,012)
Other income (expense), net	162	237
	(495)	(775)
Income before income tax expense	4,689	7,581
Provision for income taxes	2,136	3,477
Net income	$ 2,553	$ 4,104
Basic earnings per share	$ .15	$ .23
Diluted earnings per share	$ .15	$ .23
Diluted earnings per share before merger expenses	$ .15	$ .24
Shares used in computing pro forma earnings per share--		
Basic	16,995	17,834
Diluted	16,995	17,942

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

(1) Shares Used in Computing Pro Forma Earnings Per Share

The 16,995,056 shares used in the calculation of unaudited pro forma combined basic and diluted earnings per share for the six months ended June 30, 1997 include (i) 7,527,000 shares of Common Stock issued to the owners of the Founding Companies, (ii) 951,945 shares issued for the acquisition of the Pooled Company, (iii) 3,345,333 shares of Limited Vote Common Stock issued to the initial stockholders and certain management personnel of the Company, and (iv) 5,750,000 shares of Common Stock, net of 579,222 shares representing net cash to Quanta, sold in the Offering to pay the cash portion of the consideration for the Founding Companies, to repay expenses incurred in connection with the Offering and to retire debt.

The 17,834,154 shares used in the calculation of unaudited pro forma combined basic earnings per share for the six months ended June 30, 1998 include (i) 7,527,000 shares of Common Stock issued to the owners of the Founding Companies, (ii) 951,945 shares issued for the acquisition of the Pooled Company, (iii) the weighted average portion of the shares issued in acquisitions accounted for as purchases, (iv) 3,345,333 shares of Limited Vote Common Stock issued to the initial stockholders and certain management personnel of the Company, and (v) 5,750,000 shares of Common Stock, net of 357,174 shares representing net cash to Quanta, sold in the Offering to pay the cash portion of the consideration for the Founding Companies, to repay expenses incurred in connection with the Offering and to retire debt.

Shares used in the calculation of unaudited pro forma combined diluted earnings per share for the six months ended June 30, 1998 include (i) the 17,834,154 shares described above, and (ii) the dilution attributable to outstanding options to purchase Common Stock, using the treasury stock method.

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS	DECEMBER 31, 1997	JUNE 30, 1998 (UNAUDITED)
CURRENT ASSETS:		
Cash and cash equivalents	$ 489	$ 1,778
Accounts receivable, net of allowance of $193 and $972	12,878	43,856
Costs and profits recognized in excess of billings	1,746	18,221
Inventories	865	1,750
Prepaid expenses and other	724	1,198
Total current assets	16,702	66,803
PROPERTY AND EQUIPMENT, NET	18,286	44,088
OTHER ASSETS	645	1,170
GOODWILL, NET	114	93,765
Total assets	$35,747	$205,826

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 1997	JUNE 30, 1998 (UNAUDITED)
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 7,200	$ 3,946
Accounts payable and accrued expenses	6,578	33,301
Billings in excess of costs and profits recognized	738	2,832
Total current liabilities	14,516	40,079
LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities	7,542	33,112
Deferred income taxes	2,479	3,879
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred Stock	--	--
Common Stock	--	--
Limited Vote Common Stock	--	--
Unearned ESOP shares	(1,831)	(1,831)
Additional paid-in capital	1,238	115,375
Retained earnings	11,803	15,212
Total stockholders' equity	11,210	128,756
Total liabilities and stockholders' equity	$35,747	$205,826

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE INFORMATION)
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1997	1998
Revenues	$ 20,226	$ 63,679	$ 34,799	$ 93,717
Cost of services (including depreciation)	15,973	51,225	28,861	76,681
Gross profit	4,253	12,454	5,938	17,036
Selling, general & administrative expenses	2,647	5,545	4,855	8,889
Merger expenses pooling	--	231	--	231
Goodwill amortization	14	553	28	749
Income from operations	1,592	6,125	1,055	7,167
Other income (expense):				
Interest expense	(287)	(656)	(557)	(1,049)

Other income (expense), net........	(54)	116	(94)	191
	(341)	(540)	(651)	(858)
Income before income tax expense.....	1,251	5,585	404	6,309
Provision for income taxes...........	513	2,544	136	2,900
Net income........................	$ 738	$ 3,041	$ 268	$ 3,409
Basic earnings per share............	$ .19	$ .16	$ .07	$ .24
Diluted earnings per share..........	$ .19	$ .16	$ .07	$ .24
Diluted earnings per share before merger expenses....................	$ .19	$ .18	$ .07	$ .25
Shares used in computing earnings per share--				
Basic.............................	3,952	18,444	3,952	14,399
Diluted...........................	3,952	18,606	3,952	14,506

</TABLE>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

<TABLE>
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	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1997	1998
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income..........................	$ 738	$ 3,041	$ 268	$ 3,409
Adjustments to reconcile net income to net cash provided by operating activities--				
Depreciation and amortization.......	803	2,217	1,606	3,364
Gain (loss) on sale of property and equipment.........................	5	(8)	2	(57)
Deferred income taxes..............	(2)	87	15	192
Changes in operating assets and liabilities--				
(Increase) decrease in--				
Accounts receivable..............	(2,760)	(502)	(406)	(3,163)
Inventories......................	(65)	478	47	(128)
Costs and estimated earnings in excess of billings on uncompleted contacts........................	(262)	(4,514)	(857)	(5,643)
Prepaid expenses and other current assets..........................	58	35	128	41
Increase (decrease) in--				
Accounts payable and accrued expenses........................	1,605	1,205	1,641	5,768
Billings in excess of costs and estimated earnings on uncompleted contracts.......................	(445)	1,754	(1,090)	184
Other, net.......................	(33)	(438)	(33)	(442)
Net cash provided by (used in) operating activities..............	(358)	3,355	1,321	3,525
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of properties and equipment.........................	68	153	95	969
Additions of property and equipment..	(2,536)	(4,342)	(3,939)	(7,266)
Cash paid for acquisitions, net of cash acquired......................	--	(22,716)	--	(34,773)
Net cash used in investing activities........................	(2,468)	(26,905)	(3,844)	(41,070)
CASH FLOWS FROM FINANCING ACTIVITIES:				

Proceeds from long-term debt	292	159	1,692	564
Payments of long-term debt	(733)	(8,795)	(1,645)	(24,838)
Issuances of Common Stock, net of offering costs	--	--	--	45,109
Net (payments)/borrowings under lines of credit	3,143	28,895	1,964	26,369
Distributions to stockholders	--	--	--	(8,370)
Net cash provided by financing activities	2,702	20,259	2,011	38,834
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(124)	(3,291)	(512)	1,289
CASH AND CASH EQUIVALENTS, beginning of period	124	5,069	512	489
CASH AND CASH EQUIVALENTS, end of period	$ --	$ 1,778	$ --	$ 1,778
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for--				
Interest	$ 288	$ 577	$ 540	$ 935
Income taxes	$ 5	$ 536	$ 33	$ 799

</TABLE>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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.

In February 1998, Quanta completed its initial public offering (the "Offering"), concurrent with which Quanta acquired, in separate transactions, four entities (the "Founding Companies"). Subsequent to the date of the Offering, and through June 30, 1998, the Company has acquired three additional businesses for approximately $23.5 million in cash and 2,248,685 shares of Common Stock. Of these additional acquired businesses, one was accounted for as a pooling-of-interests and is referred to herein as the "Pooled Company." The remaining acquired businesses were accounted for as purchases and are referred to herein as the "Purchased Companies." Quanta intends to continue to acquire through merger or purchase similar companies to expand its national and regional operations.

Pursuant to the Securities and Exchange Commission's Staff Accounting Bulletin No. 97 ("SAB 97"), the financial statements of Quanta for periods prior to February 18, 1998 (the effective closing date of the acquisitions of the Founding Companies), are the financial statements of PAR Electrical Contractors, Inc. ("PAR" or the "Accounting Acquiror") as restated for the acquisition of the Pooled Company in June 1998. The operations of the other Founding Companies and Quanta, acquired by the Accounting Acquiror, have been included in the Company's historical financial statements beginning February 19, 1998.

Interim Condensed Consolidated Financial Information

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities Exchange Commission ("SEC"). Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim consolidated financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

It is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and notes thereto of

Quanta and the Founding Companies included in the Company's Registration Statement on Form S-4, as amended, (Reg. No. 333-47083) which was filed with the SEC on February 27, 1998.

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.

2. BUSINESS COMBINATIONS:

Pooling

During the second quarter of 1998, the Company acquired all of the outstanding stock of a company in exchange for 951,945 shares of Common Stock. This Company provides outside and inside fiber optic networks

and technical services support for the telecommunications industry. This acquisition has been accounted for as a pooling-of-interests and the results of its operations are included for all periods presented herein.

Purchases

During the second quarter of 1998, the Company completed two acquisitions accounted for as purchases. The aggregate consideration paid in these transactions consisted of $23.5 million in cash and 1,296,740 shares of Common Stock. The accompanying balance sheet as of June 30, 1998 includes preliminary allocations of the respective purchase prices and is subject to final adjustment. Set forth below are unaudited pro forma combined revenue and income data reflecting the pro forma effect of these acquisitions on the Companys results of operations for the year ended December 31, 1997 and the six months ended June 30, 1998. The unaudited data presented below consists of the income statement data as presented in these condensed consolidated financial statements plus (i) the income statement data of the Founding Companies for the periods prior to February 19, 1998, (ii) the effects of the Pooled Company and (iii) all Purchased Companies as if the acquisitions were effective on the first day of the year being reported. The revenue and net income data are in thousands.

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<S>	YEAR ENDED DECEMBER 31, 1997 <C>	SIX MONTHS ENDED JUNE 30, 1998 <C>
Revenues	$223,110	$132,555
Net income	$ 13,279	$ 5,542
Earnings per share (basic and diluted)	$ .73	$ .29

</TABLE>

Pro forma adjustments included in the amounts above primarily relate to: (a) reductions in former owners and certain key employees salaries and benefits; (b) adjustment to depreciation and amortization expense due to the purchase price allocations; (c) elimination of historical interest expense related to certain obligations which were repaid or not assumed by the Company, and to record interest expense on cash expended in the acquisitions of the Purchased Companies; (d) elimination of non-recurring acquisition costs associated with the Pooled Company; and (e) adjustment to the federal and state income tax provisions based on the combined operations. The pro forma financial data does not purport to represent what the Company's combined financial position or results of operations would actually have been if such transactions had in fact occurred on those dates and are not necessarily representative of the Company's financial position or results of operations for any future period.

3. PER SHARE INFORMATION:

For financial statement presentation purposes, PAR has been identified as the accounting acquiror as its shareholders represented the largest shareholding interest in Quanta as of the Offering. The computation of basic and diluted earnings per share for the three and six months ended June 30, 1997 is based upon the 3,000,000 shares of Common Stock issued in connection with PAR and 951,945 shares issued in connection with the acquisition of the Pooled Company during the quarter ended June 30, 1998.

The computation of basic earnings per share for the three and six months ended June 30, 1998 is based upon 18,444,423 and 14,398,526 weighted average shares of Common Stock outstanding which includes (i) 7,527,000 shares of Common Stock 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, (iii) 5,750,000 shares of Common Stock sold in the Offering to pay the cash portion of the consideration for the Founding Companies to repay expenses incurred in connection with the Offering and to retire debt, (iv) 951,945 shares issued for the acquisition of the Pooled Company, and (v) the weighted average portion of the 1,296,740 shares issued in acquisitions accounted for as purchases.

Shares used in the calculation of the diluted earnings per share for the three and six months ended June 30, 1998 include (i) the shares described above, and (ii) the dilution attributable to outstanding options to purchase Common Stock, using the treasury stock method.

4. INCOME TAXES:

Certain of the acquisitions were S corporations for income tax purposes and, accordingly, any income tax liabilities for the periods prior to the acquisitions are the responsibility of the respective stockholders. Effective with the acquisitions, the S corporations converted to C corporations. Accordingly, an estimated deferred tax liability has been recorded to provide for the estimated future income tax liability as a result of the difference between the book and tax bases of the net assets of these former S corporations. For purposes of these consolidated financial statements, federal and state income taxes have been provided for the post-acquisition periods.

5. 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 notes to future consolidated annual financial statements.

6. COMMITMENTS AND CONTINGENCIES:

The Company issued shares of Common Stock to an Employee Stock Ownership Plan (the "ESOP") in connection with the acquisition of the Pooled Company. The ESOP was terminated on July 31, 1998, and pending a favorable determination letter from the Internal Revenue Service, a portion of the shares of the Company's Common Stock held by the ESOP will be sold to repay debt owed by the ESOP to the Company and the remaining portion of the unallocated shares will be distributed to its participants. The cost of the unallocated ESOP shares is reflected as a reduction in the Company's stockholders' equity at June 30, 1998. Upon distribution from the ESOP, the Company will owe an excise tax equal to 10% of the value of the Company's Common Stock distributed. In addition, the Company will eliminate the remaining balance reflected as Unearned ESOP Shares on the Company's balance sheet and will have to recognize a non-cash non-recurring compensation charge equal to the value of the unallocated shares held by the ESOP at the time it allocates and distributes such shares. Although the Company currently cannot determine the amount of the excise tax that will be owed or the non-cash non-recurring compensation charge that will be recognized the amount of such obligations would not be material to the Company's financial condition based on the market price for the Company's Common Stock on August 13, 1998.

7. NEW PRONOUNCEMENTS:

In the first quarter of 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires the display of comprehensive income and its components in the 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. For the quarters ended June 30, 1998 and 1997, there are no material differences between the Company's "traditional" and "comprehensive" net income.

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which establishes standards for the way public enterprises are to report information about operating segments in annual financial statements and requires the reporting of selected information about operating segments in interim financial reports issued to shareholders. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131 is effective for the Company for its year ended December 31, 1998, at which time the Company will adopt the provision. The Company is currently evaluating the impact on the Company's financial disclosures.

In February 1998, the FASB issued SFAS No. 132, "Employers Disclosures about Pensions and Other Postretirement Benefits," which becomes effective for financial statements for the year ended December 31, 1998. SFAS No. 132 requires revised disclosures about pension and other postretirement benefit plans. The Company is currently assessing the impact of this statement on its annual financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which becomes effective for financial statements beginning January 1, 2000. SFAS No. 133 requires a company to recognize all derivative instruments (including certain derivative instruments embedded in other contracts) as assets or liabilities in its balance sheet and measure them at fair value. The statement requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company is evaluating SFAS No. 133 and the impact on existing accounting policies and financial reporting disclosures. However, the Company has not to date engaged in activities or entered into arrangements normally associated with derivative instruments.

In March 1998 the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP provides guidance with respect to accounting for the various types of costs incurred for computer software developed or obtained for the Company's use. The Company is required to, and will adopt SOP 98-1 by the first quarter of fiscal 1999 and believes that adoption will not have a material effect on its consolidated financial statements.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," which requires costs of start-up activities to be expensed as incurred, and upon adoption, previously deferred costs should be charged as a cumulative effect of a change in accounting principle. The statement is effective for financial statements beginning after December 15, 1998, and the Company expects to adopt the new standard in January 1999. The adoption of this standard is not expected to have a material effect on the Company's financial position or result of operations.

8. SUBSEQUENT EVENTS:

Business Combinations

Subsequent to June 30, 1998, the Company has acquired four additional companies for an aggregate consideration of $25.1 million in cash, $2.25 million in notes payable and 1,068,734 shares of Common Stock. The cash portion of such consideration was provided by borrowings under the Company's credit facility. The Company has also announced the signing of non-binding letters of intent to acquire three additional companies having estimated combined annual revenues of $50 million. The consideration related to these companies is under negotiation.

Credit Facility

In April 1998, the Company obtained a $50.0 million revolving credit facility (the "Credit Facility") from two commercial banks. In August 1998, the Company amended its Credit Facility to increase it to $125.0 million.

The Credit Facility is secured by a pledge of all of the capital stock of the Company's material operating subsidiaries and is to provide funds to be used for working capital, to finance acquisitions and for other general corporate purposes. Amounts borrowed under the Credit Facility 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 Credit Facility contains usual and customary covenants for a credit facility of this nature including the prohibition of the payment of dividends, certain financial ratio covenants and the consent of the lenders for acquisitions exceeding a certain level of cash consideration.

Strategic Investment

In August 1998, the Company entered into a non-binding letter of intent with Enron Capital & Trade Resources Corp. (ECT), a subsidiary of Enron Corp., pursuant to which ECT or its affiliated companies will make an investment of $50 million in Quanta. The investment will take the form of a Convertible Subordinated Note. Additionally, Quanta and ECT will enter into a strategic alliance pursuant to which ECT and Quanta will exchange information regarding the design, construction and maintenance of electric power transmission and distribution systems and fiber optic communications systems for ECT and its affiliates. The investment and strategic alliance is subject to approval of the Boards of Directors of Quanta and Enron, negotiation of definitive documentation and certain other conditions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Except for the historical financial information contained herein, the matters discussed in this Quarterly Report on Form 10-Q may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include declarations regarding the intent, belief or current expectations of the Company and its management, statements regarding the future results of acquired companies, the Company's gross margins and the Company's expectations regarding Year 2000 issues. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are the risk factors identified in the Company's Registration Statement on Form S-4, as amended, which was filed with the Securities and Exchange Commission on February 27, 1998, and which is available at the SEC's Web site at www.sec.gov.

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. 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 predicted 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. The Company is subject to a $500,000 deductible for workers compensation insurance on certain of its operations. Fluctuations in insurance accruals related to this deductible could have a significant impact on gross margins in the period in which such adjustments are made. Selling, general and administrative expenses consist primarily of compensation and related benefits to officers, administrative salaries and benefits, marketing expenses, office rent and utilities, communication and professional expenses.

RESULTS OF OPERATIONS--PRO FORMA COMBINED

The unaudited pro forma combined statements of operations for the three and six months ended June 30, 1997 and 1998 assume that the acquisition of the Founding Companies, the Offering and related transactions were closed on

January 1, 1997, as restated for the pooling-of-interests acquisition in June 1998, and present certain data for the Company as adjusted for: 1) the acquisition of the Founding Companies, 2) the IPO completed on February 18, 1998, 3) certain reductions in salaries, bonuses and benefits to former owners of the Founding Companies, 4) amortization of goodwill resulting from the acquisition of the Founding Companies, 5) reduction in interest expense, net of interest expense on borrowings to fund S corporation distributions by certain of the Founding Companies and 6) adjustments to the federal and state income tax provision based on pro forma operating results.

The Company has begun to realize savings by consolidating certain general administrative and purchasing functions and reducing insurance expenses. In addition, the Company has begun to realize savings from its ability to borrow at lower interest rates than the Founding Companies and the subsequent acquisitions. These savings are being partially offset by the costs of being a public company and the incremental increase in costs related to the Company's new corporate management. Neither these savings nor the costs associated therewith for the periods prior to the Offering have been included in the pro forma financial information discussed below. As a result, pro forma results may not be comparable to, or indicative of, future performance.

The pro forma adjustments are based on estimates, available information and certain assumptions which may be revised as additional information becomes available. The pro forma financial data does not purport to represent what the Company's combined financial position or results of operations would actually have been if such transactions had in fact occurred on those dates and are not necessarily representative of the Company's financial position or results of operations for any future period. Since Quanta, the Founding Companies, the Pooled Company and the Purchased Companies were not under common control or management, historical combined results may not be comparable to, or indicative of, future performance.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,				SIX MONTHS ENDED JUNE 30,			
	1997		1998		1997		1998	
	(IN THOUSANDS)				(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues................	$44,677	100.0%	$63,679	100.0%	$79,024	100.0%	$108,253	100.0%
Cost of services........	36,497	81.7	51,225	80.4	66,039	83.6	88,854	82.1
Gross profit...........	8,180	18.3	12,454	19.6	12,985	16.4	19,399	17.9
Selling, general and administrative expenses..............	3,565	8.0	5,545	8.7	6,953	8.8	9,845	9.1
Merger expenses-pooling.	--	--	231	0.4	--	--	231	0.2
Goodwill amortization...	424	0.9	553	0.9	848	1.0	967	0.9
Income from operations..	$ 4,191	9.4%	$ 6,125	9.6%	$ 5,184	6.6%	$ 8,356	7.7%

</TABLE>

Pro Forma Combined Results For The Three and Six Months Ended June 30, 1997, Compared To The Three and Six Months Ended June 30, 1998

Revenues. Pro forma combined revenues increased $19.0 million and $29.2 million, or 42.5% and 37.0%, to $63.7 million and $108.3 million for the three and six months ended June 30, 1998, primarily due to higher demand for the Company's electrical infrastructure services in Nevada, California and the Midwest as well as significant growth in telecommunication infrastructure services in the Northwest. Revenues also increased during the three and six months ended June 30, 1998 as a result of the acquisition of the Purchased Companies.

Gross profit. Pro forma combined gross profit increased $4.3 million and $6.4 million, or 52.2% and 49.4%, to $12.5 million and $19.4 million for the three and six months ended June 30, 1998. As a percentage of pro forma combined revenues, pro forma combined gross profit increased from 18.3% to 19.6% for the three months ended June 30, 1998 and from 16.4% to 17.9% for the six months ended June 30, 1998. This increase in pro forma combined gross margin was a result of improved asset utilization and a higher proportion of relatively higher margin telecommunication revenues to total revenues.

Selling, general and administrative expenses. Pro forma combined selling general and administrative expenses increased $2.0 million and $2.9 million, or 55.5% and 41.6%, to $5.5 million and $9.8 million for the three and six

months ended June 30, 1998, primarily due to increases in selling and administrative salaries required to support the higher level of revenues generated from an increased volume of projects, as well as the establishment of a corporate office and administrative infrastructure during 1998.

RESULTS OF OPERATIONS--HISTORICAL

The unaudited historical combined statements of operations for the three and six months ended June 30, 1997 and 1998 reflect the historical operations of PAR and the Pooled Company. The operations of the Founding Companies have been included in the Company's historical financial statements beginning February 19, 1998 and the operations of the Purchased Companies have been included from their respective acquisition dates.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,				SIX MONTHS ENDED JUNE 30,			
	1997		1998		1997		1998	
	(IN THOUSANDS)				(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues................	$20,226	100.0%	$63,679	100.0%	$34,799	100.0%	$93,717	100.0%
Cost of services........	15,973	79.0	51,225	80.4	28,861	82.9	76,681	81.8
Gross profit...........	4,253	21.0	12,454	19.6	5,938	17.1	17,036	18.2
Selling, general and administrative expenses...............	2,647	13.1	5,545	8.7	4,855	14.0	8,889	9.5
Merger expenses-pooling.	--	--	231	0.4	--	--	231	0.2
Goodwill amortization...	14	--	553	0.9	28	0.1	749	0.8
Income from operations..	$ 1,592	7.9%	$ 6,125	9.6%	$ 1,055	3.0%	$ 7,167	7.7%

</TABLE>

Historical Combined Results For The Three and Six Months Ended June 30, 1997, Compared To The Three and Six Months Ended June 30, 1998

Revenues. Historical revenues increased $43.5 million and $58.9 million, or 214.8% and 169.3%, to $63.7 million and $93.7 million for the three and six months ended June 30, 1998, due to the acquisition of the Founding Companies on February 18, 1998 and subsequent acquisitions of the Purchased Companies.

Gross profit. Gross profit increased $8.2 million and $11.1 million, or 192.8% and 186.9%, to $12.5 million and $17.0 million for the three and six months ended June 30, 1998. As a percentage of revenues, gross profit decreased from 21.0% for the three months ended June 30, 1997 to 19.6% for the three months ended June 30,

1998. This decrease was due to the acquisition of the Founding Companies in February 1998 which reflect a greater impact of seasonality which was partially offset by the increase in the proportionate amount of higher margin telecommunication service revenues. Gross margins increased from 17.1% for the six months ended June 30, 1997 to 18.2% for the six months ended June 30, 1998. This increase in gross margin was a result of the acquisition of the Founding Companies on February 18, 1998, improved asset utilization and a higher proportion of relatively higher margin telecommunication revenues to total revenues.

Selling, general and administrative expenses. Selling general and administrative expenses increased $2.9 million and $4.0 million, or 109.5% and 83.1%, to $5.5 million and $8.9 million for the three and six months ended June 30, 1998, due to the acquisition of the Founding Companies on February 18, 1998, the acquisition of the Purchased Companies and increases in selling and administrative salaries required to support the higher level of revenues generated from an increased volume of projects, as well as the establishment of a corporate office and administrative infrastructure during 1998.

LIQUIDITY AND CAPITAL RESOURCES

In February 1998, Quanta completed its initial public offering which involved the issuance of 5,000,000 shares of Common Stock, providing approximately $38.8 million in net proceeds to the Company, after deducting underwriter discounts and commissions and expenses related to the Offering. Concurrent with the closing of its initial public offering, Quanta acquired the Founding Companies in separate transactions for consideration including $21.0 million in cash and 7,527,000 shares of Common Stock. Also, in March 1998, the Company's underwriters exercised their over-allotment option to

acquire an additional 750,000 shares of the Company's Common Stock at the initial public offering price of $9 per share, providing the Company with approximately $6.3 million (net of underwriting discounts and commissions) of additional proceeds from the Offering.

In April 1998, the Company obtained a $50.0 million revolving credit facility (the "Credit Facility") from two commercial banks. In August 1998, the Company amended its Credit Facility to increase the facility to $125.0 million. The Credit Facility is secured by a pledge of all of the capital stock of the Company's material operating subsidiaries and is to provide funds to be used for working capital, to finance acquisitions and for other general corporate purposes. Amounts borrowed under the Credit Facility 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 Credit Facility contains usual and customary covenants for a credit facility of this nature including the prohibition of the payment of dividends, certain financial ratio covenants and the consent of the lenders for acquisitions exceeding a certain level of cash consideration. As of August 13, 1998 the Company had approximately $67.0 million in outstanding borrowings under its Credit Facility.

Through August 12, 1998, the Company has utilized a combination of cash and its Common Stock to acquire seven companies in addition to the Founding Companies with estimated annualized 1997 revenues of $128.1 million. The cash component of the consideration paid for these companies was funded with existing cash and borrowings under its Credit Facility.

The Company has announced the signing of non-binding letters of intent to acquire three additional companies having estimated combined annual revenues of $50.0 million. The consideration related to these companies is under negotiation.

The Company expects to continue its aggressive acquisition program. The Company intends to continue to use a combination of cash and Common Stock to finance the principal part of the consideration payable in acquisitions. If the Common Stock does not maintain a sufficient value, or potential acquisition candidates are unwilling to accept Common Stock as part of the consideration for the sale of their businesses, the Company could be required to utilize more cash to complete acquisitions. If sufficient funds were not available from operating cash flow or through borrowings under the Company's Credit Facility, the Company may seek additional financing through the public or private sale of equity or debt securities. There can be no assurance that the Company could secure such financing if and when it is needed or on terms the Company deems acceptable. If the Company is unable to secure acceptable financing, its acquisition program could be negatively affected.

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.

YEAR 2000

The Company is in the process of identifying and evaluating its potential issues (information technology and third party relationships) associated with the date change in the year 2000 (Year 2000). The Company has not yet fully assessed the Year 2000 compliance costs, but is in the process of developing a work plan to correct any foreseeable issues. While it is not possible at present to quantify the cost of corrective actions, management does not expect that these actions will materially exceed the cost of normal software upgrades and replacements expected to occur through the Year 2000. While the Company

believes all necessary work will be completed in a timely fashion, there can be no guarantee that the systems of other companies on which the Company relies will be converted within the same timeframe. The Company is communicating with software vendors, business partners, and others with which it conducts business to provide assurances that their systems will be Year 2000 compliant. The Company will continue to consider the likelihood of a material business interruption due to the Year 2000 issue, and if necessary implement an appropriate contingency plan.

PART II--OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

(c) Unregistered Sales of Securities.

Set forth below is certain information concerning all sales of securities by the Company during the three month period ended June 30, 1998 that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

Between April 1, 1998 and June 30, 1998, the Company issued 1,296,740 shares of Common Stock as part of the consideration for the Purchased Companies. These shares of Common Stock were issued without registration under the Securities Act in reliance on the exemption provided by Section 4(2) of the Securities Act.

(d) Use of Proceeds.

(1) On February 11, 1998 the Company's Registration Statement on Form S-1, SEC Registration No. 333-42957 (the "IPO Registration Statement"), was declared effective by oral order of the SEC.

(2) The offering pursuant to the IPO Registration Statement commenced on February 13, 1998.

(3)(a) The offer terminated after the sale of all securities to be registered under the IPO Registration Statement.

(b) The managing underwriters of the offering were BT Alex. Brown, BancAmerica Robertson Stephens, and Sanders Morris Mundy.

(c) The Company's Common Stock was sold in the offering pursuant to the IPO Registration Statement.

(d) The number of shares of Common Stock registered, the aggregate price of the offering amount registered, the amount sold and the aggregate offering price of the amount sold to date relating to the IPO Registration Statement are indicated in the table below:

OFFEROR	SHARES REGISTERED	AGGREGATE PRICE	AMOUNT SOLD	AGGREGATE PRICE OF SHARES SOLD
Quanta Services, Inc....	5,750,000	$51,750,000	5,750,000	$51,750,000

(e) From February 11, 1998 through June 30, 1998, the Company incurred the following expenses in connection with the issuance and distribution of the securities registered pursuant to the IPO Registration Statement, none of which constituted direct or indirect payments to officers, directors or general partners of the Company (other expenses represent a reasonable estimate of actual costs incurred):

EXPENSE	PAYMENT
Underwriting discounts and Commissions..............................	$3,622,500
Finders Fees..	0
Expenses paid to or for Underwriters................................	7,106
Other expenses..	3,018,667
Total Expenses..	$6,648,273

(vi) The net proceeds to the Company of the offering pursuant to the

IPO Registration Statement, after deducting the expenses listed in (v) above are $45,101,727.

(vii) From February 11, 1998 through June 30, 1998, the Company has applied the following amounts of its net proceeds from the offering pursuant to the IPO Registration Statement:

<TABLE>
<CAPTION>

USE OF PROCEEDS	PAYMENT TO OTHERS	PAYMENT TO OFFICERS, DIRECTORS AND 10% SHAREHOLDERS
<S>	<C>	<C>
Construction of plant, building and facilities..	--	--
Purchase and installation of machinery and equipment................	--	--
Purchase of real estate...	--	--
Acquisitions of other businesses...............	--	$21,000,331
Repayment of indebtedness.	$21,830,583	--
Working capital...........	$ 2,270,813	--
Temporary investments (specified below)........	--	--
Other uses of at least $100,000 (specified below)...................	--	--

</TABLE>

Temporary investments consist of money market accounts available on a daily basis.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

<TABLE>

<C>	<S>
10.4	Acquisition Agreement and Plan of Reorganization by and among Quanta Services, Inc., Underground Acquisition Inc., Underground Construction Co., Inc., Five Points Construction Company and their stockholders dated as of August 4, 1998.
10.5	Amended and Restated Credit Agreement dated as of August 3, 1998 among Quanta Services, Inc., as Borrower and Bank One, Texas, National Association, National City Bank and the other financial institutions Parties thereto, as Lenders.

</TABLE>

Exhibit 27.1 Financial data schedule.

(b) Reports on Form 8-K:

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant, Quanta Services, Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QUANTA SERVICES, INC.

Dated: August 14, 1998

By: /s/ James H. Haddox
James H. Haddox
Chief Financial Officer

EXHIBIT 10.4

ACQUISITION AGREEMENT AND PLAN OF REORGANIZATION

BY AND AMONG
QUANTA SERVICES, INC.,
UNDERGROUND ACQUISITION, INC.,
UNDERGROUND CONSTRUCTION CO., INC.,
FIVE POINTS CONSTRUCTION COMPANY,
JAMES G. SILER, TRUSTEE OF THE JAMES G. SILER REVOCABLE TRUST,
DATED AUGUST 11, 1994,
LYNN E. BARR AND LINDA D. BARR, TRUSTEES UNDER THE LYNN E. BARR AND
LINDA D. BARR TRUST DATED OCTOBER 12, 1993,
THOMAS K. MCMANUS, JR.,
HARRY T. ROBINSON,
JAMES H. CURRY,
ANN-MARIE AND LEE A. TALBOT, TRUSTEES UNDER THE ANN-MARIE TALBOT AND LEE A.
TALBOT REVOCABLE LIVING TRUST, DATED NOVEMBER 23, 1994,
PATRICIA C. DARNELL,
PHILIP L. SMITH,
RICHARD R. SHONE,
GEORGE R. BRADSHAW,
ERROL C. BISUTTI,
AND
TIMOTHY H. RICHARDS

DATED AS OF AUGUST 4, 1998

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ACQUISITION AGREEMENT AND PLAN OF REORGANIZATION

THIS ACQUISITION AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement") is made as of August 4, 1998, by and among Quanta Services, Inc., a Delaware corporation ("Quanta"), Underground Acquisition, Inc., a Delaware corporation that is a subsidiary of Quanta ("Newco"), Underground Construction Co., Inc., a California corporation ("UCCO"), Five Points Construction Company, a Texas corporation ("FPC" and, together with Underground Construction, the "Companies"), James G. Siler, Trustee of the James G. Siler Revocable Trust, dated August 11, 1994, Lynn E. Barr and Linda D. Barr, Trustees under the Lynn E. Barr and Linda D. Barr Trust dated October 12, 1993, Thomas K. McManus, Jr., Harry T. Robinson, James H. Curry, Ann-Marie Talbot and Lee A. Talbot, Trustees under the Ann-Marie Talbot and Lee A. Talbot Revocable Living Trust dated November 23, 1994, Patricia C. Darnell, Philip L. Smith, Richard R. Shone, George R. Bradshaw, Errol C. Bisutti and Timothy H. Richards (such individuals being collectively referred to herein as the "Stockholders"), with the Stockholders being the Companies' only stockholders.

WHEREAS, the respective Boards of Directors of Newco and UCCO (collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that UCCO merge with and into Newco (the "Merger"); and

WHEREAS, the Boards of Directors of the Constituent Corporations have approved and adopted this Agreement as a plan of reorganization within the provisions of Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the stockholders of the Constituent Corporations have approved the Merger in accordance with the GCL and the CCC;

WHEREAS, the Stockholders desire to sell their stock in FPC to Newco and Newco desires to purchase such stock (the "Stock Purchase");

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants contained herein, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I
DEFINITIONS

1.1 DEFINITIONS. Capitalized terms used in this Agreement shall have the following meanings:

"Affiliate" of, or "Affiliated" with, a specified person or entity means a person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the specified person or entity.

"Agreement" has the meaning set forth in the first paragraph of this Agreement.

"Balance Sheet Date" has the meaning set forth in Section 5.5.

"Broker" has the meaning set forth in Section 13.4.

"CCC" means the California Corporations Code, as amended.

"Closing" has the meaning set forth in Section 4.1.

"Closing Date" has the meaning set forth in Section 4.1.

"Code" has the meaning set forth in the third paragraph of this Agreement.

"Companies" has the meaning set forth in the first paragraph of this Agreement.

"Company Stock" has the meaning set forth in Section 3.1.

"Company" means either of the Companies.

"Competitive Business" means any business that competes with the Companies, including, without limitation, any business that provides specialty contracting services, such as manhole and conduit installation for the power and telecommunications industries, industrial and process piping, construction and

maintenance of aircraft fueling systems and heavy engineering projects for passenger rail systems.

"Constituent Corporations" has the meaning set forth in the second paragraph of this Agreement.

"Effective Time" has the meaning set forth in Section 2.2.

"Encumbrances" means all liens, encumbrances, mortgages, pledges, security interests, conditional sales agreements, charges, options, preemptive rights, rights of first refusal, reservations, restrictions or other encumbrances or defects in title.

"Employee benefit plan" has the meaning set forth in Section 5.16.

"Employee pension benefit plan" has the meaning set forth in Section 5.16.

"Employment Agreements" has the meaning set forth in Section 7.5.

"Environmental Laws" means any Law or agreement with any Governmental Authority 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 natural 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 any substance, in each case as amended and as in effect on the Closing Date. The term "Environmental Law" includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water 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 (ii) 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 substance.

"ERISA" has the meaning set forth in Section 5.16.

"ERISA Affiliate" has the meaning set forth in Section 5.16.

"Expiration Date" has the meaning set forth in Section 13.6.

"Financial Statements" has the meaning set forth in Section 5.5.

"FPC" has the meaning set forth in the first paragraph of this Agreement.

"FPC Stock" has the meaning set forth in Section 3.1.

"GAAP" means generally accepted accounting principles as currently applied by the respective party on a basis consistent with preceding years and throughout the periods involved.

"Governmental Authority" means any federal, state, local or foreign government, political subdivision or governmental or regulatory authority, agency, board, bureau, commission, instrumentality or court or quasi-governmental authority.

"GCL" means General Corporation Law of the State of Delaware, as amended.

"Hazardous Substances" means any substance presently listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law. The term "Hazardous Substances" includes, without limitation, 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 thereof, radon, radioactive material, asbestos or asbestos containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

"Indemnified Party" has the meaning set forth in Section 8.3.

"Indemnifying Party" has the meaning set forth in Section 8.3.

"Interim Balance Sheets" has the meaning set forth in Section 5.5.

"Interim Financial Statements" has the meaning set forth in Section 5.5.

"JAMS" has the meaning set forth in Section 13.10.

"Judge List" has the meaning set forth in Section 13.10.

"Law" or "Laws" means any and all federal, state, local or foreign statutes, laws, ordinances, proclamations, code, regulations, licenses, permits, authorizations, approvals, consents, legal doctrine, published requirements, orders, decrees, judgments, injunctions and rules of any Governmental Authority, including, without limitation, those covering environmental, Tax, energy, safety, health, transportation, bribery, recordkeeping, zoning, discrimination, antitrust and wage and hour matters, in each case as amended and in effect from time to time.

"Loss" or "Losses" means all liabilities, losses, claims, damages, actions, suits, proceedings, demands, assessments, adjustments, fees, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and costs and expenses of investigation), net of income Tax effects with respect thereto (including, without limitation, income Tax benefits recognized in connection therewith and income Taxes upon any indemnification recovery thereof).

"Material Customers" has the meaning set forth in Section 5.9.

"Merger Filings" has the meaning set forth in Section 2.2.

"Merger" has the meaning set forth in the second paragraph of this Agreement.

"Minor Shareholders" has the meaning set forth in Section 8.1.

"Newco" has the meaning set forth in the first paragraph of this Agreement.

"Noncompete Term" has the meaning set forth in Section 9.1(a).

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Option Plan" has the meaning set forth in Section 7.7.

"Quanta" has the meaning set forth in the first paragraph of this Agreement.

"Quanta Common Stock" means Quanta's Common Stock, par value $.00001 per share.

"Permits" has the meaning set forth in Section 5.10.

"Permitted Encumbrances" means (a) any Encumbrances reserved against in the Interim Balance Sheets, (b) Encumbrances for property or ad valorem Taxes not yet due and payable or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the Companies' books in accordance with GAAP, and (c) obligations under operating and capital leases described in Schedule 59.

"Plan" has the meaning set forth in Section 5.16.

"Qualified Plans" has the meaning set forth in Section 5.16.

"Restricted Shares" has the meaning set forth in Section 12.1.

"Rule 144" means Rule 144 as promulgated under the 1933 Act.

"SEC" means the Securities and Exchange Commission.

"Stock Purchase" has the meaning set forth in the fifth paragraph of this Agreement.

"Stockholders" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" has the meaning set forth in Section 2.1.

"TBCA" means the Texas Business Corporations Act, as amended.

"Taxes" has the meaning set forth in Section 5.18.

"Territory" has the meaning set forth in Section 9.1.

"Third Person" has the meaning set forth in Section 8.3.

"UCCO" has the meaning set forth in the first paragraph of this Agreement.

"UCCO Pension Plan" has the meaning set forth in Section 7.9.

"UCCO Stock" has the meaning set forth in Section 3.1.

"UCCO Year-End Financial Statements" has the meaning set forth in Section 5.5.

"Year-End Financial Statements" has the meaning set forth in Section 5.5.

1.2 INTERPRETATION. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in Section 1.1 and elsewhere in this Agreement include the plural as well as the singular;

(b) all accounting terms not otherwise defined herein have the meanings ascribed to them in accordance with GAAP; and

(c) the words "herein," "hereof," and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

ARTICLE II
THE MERGER AND THE SURVIVING CORPORATION; THE STOCK PURCHASE

2.1 THE MERGER. Upon the terms and subject to the conditions of this Agreement, at the Effective Time in accordance with the CCC and the GCL, UCCO shall be merged with and into Newco and the separate existence of UCCO shall thereupon cease. Newco shall be the surviving corporation in the Merger (hereinafter sometimes referred to as the "Surviving Corporation").

2.2 EFFECTIVE TIME OF THE MERGER. The Merger shall become effective at such time (the "Effective Time") as (a) holders of a majority of the UCCO Common Stock approve the Merger, and (b) certificates of merger or articles of merger, as appropriate, in forms mutually acceptable to Quanta and UCCO, are filed with the Secretaries of State of the States of Delaware and California, respectively (the "Merger Filings"). The Merger Filings shall be made simultaneously with or as soon as practicable after the execution of this Agreement and the Closing.

2.3 ARTICLES OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. As a result of the Merger and at the Effective Time:

(a) the Articles of Incorporation of Newco in effect immediately prior to the Effective Time shall become the Articles of Incorporation of the Surviving Corporation, except that such Articles of Incorporation shall be amended as of the Effective Time to change the name of the Surviving Corporation to "Underground Construction Co., Inc." After the Effective Time, the Articles of Incorporation of the Surviving Corporation may be amended in accordance with their terms and as provided in the GCL;

(b) the Bylaws of Newco in effect immediately prior to the Effective Time shall become the Bylaws of the Surviving Corporation, and thereafter may be amended in accordance with their terms and as provided by the Articles of Incorporation of the Surviving Corporation and the GCL; and

(c) the Board of Directors of Newco as constituted immediately prior to the Effective Time shall be the Board of Directors of the Surviving Corporation.

2.4 STOCK PURCHASE. At the Effective Time, the Stockholders shall sell, and Newco shall purchase, all of the shares of FPC Stock held by the Stockholders.

ARTICLE III
CONVERSION OF SHARES

3.1 CONVERSION OF SHARES. At the Effective Time, by virtue of the Merger and the Stock Purchase, and without any action on the part of any holder of any capital stock of the Companies, (a) the issued and outstanding shares of common stock, no par value, of UCCO as of the Effective Time (the "UCCO Stock") and (b) the issued and outstanding shares of common stock, $10 par value per share, of FPC as of the Effective Time (the "FPC Stock and, together with the UCCO Stock, the "Company Stock") shall be converted into the right to receive, and become exchangeable for, an aggregate of 944,596 shares of Quanta Common Stock and $19,500,000, in cash, which shares of Quanta Common Stock and cash shall be

exchangeable for all the Company Common Stock at the Effective Time and issued to the Stockholders as set forth in Schedule 31.

3.2 NEWCO SHARES. The outstanding shares of common stock, par value $.01 per share, of Newco shall remain outstanding following the Merger.

3.3 DELIVERY OF CONSIDERATION. At the Closing, (a) each Stockholder shall furnish to Quanta the certificates representing its Company Common Stock, duly endorsed in blank by such Stockholder or accompanied by duly executed blank stock powers, and (b) Quanta shall deliver to each Stockholder cash (by wire transfer in accordance with the wiring instructions for each Stockholder set forth on Schedule 3.1) and certificates representing the shares of Quanta Common Stock to be delivered to such Stockholder pursuant to Section 3.1. Each Stockholder agrees promptly to cure any deficiencies with respect to the endorsement of the certificates or other documents of conveyance with respect to the Company Common Stock or with respect to the stock powers accompanying such stock.

3.4 CERTAIN PAYMENTS. UCCO shall accrue and effect payment to each Stockholder an amount equal to such Stockholder's actual state and federal tax liability for all actual earnings of UCCO from January 1, 1998 to the Closing Date, as determined from the books and records of UCCO on the accrual basis in conformity with the normal accounting practices of UCCO, applied on a consistent basis with prior periods.

ARTICLE IV
CLOSING

4.1 CLOSING. The consummation of the Merger and the Stock Purchase and delivery of the consideration described in Section 3.3 hereof and the other transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Quanta, 3555 Timmons Lane, Houston, Texas, concurrently with the execution of this Agreement or at such other time and date as Quanta, the Companies and the Stockholders may mutually agree, which date is herein referred to as the "Closing Date."

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS

The Stockholders jointly and severally represent and warrant to Quanta as follows:

5.1 DUE ORGANIZATION AND QUALIFICATION. UCCO is a corporation duly organized, validly existing and in good standing under the Laws of the State of California and FPC is a corporation duly organized, validly existing and in good standing under the Laws of the State of Texas; and each Company is duly authorized and qualified to do business under all applicable Laws and to carry on its business in the places and in the manner as now conducted. Each Company has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as such business is currently being conducted. Schedule 5.1 contains a list of all jurisdictions in which each Company is authorized or qualified to do business, including each county in California in which either of the Companies conducts business or has conducted business within the past three years. True, complete and correct copies of the Articles of

Incorporation and By-laws, each as amended, of each Company are attached hereto as Schedule 51. Correct and complete copies of all stock records and minute books of each Company have been provided to Quanta, and correct and complete copies of all other stock records and minute books of each Company have been made available to Quanta and are correct and complete in all material respects.

5.2 AUTHORIZATION; NON-CONTRAVENTION; APPROVALS.

(a) Each Company has the requisite power and authority to enter into this Agreement and to effect the Merger or Stock Purchase, as appropriate. Each Stockholder has the full legal right, power and authority to enter into this Agreement. The execution, delivery and performance of this Agreement have been approved by the board of directors of each Company and by the Stockholders. No additional corporate proceedings on the part of any Company is necessary to authorize the execution and delivery of this Agreement and the consummation by each Company of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each Company and the Stockholders, and, assuming the due authorization, execution and delivery hereof by Quanta and Newco, constitutes a valid and binding agreement of each Company and each Stockholder, enforceable against each of them in accordance with its terms.

(b) The execution and delivery of this Agreement by each Company and the Stockholders do not, and the consummation by each Company and the Stockholders of the transactions contemplated hereby will not, violate or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon any of the properties or assets of any Company under any of the terms, conditions or provisions of, (i) the Articles of Incorporation or Bylaws of each Company, (ii) any Laws applicable to the Stockholders or any Company or any of its properties or assets, or (iii) except as set forth in Schedule 5.2, any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, lease or other instrument, obligation or agreement of any kind to which any Stockholder or any Company is now a party or by which any Company or any of its properties or assets may be bound or affected.

(c) Except for the Merger Filings and as set forth in Schedule 5.2, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any Governmental Authority or third party is necessary for the execution and delivery of this Agreement by the Companies and the Stockholders or the consummation by each Company and the Stockholders of the transactions contemplated hereby. Except as set forth in Schedule 5.2, none of the contracts or agreements with Material Customers or contracts providing for purchases or services individually in excess of $100,000, or in the aggregate in excess of $200,000, or other material agreements, licenses or permits to which any Company is a party requires notice to, or the consent or approval of, any third party for the execution and delivery of this Agreement by any Company and the Stockholders and the consummation of the transactions contemplated hereby.

5.3 CAPITALIZATION AND OWNERSHIP. The authorized capital stock of UCCO consists solely of 100,000 shares of UCCO Stock, of which 40,923 shares are issued and outstanding. The authorized capital stock of FPC consists solely of 100,000 shares of FPC Stock, of which 4,093 shares are issued and

outstanding. All of the issued and outstanding shares of the Company Common Stock are owned beneficially and of record by the Stockholders as set forth in Schedule 5.3. All of the issued and outstanding shares of the Company Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, and were offered, issued, sold and delivered by the respective Company in compliance with all applicable Laws, including, without limitation, those Laws concerning the issuance of securities. None of such shares were issued in violation of the preemptive rights of any past or present stockholder. At the Effective Time, by virtue of the Merger Filings in California and Texas, the Merger will become effective in California and Texas. Except as set forth in Schedule 5.3, no subscription, option, warrant, call, convertible or exchangeable security, other conversion right or commitment of any kind exists which obligates any Company to issue any of its capital stock or the Stockholders to transfer any of the capital stock of the Companies.

5.4 SUBSIDIARIES. Except as set forth in Schedule 5.4, the Companies own, of record or beneficially, or control, directly or indirectly, no capital stock, securities convertible into or exchangeable for capital stock or any other equity interest in any corporation, association or other business entity. Except as set forth in Schedule 5.4, no Company is, directly or indirectly, a participant in any joint venture, limited liability company, partnership or other noncorporate entity.

5.5 FINANCIAL STATEMENTS.

(a) The Companies have delivered to Quanta complete and correct copies of the following financial statements:

(i) the audited balance sheets of UCCO as of December 31, 1995, 1996 and 1997 and the related audited statements of operations, stockholders' equity and cash flows for the three-year period ended December 31, 1997, together with the related notes, schedules and audit report of each Company's independent accountants (such balance sheets and the related income statements and the related notes and schedules are referred to herein as the "UCCO Year-End Financial Statements");

(ii) the unaudited balance sheets for FPC as of June 30, 1995, 1996 and 1997 and the related statements of income and expense for the three-year period ended December 31, 1997 (such balance sheets and the related income and expense statements, together with

the UCCO Year-End Financial Statements are referred to herein as the "Year-End Financial Statements"); and

(iii) the unaudited balance sheets (the "Interim Balance Sheets") of each Company as of June 30, 1998 (the "Balance Sheet Date") and the related unaudited statements of operations for the interim period ended on the Balance Sheet Date, together with the related schedules (such balance sheets, the related statements of operations and the related schedules are referred to herein as the "Interim Financial Statements"). The Year-End Financial Statements and the Interim Financial Statements (collectively, the "Financial Statements") are attached as Schedule 5.5 to this Agreement.

(b) Except as set forth in Schedule 5.5, the Financial Statements have been prepared from the books and records of each Company in conformity with GAAP (except for the absence of notes in the Interim Financial Statements) and present fairly the financial position and results of operations of each respective Company as of the dates of such statements and for the periods covered thereby. The books of account of each Company have been kept accurately in all material respects in the ordinary course of business, the transactions entered therein represent bona fide transactions, and the revenues, expenses, assets and liabilities of each Company have been properly recorded therein in all material respects.

5.6 LIABILITIES AND OBLIGATIONS. Except as set forth in Schedule 5.6, as of the Balance Sheet Date the Companies did not have, nor have they incurred since that date, any liabilities or obligations (whether absolute, accrued, contingent or otherwise) of any nature, except (a) liabilities, obligations or contingencies (i) that are accrued or reserved against in the Financial Statements or reflected in the notes thereto or (ii) that were incurred after the Balance Sheet Date and were incurred in the ordinary course of business, consistent with past practices, and (b) liabilities and obligations that are of a nature not required to be reflected in the Financial Statements prepared in accordance with GAAP and that were incurred in the normal course of business and are described in Schedule 5.6. Schedule 5.6 contains a reasonable estimate by the Stockholders of the maximum amount that may be payable with respect to liabilities which are not fixed. For each such liability for which the amount is not fixed or is contested, each Company has provided a summary description of the liability together with copies of all relevant documentation relating thereto. Schedule 5.6 sets forth each Company's outstanding principal amount of indebtedness for borrowed money (including overdrafts) as of the date hereof.

5.7 ACCOUNTS AND NOTES RECEIVABLE. Schedule 5.7 sets forth an accurate list of the accounts and notes receivable of each Company as of the Balance Sheet Date and of those invoiced between the Balance Sheet Date and the second business day preceding the Closing Date, including any such amounts which are not reflected in the Interim Balance Sheets. Receivables from and advances to employees, the Stockholders and any entities or persons related to or Affiliates of the Stockholders are separately identified in Schedule 5.7. Schedule 5.7 also sets forth an accurate aging of all accounts and notes receivable as of the Balance Sheet Date, showing amounts due in 30-day aging categories. The trade and other accounts receivable of the Companies, including without limitation those classified as current assets on the Interim Balance Sheets, are bona fide receivables, were acquired in the ordinary course of business, are stated in accordance with GAAP and are collectible in the amounts shown on Schedule 5.7, net of reserves reflected in the Interim Financial Statements with respect to the accounts receivable as of the Balance Sheet Date, and net of reserves reflected in the books and records of the Companies (consistent with the methods used in the Interim Financial Statements) with respect to receivables of the Companies after the Balance Sheet Date. The preceding sentence shall not be deemed or construed as a guarantee by the Companies or the Stockholders of the collection of any such trade or account receivable.

5.8 ASSETS.

(a) Schedule 5.8 sets forth an accurate list of all real and personal property included in "property and equipment" on the Interim Balance Sheets and all other tangible assets of the Companies with a book value in excess of $10,000 (i) owned by any Company as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date, including in each case true, complete and correct copies of leases for significant equipment and for all real property leased by any Company

and descriptions of all real property on which buildings, warehouses, workshops, garages and other structures used in the operation of the

business of such Company are situated. Schedule 5.8 indicates which assets used in the operation of the businesses of the Companies are currently owned by the Stockholders or Affiliates of either of the Companies or the Stockholders. The tangible assets, vehicles and other significant machinery and equipment of the Companies that are in good working order and condition, ordinary wear and tear excepted are all of the tangible assets, vehicles and other significant machinery and equipment that are necessary to continue the business of the Companies. Except as specifically described in Schedule 5.8, all fixed assets used by any Company in its business are either owned by such Company or leased under agreements identified in Schedule 5.8. All leases set forth in Schedule 5.8 are in full force and effect and constitute valid and binding agreements of the Company that is a party thereto, and to the knowledge of such Company and the Stockholders, the other parties thereto in accordance with their respective terms. Schedule 5.8 contains true, complete and correct copies of all title reports and title insurance policies received or owned by the Companies. Schedule 5.8 includes a summary description of all contractual commitments of each Company involving the opening of new operations, expansion of existing operations or the acquisition of any real property or existing business, to which management of such Company has devoted any significant effort or expenditure in the two-year period prior to the date of the Agreement, and which (i) are currently being implemented by such Company, or (ii) involve purchases of capital equipment in connection with existing operations in amounts in excess of $10,000, individually, or $25,000 in the aggregate.

(a) Each Company has good and indefeasible title to the tangible and intangible personal property and the real property owned and used in its business, including the properties identified in Schedule 5.8 as owned real property, free and clear of all Encumbrances other than Permitted Encumbrances and those set forth in Schedule 5.8.

(b) Except as specifically described in Schedule 5.8, the tangible and intangible assets of any Company include all the assets used in the operation of the business of such Company as conducted at the Balance Sheet Date, except for dispositions of such assets since such date in the ordinary course of business, consistent with past practices.

5.9 MATERIAL CUSTOMERS AND CONTRACTS.

(a) Schedule 5.9 sets forth an accurate list of (i) all customers representing 5% of each Company's revenues for the fiscal year ended in 1997 or the interim period ended on the Balance Sheet Date (the "Material Customers"), and (ii) all material executory contracts, warranties, commitments and similar agreements to which any Company is currently a party or by which it or any of its properties is bound, including, but not limited to, (A) all customer contracts in excess of $100,000, individually, or $250,000 in the aggregate, including, without limitation, consignment contracts, (B) contracts with any labor organizations, (C) leases providing for annual rental payments in excess of $20,000, individually, or $50,000 in the aggregate, (D) loan agreements, (E) pledge and security agreements, (F) indemnity or guaranty agreements or obligations , (G) bonds, (H) notes, (I) mortgages, (J) joint venture or partnership agreements, (K) options to purchase real or personal property, and (L) agreements relating to the purchase or sale by any Company of assets (other than oral agreements relating to sales of inventory or services in the ordinary course of business, consistent with past practices) or securities for more than $5,000, individually, or $10,000 in the

aggregate. Prior to the date hereof, each Company has made available to Quanta complete and correct copies of all such agreements. To the extent applicable, the contracts and agreements set forth in Schedule 5.9 are separately identified as lump sum, unit price, cost plus or maintenance agreements.

(b) Except to the extent set forth in Schedule 5.9, since December 31, 1997, (i) no Material Customer has canceled or substantially reduced or, to the knowledge of the Companies and the Stockholders, is threatening to cancel or substantially reduce its purchases of any Company's products or services, and (ii) each Company is in compliance with all material commitments and obligations pertaining to it under such agreements and is not in default under any of the agreements described in subsection (a), no notice of default has been received by any Company, and the Stockholders and the Companies are aware of no basis therefor.

(c) Except to the extent set forth in Schedule 5.9, no Company is a party to any governmental contracts subject to price redetermination or renegotiation. Except to the extent set forth in Schedule 5.9, neither of the Companies is required to provide any bonding or other financial security arrangements in any material amount in connection with any transactions with any of its customers or suppliers.

(d) Schedule 5.9 sets forth a summary of each outstanding bid or proposal by any Company that, if awarded to such Company, contemplates payments to such Company in excess of $100,000 and that is subject to acceptance or award by a third party.

(e) Schedule 5.9 sets forth a summary of each Company's open jobs and a job cost schedule supporting the Interim Balance Sheets, which Schedule 5.9 includes the respective Company's good faith estimate of each such job's profit or loss as of the Balance Sheet Date and the Closing Date.

5.10 PERMITS. Schedule 5.10 contains an accurate list of all material licenses, franchises, permits, transportation authorities and other governmental authorizations and intangible assets held by any Company, including, without limitation, permits, licenses and operating authorizations, titles (including motor vehicle titles and current registrations), fuel permits, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by any Company (the "Permits"). The Permits are valid, and no Company has received any written notice that any Governmental Authority intends to cancel, terminate or not renew any such license, operating authorization, franchise, permit or other governmental authorization. The Permits are all the permits that are required by Law for the operation of the businesses of the Companies as conducted at the Balance Sheet Date and the ownership of the assets of the Companies. Each Company has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in the Permits, as well as the applicable orders, approvals and variances related thereto, and is not in violation of any of the foregoing. Except as specifically provided in Schedule 5.10, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the Companies by, any Permits.

5.11 ENVIRONMENTAL MATTERS. Except as set forth in Schedule 5.11, (a) each Company has complied with and is in compliance, in all material respects, with all Environmental Laws, including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use,

handling, transportation, treatment or disposal of Hazardous Substances; (b) each Company has obtained and complied, in all material respects, with all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Substances and has reported, to the extent required by all Environmental Laws, all past and present sites owned or operated by such Company where Hazardous Substances have been treated, stored, disposed of or otherwise handled; (c) there have been no "releases" or threats of "releases" (as defined in any Environmental Laws) at, from, in or on any property owned or operated by any Company; (d) there is no on-site or off-site location to which any Company has transported or disposed of Hazardous Substances or arranged for the transportation or disposal Hazardous Substances which is the subject of any federal, state, local or foreign enforcement action or any other investigation which could lead to any claim against the Surviving Corporation, Quanta or Newco for any clean-up cost, remedial work, damage to natural resources or personal injury, including, but not limited to, any claim under (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (ii) the Resource Conservation and Recovery Act, (iii) the Hazardous Materials Transportation Act, or (iv) comparable state and local statutes and regulations; and (e) no Company has contingent liability in connection with any release or disposal of any Hazardous Substance into the environment. None of the past or present sites owned or operated by any Company is currently or has ever been designated as a treatment, storage and/or disposal facility, nor has any such facility ever applied for a Permit designating it as a treatment, storage and/or disposal facility, under any Environmental Law.

5.12 LABOR AND EMPLOYEE RELATIONS. Except as set forth in Schedule 5.12, no Company is bound by or subject to any arrangement with any labor union. Except as set forth in Schedule 5.12, no employees of the Companies are represented by any labor union or covered by any collective bargaining agreement nor, to the Companies' or the Stockholders' knowledge, is any campaign to establish such representation in progress. There is no pending or, to the Companies' or the Stockholders' knowledge, threatened labor dispute involving any Company and any group of its employees nor has any Company experienced any significant labor interruptions over the past five years. No Company nor any Stockholder has any knowledge of any significant issues or problems in connection with the relationship of such Company and its employees.

5.13 INSURANCE. Schedule 5.13 sets forth an accurate list as of the Balance Sheet Date of all insurance policies carried by each Company and of all insurance loss runs or workmen's compensation claims received for the past five policy years. Except as set forth in Schedule 5.13, none of such policies are "per occurrence" policies. The policies described in such Schedule 5.13 for the current policy year are currently in full force and effect. As of the Closing Date any open claims and any losses subject to insurance coverage for which a claim has not been made are recoverable under such policies, except to the

extent of any applicable deductible or loss retention as set forth on Schedule 5.13.

5.14 COMPENSATION; EMPLOYMENT AGREEMENTS. Schedule 5.14 sets forth an accurate schedule of all officers, directors and Stockholder employees of each Company with annual salaries of $50,000 or more as of (a) the Balance Sheet Date and (b) the date hereof. Attached to Schedule 5.14 are true, complete and correct copies of each employment or consulting agreement with any employee of a Company or any Stockholder. No Company is a party with any officer, director, stockholder, member or employee to any employment agreement or similar arrangement containing "golden parachute"or other similar provisions.

5.15 NONCOMPETITION, CONFIDENTIALITY AND NONSOLICITATION AGREEMENTS. Schedule 5.15 sets forth all agreements containing covenants not to compete or solicit employees or to maintain the confidentiality of information to which any Company is bound or under which any Company has any rights or obligations.

5.16. EMPLOYEE BENEFIT PLANS.

(a) Schedule 5.16 sets forth an accurate schedule of each "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and all nonqualified deferred compensation arrangements, whether formal or informal and whether legally binding or not, under which any Company or an ERISA Affiliate has any current or future obligation or liability or under which any present or former employee of any Company or an ERISA Affiliate, or such present or former employee's dependents or beneficiaries, has any current or future right to benefits (each such plan and arrangement referred to hereinafter as a "Plan"), together with true and complete copies of such Plans, arrangements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except as set forth in Schedule 5.16, no Company nor any ERISA Affiliate sponsors, maintains or contributes currently, or at any time during the preceding five years, to any plan, program, fund or arrangement that constitutes an employee pension benefit plan. Each Plan may be terminated by the respective Company, or if applicable, by an ERISA Affiliate at any time without any liability, cost or expense, other than costs and expenses that are customary in connection with the termination of a Plan. For purposes of this Agreement, the term "employee pension benefit plan" shall have the meaning given that term in Section 3(2) of ERISA, and the term "ERISA Affiliate" means any corporation or trade or business under common control with a Company as determined under Section 414(b), (c), (m) or (o) of the Code.

(b) Each Plan listed in Schedule 5.16 is in compliance in all material respects with the applicable provisions of ERISA, the Code, and any other applicable Law. Except as set forth in Schedule 5.16, with respect to each Plan of a Company and each ERISA Affiliate (other than a "multiemployer plan," as defined in Section 4001(a)(3) of ERISA), all reports and other documents required under ERISA or other applicable Law to be filed with any Governmental Authority, the failure of which to file could reasonably be expected to result in a material liability to a Company or any ERISA Affiliate, or required to be distributed to participants or beneficiaries, have been duly filed or distributed. True and complete copies of all such reports and other documents with respect to the past five years for each Plan have been provided to Quanta. No "accumulated funding deficiency" (as defined in Section 412(a) of the Code) with respect to any Plan has been incurred (without regard to any waiver granted under Section 412 of the Code), nor has any funding waiver from the Internal Revenue Service been received or requested. Except as set forth in Schedule 5.16, each Plan that is intended to be "qualified" within the meaning of Section 401(a) of the Code (a "Qualified Plan") is, and has been during the period from its adoption to the date hereof, so qualified, both as to form and operation and all necessary approvals of Governmental Authorities, including a favorable determination as to the qualification under the Code of each of such Qualified Plans and each amendment thereto, have been timely obtained. Except as set forth in Schedule 5.16, all accrued contribution obligations of each Company with respect to any Plan have either been fulfilled in their entirety or are fully reflected in the Financial Statements.

(c) No Plan has incurred, and no Company nor any ERISA Affiliate has incurred, any liability for excise tax or penalty due to the Internal Revenue Service. There have been no terminations, partial terminations or discontinuances of contributions to any Qualified Plan during the preceding five years without notice to and approval by the Internal Revenue Service and payment of all obligations and liabilities attributable to such Qualified Plan.

(d) Except as set forth in Schedule 5.16, no Company nor any ERISA Affiliate has made any promises of retirement or other benefits to employees, except as set forth in the Plans, and no Company nor any ERISA Affiliate maintains or has established any Plan that is a "welfare benefit plan" within the meaning of Section 3(1) of ERISA that provides for continuing benefits or coverage for any participant or any beneficiary of a participant after such participant's termination of employment, except as may be required by Part 6 of

Subtitle B of Title I of ERISA and Section 4980B of the Code and similar state Law provisions, and at the expense of the participant or the beneficiary of the participant, or retiree medical liabilities. No Company nor any ERISA Affiliate maintains, has established or has ever participated in a multiple employer welfare benefit arrangement as described in Section 3(40)(A) of ERISA. Except as set forth in Schedule 5.16, no Company nor any ERISA Affiliate has any current or future obligation or liability with respect to a Plan pursuant to the provisions of a collective bargaining agreement.

(e) No Company nor any ERISA Affiliate has incurred any material liability to the Pension Benefit Guaranty Corporation in connection with any Plan. The assets of each Plan that are subject to Title IV of ERISA are sufficient to provide the benefits under such Plan, the payment of which the Pension Benefit Guaranty Corporation would guarantee if such Plan were terminated, and such assets are also sufficient to provide all other "benefits liabilities" (as defined in ERISA Section 4001(a)(16)) due under such Plan upon termination.

(f) No "reportable event" (as defined in Section 4043 of ERISA) has occurred and is continuing with respect to any Plan. There are no pending, or to the Companies' and the Stockholders' knowledge, threatened claims, lawsuits or actions (other than routine claims for benefits in the ordinary course) asserted or instituted against, and no Company nor any ERISA Affiliate has knowledge of any threatened litigation or claims against, the assets of any Plan or its related trust or against any fiduciary of a Plan with respect to the operation of such Plan. To the Companies' and the Stockholders' knowledge, there are no investigations or audits of any Plan by any Governmental Authority currently pending and there have been no such investigations or audits that have been concluded that resulted in any liability to any Company or any ERISA Affiliate that has not been fully discharged. No Company nor any ERISA Affiliate has participated in any voluntary compliance or closing agreement programs established with respect to the form or operation of a Plan.

(g) No Company nor any ERISA Affiliate has engaged in any prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, in connection with any Plan for which exemption was not available. Except as set forth in Schedule 5.16, no Company nor any ERISA Affiliate is, or ever has been, a participant in or is obligated to make any payment to a multiemployer plan. No person or entity that was engaged by any Company or an ERISA Affiliate as an independent contractor within the last five years reasonably can or will be characterized or deemed to be an employee of such Company or an ERISA Affiliate under applicable Laws for any

purpose whatsoever, including, without limitation, for purposes of federal, state and local income taxation, workers' compensation and unemployment insurance and Plan eligibility.

5.17. LITIGATION AND COMPLIANCE WITH LAW. Except as set forth in Schedule 5.17, there are no claims, actions, suits or proceedings, pending or, to the knowledge of the Companies and the Stockholders, threatened against or affecting any Company, at law or in equity, or before or by any Governmental Authority having jurisdiction over such Company. No written notice of any claim, action, suit or proceeding, whether pending or threatened, has been received by any Company and, to the Stockholders' and the Companies' knowledge, there is no basis therefor. Except to the extent set forth in Schedule 5.17, each Company has conducted and is conducting its business in compliance with all Laws applicable to such Company, its assets or the operation of its business.

5.18. TAXES. For purposes of this Agreement, the term "Taxes" shall mean all taxes, charges, fees, levies or other assessments including, without limitation, income, gross receipts, excise, property, sales, withholding, social security, unemployment, occupation, use, service, service use, license, payroll, franchise, transfer and recording taxes, fees and charges, imposed by the United States or any state, local or foreign government or subdivision or agency thereof, whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest, fines, penalties or additional amounts attributable to or imposed with respect to any such taxes, charges, fees, levies or other assessments. Each Company has timely filed all requisite federal, state, local and other tax returns for all fiscal periods ended on or before the Closing, and has duly paid in full or made adequate provision in the Financial Statements for the payment of all Taxes for all periods ending at or prior to the Closing Date. Each Company has duly withheld and paid or remitted all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other person or entity that required withholding under any applicable Law, including, without limitation, any amounts required to be withheld or collected with respect to social security, unemployment compensation, sales or use taxes or workers' compensation. Except as set forth in Schedule 5.18, there are no examinations in progress or claims against any Company relating to Taxes for any period or periods prior to and including the Balance Sheet Date and no written notice of any claim for Taxes, whether pending or threatened, has been received. No Company has granted or been requested to

grant any extension of the limitation period applicable to any claim for Taxes or assessments with respect to Taxes. No Company is a party to any Tax allocation or sharing agreement and is not otherwise liable or obligated to indemnify any person or entity with respect to any Taxes. The amounts shown as accruals for Taxes on the Interim Financial Statements as of the Balance Sheet Date are sufficient for the payment of all Taxes for all fiscal periods ended on or before that date. True and complete copies of (a) any tax examinations, (b) extensions of statutory limitations and (c) the federal, state and local Tax returns of the Companies for the last three fiscal years have been previously provided to Quanta. There are no requests for ruling in respect of any Tax pending between any Company and any Taxing authority. UCCO has been taxed under the provisions of Subchapter S of the Code since July 1, 1988. Each Company currently utilizes the accrual method of accounting for income tax purposes. Such method of accounting has not changed in the past five years.

5.19. ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth in Schedule 5.19, each Company has conducted its operations in the ordinary course and there has not been:

(a) any material adverse change in the business, operations, properties, condition (financial or other), assets, liabilities (contingent or otherwise), results of operations or prospects of the Companies, taken as a whole;

(b) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the Companies, taken as a whole;

(c) any change in the authorized capital stock of any Company or in their outstanding securities or any change in the respective Stockholders' ownership interests in any Company or any grant of any options, warrants, calls, conversion rights or commitments;

(d) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of any Company;

(e) any increase in the compensation payable or to become payable by any Company to the Stockholders or any of their officers, directors, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice, which bonuses and salary increases are set forth in Schedule 5.19;

(f) any significant work interruptions, labor grievances or claims filed;

(g) except for the Merger and the Stock Purchase, any sale or transfer, or any agreement to sell or transfer, any material assets, properties or rights of any Company to any person, including, without limitation, the Stockholders and their Affiliates;

(h) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to any Company;

(i) any increase in the indebtedness of any Company, other than accounts payable incurred in the ordinary course of business, consistent with past practices or incurred in connection with the transactions contemplated by this Agreement;

(j) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of any Company or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(k) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of any Company's business;

(l) any waiver of any material rights or claims of any Company;

(m) any material breach, amendment or termination of any material contract, agreement, Permit or other right to which any Company is a party or any of its property is subject; or

(o) any other material transaction by any Company outside the ordinary course of business.

5.20. ACCOUNTS WITH BANKS AND BROKERAGES; POWERS OF ATTORNEY. Schedule 5.20 sets forth an accurate schedule, as of the date of this Agreement, of (a) the name of each financial institution or brokerage firm in which any Company has accounts or safe deposit boxes; (b) the names in which the accounts or boxes are held; (c) the type of account and the cash, cash equivalents and securities

held in such account as of the second business day prior to the Closing, none of which assets have been withdrawn from such accounts since such date except for bona fide business purposes in the ordinary course of the business of such Company; and (d) the name of each person authorized to draw thereon or have access thereto. Schedule 5.20 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from any Company and a description of the terms thereof.

5.21. ABSENCE OF CERTAIN BUSINESS PRACTICES. No Company nor any of its affiliates has given or offered to give anything of value to any governmental official, political party or candidate for government

office nor has it otherwise taken any action which would constitute a violation of the Foreign Corrupt Practices Act of 1977, as amended, or any similar Law.

5.22. COMPETING LINES OF BUSINESS; RELATED-PARTY TRANSACTIONS. Except as set forth in Schedule 5.22, neither the Stockholders nor any other Affiliate of any Company owns, directly or indirectly, any interest in, or is an officer, director, employee or consultant of or otherwise receives remuneration from, any business which is in a Competitive Business or is a competitor, lessor, lessee, customer or supplier of any Company. Except as set forth in Schedule 5.22, no officer or director of any Company nor any Stockholder has any interest in any property, real or personal, tangible or intangible, used in or pertaining to the business of any Company.

5.23. INTANGIBLE PROPERTY. Schedule 5.23 sets forth an accurate list of all patents, patent applications, trademarks, service marks, technology, licenses, trade names, copyrights and other intellectual property or proprietary property rights owned or used by any Company. Each Company owns or possesses, and the assets of each Company include, sufficient legal rights to use all of such items without conflict with or infringement of the rights of others.

5.24. TAX REORGANIZATION REPRESENTATION. The Surviving Corporation will acquire substantially all of the properties of UCCO within the meaning of Section 368(a)(2)(D) of the Code.

5.25. NO IMPLIED REPRESENTATIONS. Notwithstanding anything to the contrary contained in this Agreement, it is the express understanding of the Stockholders and each Company that Quanta and Newco are not making any representation or warranty whatsoever, express or implied, other than those representations and warranties of Quanta and Newco expressly set forth in this Agreement.

5.26. DISCLOSURE. The Stockholders and each Company have fully provided Quanta or its representatives with all the information that Quanta has requested in analyzing whether to consummate the Merger and the other transactions contemplated by this Agreement. None of the information so provided nor any representation or warranty of the Stockholders to Quanta or Newco in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF QUANTA AND NEWCO

Quanta and Newco jointly and severally represent and warrant to the Stockholders as follows:

6.1. ORGANIZATION. Each of Quanta and Newco is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, and is duly authorized and qualified under all applicable Laws to carry on its business in the places and in the manner now conducted. Each of Quanta and Newco has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as such business is currently being conducted.

6.2. AUTHORIZATION; NON-CONTRAVENTION; APPROVALS.

(a) Each of Quanta and Newco has the full legal right, power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement has been approved by the boards of directors of Quanta and Newco and Quanta, as the sole stockholder of Newco. No additional corporate proceedings on the part of Quanta or Newco are necessary to authorize the execution and delivery of this Agreement and the consummation by Quanta and Newco of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Quanta and Newco, and, assuming the due authorization, execution and delivery by each Company and the Stockholders, constitutes valid and binding agreements of Quanta and Newco, enforceable against Quanta and Newco in accordance with its terms.

(b) The execution and delivery of this Agreement by Quanta and Newco do not, and the consummation by Quanta and Newco of the transactions contemplated hereby will not, violate or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of (i) the Certificate of Incorporation or By-Laws of Quanta or Newco, (ii) any Law applicable to either Quanta or Newco or any of its properties or assets or (iii) any material note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind to which Quanta or Newco is now a party or by which either Quanta or Newco or any of its properties or assets may be bound or affected.

(c) Except for the Merger Filings and such filings as may be required under federal or state securities Laws, no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any Governmental Authority is necessary for the execution and delivery of this Agreement by Quanta and Newco or the consummation by Quanta and Newco of the transactions contemplated hereby.

6.3. QUANTA COMMON STOCK. The shares of Quanta Common Stock to be issued to the Stockholders pursuant to the Merger and the Stock Purchase are duly authorized and, when issued in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable. The issuance of Quanta Common Stock pursuant to the Merger will transfer to the Stockholders valid title to such shares of Quanta Common Stock, free and clear of all Encumbrances, except for any Encumbrances created by the Stockholders.

6.4. TAX REORGANIZATION REPRESENTATIONS.

(a) Prior to the Merger, Quanta will be in control of Newco within the meaning of Section 368(c) of the Code.

(b) Quanta has no plan or intention to cause the Surviving Corporation to issue additional shares of its stock that would result in Quanta losing control of the Surviving Corporation within the meaning of Section 368(c) of the Code.

(c) Quanta has no plan or intention to reacquire any of its stock issued in the Merger.

(d) Quanta has no plan or intention to liquidate the Surviving Corporation; to merge the Surviving Corporation with or into another corporation; to sell or otherwise dispose of the stock of the Surviving Corporation except for transfers of stock to another corporation controlled by Quanta; or to cause the Surviving Corporation to sell or otherwise dispose of any of its assets, except for dispositions made in the ordinary course of business or transfers of assets to a corporation controlled by Quanta.

(e) Following the Closing, Quanta's intention is that the Surviving Corporation will continue the historic business of the Companies or use a significant portion of the historic business assets of UCCO in a business, all as required to satisfy the "continuity of business enterprise" requirement under Section 368 of the Code.

(f) Quanta does not own, nor has it owned during the past five years, any shares of the stock of UCCO.

(g) Each of Quanta and Newco is undertaking the Merger for a bona fide business purpose and not merely for the avoidance of federal income tax.

(h) Neither Quanta nor Newco is an investment company as defined in Section 368(a)(2)(F)(iii) and (iv) of the Code.

(i) As of the Closing Date, the fair market value of the assets of Newco will exceed the sum of Newco's liabilities plus the amount of other liabilities, if any, to which Newco's assets are subject.

6.5. SEC FILINGS; DISCLOSURE. Quanta has filed with the Securities and Exchange Commission ("SEC") all material forms, statements, reports and documents required to be filed by it prior to the date hereof under each of the Securities Act of 1933, as amended (the "1933 Act"), the Securities Exchange Act of 1934, as amended (the "1934 Act"), and the respective rules and regulations thereunder, (a) all of which, as amended, if applicable, complied when filed in all material respects with all applicable requirements of the appropriate Act and the rules and regulations thereunder, and (b) none of which, as amended, if applicable, contains any untrue statement of material fact or omits to state a

material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

6.6 NO IMPLIED REPRESENTATIONS. Notwithstanding anything to the contrary contained in this Agreement, it is the express understanding of Quanta and Newco that the Stockholders are not making any representation or warranty whatsoever, express or implied, other than those representations and warranties of the Stockholders expressly set forth in this Agreement.

6.7. DISCLOSURE. Quanta has fully provided the Stockholders or their representatives with all the information that the Stockholders have requested in analyzing whether to consummate the Merger and the Stock Purchase. None of the information so provided nor any representation or warranty of Quanta contained in this Agreement contains any untrue statement of a material fact or omits to state a material fact

necessary in order to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.

ARTICLE VII

CERTAIN COVENANTS

7.1. RELEASE FROM GUARANTEES. Quanta shall use its commercially reasonable best efforts to have the Stockholders released from the personal guarantees of the Companies' indebtedness identified in Schedule 7.1 within 90 days after the Closing Date. Quanta hereby agrees to indemnify and defend each Stockholder and hold such Stockholder harmless for any amounts that such Stockholder is required to pay in connection with the enforcement of any obligations under such personal guarantees after the Closing, including without limitation any reasonable attorneys' fees and expenses incurred in connection therewith.

7.2. FUTURE COOPERATION; TAX MATTERS. The Stockholders and Quanta shall each deliver or cause to be delivered to the other following the Closing such additional instruments as the other may reasonably request for the purpose of fully carrying out this Agreement. The Stockholders will cooperate and use their commercially reasonable best efforts to have the present officers, directors and employees of the Companies cooperate with Quanta and the Surviving Corporation at and after the Closing in furnishing information, evidence, testimony and other assistance in connection with any actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Closing. The Stockholders will cooperate with the Surviving Corporation in the preparation of all tax returns covering the period from the beginning of each Company's current Tax years through the Closing. In addition, Quanta will provide the Stockholders with access to such of its books and records as may be reasonably requested by the Stockholders in connection with federal, state and local tax matters relating to periods prior to the Closing. The party requesting cooperation, information or actions under this Section 7.2 shall reimburse the other party for all reasonable out-of-pocket costs and expenses paid or incurred in connection therewith, which costs and expenses shall not, however, include per diem charges for employees or allocations of overhead charges.

7.3. EXPENSES. Quanta will pay the fees, expenses and disbursements of Quanta and its agents, representatives, accountants and counsel incurred in connection with the execution, delivery and performance of this Agreement and any amendments thereto. The Surviving Corporation following the Closing will pay the expenses of the audit or audit related procedures in connection with the transactions contemplated hereby. The Stockholders will pay their fees, expenses and disburse ments and those of their and the Companies' agents, representatives, financial advisors, accountants and counsel incurred in connection with the execution, delivery and performance of this Agreement and any amendments hereto and the consummation of the transactions contemplated hereby, including, without limitation, accounting fees and related expenses attributable to the final Tax returns of the Companies and the Stockholders through the Closing; provided, however that the Surviving Corporation will pay up to $20,000 of such Tax returns fees and expenses.

7.4. LEGAL OPINION. At the Closing, the Companies and the Stockholders shall cause their legal counsel, Spaulding, McCullough & Tansil, L.L.P., to deliver to Quanta a legal opinion in form and substance acceptable to Quanta.

7.5. EMPLOYMENT AGREEMENTS. Concurrently with the execution of this Agreement, the Surviving Corporation shall enter into a mutually acceptable Employment Agreement with each of the individuals identified on Schedule 7.5 (collectively, the "Employment Agreements").

7.6. REPAYMENT OF RELATED PARTY INDEBTEDNESS. Concurrently with the execution of this Agreement, (a) the Stockholders shall repay to the Company all amounts outstanding as advances to or receivables from the Stockholders, each of which advances or receivables is specifically reflected in Schedule 5.7, and (b)

the Company shall repay all amounts outstanding under loans to the Company from any Stockholder, each of which loans to the Company is specifically reflected in Schedule 5.6.

7.7. STOCK OPTIONS. Quanta shall grant nonqualified options to purchase an aggregate of 140,000 shares of Quanta Common Stock as of the Closing Date under Quanta's 1997 Stock Option Plan (the "Option Plan") to employees of the UCCO (other than Stockholders) as mutually agreed upon by Lynn Barr and Quanta, which options, in each case, shall vest in equal annual increments for four years, commencing one year after the Closing.

7.8. STOCK PURCHASE PROGRAM. After the Closing, Quanta will endeavor to establish, subject to stockholder approval, an employee stock purchase program to facilitate employee purchases of Quanta Common Stock directly from Quanta without paying third party brokerage commissions. Notwithstanding anything to the contrary contained herein, neither this Section 7.8, Sections 7.9, 7.10, 7.11, nor anything in this Agreement, or any other agreement of Quanta and its Affiliates entered into in connection with the consummation of the transactions contemplated hereby, shall be deemed or construed to make any employee of the Companies or Quanta or its Affiliates or potential participants in any such employee stock purchase program a third party beneficiary or create any right in any such persons to cause Quanta or its Affiliates to establish any such employee stock purchase program.

7.9. CONTINUATION OF UCCO BENEFIT PLANS. Quanta shall use its reasonable best efforts to maintain (a) until January 1, 1999, the UCCO Retirement Plan (the "UCCO Pension Plan"), (b) UCCO's long-term disability program, (c) UCCO's published bonus program, (d) UCCO's stockholder Exec-u-Care supplemental medical plan, (e) UCCO's group term insurance plan and (f) UCCO's vacation, sick leave and subsistence plan; provided, however, that, notwithstanding the foregoing, the continuation of such plans and programs, including, without limitation, the UCCO Pension Plan, (i) shall only be required to the extent permitted by applicable Law and shall not be required to the extent that applicable Law would require any other employees of Quanta or its subsidiaries to become participants in any such plan or program in order to maintain such plan or program as a Qualified Plan, if applicable, and (ii) the Surviving Corporation may replace any such plan or program with a Quanta or Surviving Corporation plan or program providing substantially similar benefits. Notwithstanding anything to the contrary contained herein, neither this Section 7.9 nor anything in this Agreement, or any other agreement of Quanta and its Affiliates entered into in connection with the consummation of the transactions contemplated hereby, shall be deemed or construed to make any employee of the Companies or Quanta or its Affiliates or participants or potential participants in any such plan or program, including, without limitation, the UCCO Pension Plan, a third party beneficiary or create any right in any such persons to cause Quanta or its Affiliates to continue or maintain any such plan or program, including, without limitation, the UCCO Pension Plan.

7.10. CONTINUATION OF CAR LEASE PROGRAM. Schedule 7.10 includes a description of the material terms of the UCCO Stockholder car lease program including all amounts paid by the Companies pursuant

to the program in in the fiscal year ended December 31, 1997, and the six months ended June 30, 1998 and all beneficiaries of the program. Quanta shall use its reasonable best efforts to maintain the UCCO Stockholder car lease program, provided, however, that the Surviving Corporation may replace any such plan or program with a Quanta or Surviving Corporation plan or program providing substantially similar benefits.

7.11. KEYMAN LIFE INSURANCE POLICIES. Within 90 days of the Closing Date, the Stockholder's will, at their option, be able to purchase their respective keyman life insurance policy from their respective Companies for the cash surrender value of the policy.

7.12. AIRCRAFT PURCHASE. Upon the date that Lynn Barr ceases to be employed in any capacity by the Surviving Corporation or any Affiliate of the Surviving Corporation, he will, at his option, be able to purchase that certain 1983 Mooney aircraft from the Surviving Corporation at a price equal to the wholesale market value of such aircraft at the time of purchase. Nothing in this Agreement shall require the Surviving Corporation or its Affiliates to maintain ownership or replace such aircraft if, in the reasonable business judgment of the Surviving Corporation or such Affiliate, disposal of such aircraft would be in the best interest of the Surviving Corporation, its Affiliates or their respective Stockholders.

ARTICLE VIII

INDEMNIFICATION

The Stockholders, Quanta and Newco each make the following covenants:

8.1. GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. Subject to Sections 8.4 and 8.5, the Stockholders, other than Richard R. Shone, George R. Bradshaw, Errol C. Bisutti and Timothy H. Richards (collectively, the "Minor

Shareholders"), covenant and agree that they will jointly and severally (without any right of indemnification or contribution from the Companies) indemnify, defend, protect and hold harmless Quanta, Newco and the Surviving Corporation, and their respective officers, directors, employees, stockholders, agents, representatives and Affiliates, at all times from and after the date of this Agreement until the Expiration Date from and against all Losses incurred by any of such indemnified persons as a result of or arising from (a) any breach of the representations and warranties of the Stockholders set forth herein or in the Schedules or certificates delivered in connection herewith, (b) any breach or nonfulfillment of any covenant or agreement on the part of the Stockholders or the Companies under this Agreement, (c) all income Taxes payable by any Company for all periods prior to and including the Closing Date, or (d) all transfer and other Taxes arising from the transactions contemplated by this Agreement.

8.2. INDEMNIFICATION BY QUANTA. Subject to Section 8.4, Quanta covenants and agrees that it will indemnify, defend, protect and hold harmless the Stockholders and their respective agents, representatives, Affiliates, beneficiaries and heirs and employees at all times from and after the date of this Agreement until the Expiration Date from and against all Losses incurred by any of such indemnified persons as a result of or arising from (a) any breach of the representations and warranties of Quanta or Newco set forth herein or in the Schedules or certificates attached hereto, or (b) any breach or nonfulfillment of any covenant or agreement on the part of Quanta or Newco under this Agreement.

8.3. THIRD PERSON CLAIMS. Promptly after any party providing indemnification pursuant to Section 8.1 or 8.2 of this Agreement (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), of the commencement of any action or proceeding by a Third Person, which the Indemnified Party believes in good faith is an indemnifiable claim under this Agreement, the Indemnified Party shall give to the party obligated to provide indemnification pursuant to Section 8.1, or 8.2 hereof (hereinafter the "Indemnifying Party") written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same diligently and in good faith. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in all commercially reasonable respects in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records and other information reasonably requested by the Indemnifying Party and in the Indemnified Party's possession or control. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability; provided, however, that the Indemnified Party shall be entitled, at its expense, to participate in the defense of such asserted liability and the negotiations of the settlement thereof. The Indemnifying Party shall not settle any such Third Person claim without the consent of the Indemnified Party, unless the settlement thereof imposes no liability or obligation on, and includes a complete release from liability of, the Indemnified Party. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person; provided, however, that notwithstanding the foregoing, the Indemnified Party shall be entitled to refuse to consent to any such proposed settlement and the Indemnifying Party's liability hereunder shall not be limited by the amount of the proposed settlement if such settlement does not provide for the complete release of the Indemnified Party. If, upon receiving notice, the Indemnifying Party does not timely undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, in its discretion, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith.

8.4. INDEMNIFICATION DEDUCTIBLE. Neither the Stockholders, on the one hand, nor Quanta, Newco and the Surviving Corporation, on the other hand, shall be entitled to indemnification from the other under the provisions of Section 8.1(a) or Section 8.2(a), as the case may be, until such time as, and only to the extent that, the claims subject to indemnification by such other party exceed, in the aggregate, $325,000. Notwithstanding the foregoing, the limitations set forth in this Section 8.4 shall not apply to fraudulent misrepresentations.

8.5. INDEMNIFICATION LIMITATION. Subject to Section 8.4, the aggregate indemnification obligation of the Indemnifying Stockholders under Section 8.1(a) shall be limited to $32,500,000. Notwithstanding the foregoing, the limitations set forth in this Section 8.5 shall not apply to fraudulent misrepresentations.

8.6. INDEMNIFICATION FOR NEGLIGENCE OF INDEMNIFIED PARTY. THE RIGHTS TO INDEMNIFICATION UNDER THIS INCLUDE RIGHTS TO INDEMNIFICATION FOR THE RESULTS OF AN INDEMNIFIED PARTY'S ACTUAL OR ALLEGED NEGLIGENCE, IF SUCH INDEMNIFIED PARTY WOULD OTHERWISE BE ENTITLED TO INDEMNIFICATION HEREUNDER.

ARTICLE IX

NONCOMPETITION COVENANTS

9.1. PROHIBITED ACTIVITIES.

(a) For no additional consideration, (i) the Stockholders, other than the Minor Stockholders, will not for five years following the Closing Date and, as to Stockholders (other than Minor Stockholders) who are parties to Employment Agreements, if longer, one year following such Stockholder's voluntary termination of his or her employment agreement with the Surviving Corporation or its Affiliates or the termination of such individual's employment with the Surviving Corporation or its Affiliates "for cause," in each case as determined in accordance with such individual's Employment Agreement, and (ii) the Minor Stockholders will not for two years following the Closing Date, and, as to Minor Stockholders who are parties to Employment Agreements, if longer, one year following such Minor Stockholder's voluntary termination of his or her employment agreement with the Surviving Corporation or its Affiliates or the termination of such individual's employment with the Surviving Corporation or its Affiliates "for cause," in each case as determined in accordance with such individual's Employment Agreement (with the applicable period being herein referred to as the "Noncompete Term"), directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial or advisory capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in a Competitive Business (A) in the counties in California in which either of the Companies or any subsidiaries conducts business or has conducted business within the past three years, all of which counties are set forth on Schedule 5.1, (B) within 150 miles of where either of the Companies or any of its subsidiaries conducts business, or has conducted business within the past three years, outside of California, including any territory outside of California that is serviced by either of the Companies or any of such subsidiaries (the counties and other areas included within clause (A) and (B) being herein referred to as the "Territory");

(ii) call upon any person who is an employee or consultant of Quanta or the Surviving Corporation or any of their respective subsidiaries for the purpose or with the intent or effect of enticing such employee or consultant away from or out of the employ or contract with Quanta or the Surviving Corporation or any of their respective subsidiaries; or

(iii) call upon any person or entity which is, at that time, or which has been, within one year prior to that time, a customer of any Company or the Surviving Corporation or any of the subsidiaries of such parties within the Territory for the purpose, or with the effect, of soliciting or selling services or products in a Competitive Business within the Territory.

(b) Notwithstanding the above, (i) if the employment of a Stockholder (other than a Minor Stockholder) identified in Section 9.1(a) is terminated by the Surviving Corporation other than "for cause," as determined under such individual's Employment Agreement, if applicable, then the Noncompete Term shall be five years following the Closing Date, (ii) Section 9.1(a) shall not be deemed to prohibit any such Stockholder from acquiring, as a passive investor with no involvement in the operations of the business, not more than one percent of the capital stock of a Competitive Business whose stock is publicly traded on a national securities exchange, The Nasdaq Stock Market or over-the-

counter, and (iii) if the employment of a Stockholder is terminated for other than "good cause", as determined under such individual's Employment Agreement, if applicable, then no non-compete provision shall be enforceable for any period of time during which or for which such Stockholder is not receiving or has not received severance compensation..

9.2. EQUITABLE RELIEF. Because of the difficulty of measuring economic losses to Quanta and the Surviving Corporation as a result of a breach of the foregoing covenant, because a breach of such covenant would diminish the value of the assets and business of the Companies being sold pursuant to this Agreement, and because of the immediate and irreparable damage that could be caused to Quanta and the Surviving Corporation for which it would have no other adequate remedy, each Stockholder agrees that the foregoing covenant may be enforced against such individual by injunctions, restraining orders and other equitable actions.

9.3. REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this ARTICLE IX are necessary in terms of time, activity and territory to protect Quanta's and the Surviving Corporation's interest in the assets and business being acquired pursuant to the terms of this Agreement and impose a reasonable restraint on each Stockholder in light of the activities and businesses of the Companies on the date of the execution of this Agreement and the current plans of the Companies.

9.4. SEVERABILITY; REFORMATION. The covenants in this ARTICLE IX are severable and separate, and the unenforceability of any specific covenant shall not affect the continuing validity and enforceability of any other covenant. In the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth in this ARTICLE IX are unreasonable and therefore unenforceable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable and this Agreement shall thereby be reformed.

9.5. MATERIAL AND INDEPENDENT COVENANT. Each Stockholder acknowledges that his, her or its agreements and the covenants set forth in this ARTICLE IX are material conditions to Quanta's and Newco's agreements to execute and deliver this Agreement and to consummate the transactions contemplated hereby and that Quanta and Newco would not have entered into this Agreement without such covenants. All of the covenants in this ARTICLE IX shall be construed as an agreement independent of any other provision in this Agreement.

ARTICLE X

NONDISCLOSURE OF CONFIDENTIAL INFORMATION

10.1. GENERAL. Each Stockholder recognizes and acknowledges that he, she or it had in the past, currently has, and in the future will have, access to certain confidential information relating to the businesses of the Companies, such as lists of customers, operational policies, and pricing and cost policies that are, and following the Closing will be, valuable, special and unique assets of the Surviving Corporation. Each Stockholder agrees that he, she or it will not use or disclose such confidential information to any person, firm, corporation, association or other entity for any purpose whatsoever, except as is required in the course of performing his, her or its duties, if any, to the Surviving Corporation and/or Quanta, unless (a) such information becomes known to the public generally through no fault of such Stockholder, or (b) disclosure is required by Law, provided that prior to disclosing any information pursuant to this clause (b) such Stockholder shall, if possible, give prior written notice thereof to Quanta and the Surviving Corporation and provide Quanta with the opportunity to contest such disclosure. In the event of a breach or threatened breach by any Stockholder of the provisions of this Section, Quanta shall be entitled to an injunction restraining such Stockholder from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting Quanta from pursuing any other available remedy for such breach or threatened breach, including, without limitation, the recovery of damages.

10.2. EQUITABLE RELIEF. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants, because a breach of such covenant would diminish the value of the assets and business of the Company being sold pursuant to this Agreement, and because of the immediate and irreparable damage that would be caused for which the Surviving Corporation and/or Quanta would have no other adequate remedy, each Stockholder agrees that the foregoing covenants may be enforced against him, her or it by injunctions, restraining orders and other equitable actions.

ARTICLE XI

INTENDED TAX TREATMENT

11.1. TAX-FREE REORGANIZATION. Quanta and the Stockholders are entering into this Agreement with the intention that the Merger qualify as a tax-free reorganizations for federal income tax purposes, except to the extent of any

"boot" received, and neither Quanta nor the Stockholders will take any actions that disqualify the Merger for such treatment.

ARTICLE XII

FEDERAL SECURITIES ACT; RESTRICTIONS ON QUANTA COMMON STOCK

12.1. COMPLIANCE WITH LAW. The Stockholders acknowledge the shares of Quanta Common Stock issued at the Closing in accordance with the terms of this Agreement (the "Restricted Shares") will not be registered under the 1933 Act and therefore may not be resold without compliance with the 1933 Act. The Restricted Shares are being or will be acquired by Stockholders solely for their own accounts, for investment

purposes only, and with no present intention of distributing, selling or otherwise disposing of them in connection with a distribution. The Stockholders covenant, warrant and represent that none of the Restricted Shares will be, directly or indirectly, offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the 1933 Act and the rules and regulations of the SEC. Certificates representing the Restricted Shares shall bear the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE WERE NOT ISSUED IN A TRANSACTION REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS. THE SHARES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD OR TRANSFERRED UNLESS SUCH SALE OR TRANSFER IS COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR, IN THE OPINION OF COUNSEL TO THE ISSUER, IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS.

12.2. ECONOMIC RISK; SOPHISTICATION; ACCREDITED INVESTORS. Each Stockholder is able to bear the economic risk of an investment in the Restricted Shares and can afford to sustain a total loss of such investment. Each Stockholder has such knowledge and experience in financial and business matters that it, she or he is capable of evaluating the merits and risks of the proposed investment and therefore has the capacity to protect its, her or his own interests in connection with the acquisition of the Restricted Shares pursuant hereto. Each Stockholder or its, her or his representatives have had an adequate opportunity to ask questions and receive answers from the officers of Quanta concerning, among other matters, Quanta, its management, its plans for the operation of its business and potential additional acquisitions.

12.3 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of Quanta Common Stock to the public without registration, for a period of one year after the Closing, Quanta agrees to use its commercially reasonable efforts to:

(a) make and keep public information (as such terms are defined in Rule 144) regarding Quanta available;

(b) file with the SEC in a timely manner all reports and other documents required of Quanta under the 1933 Act and the 1934 Act; and

(c) furnish to each Stockholder upon written request a written statement by Quanta as to its compliance with the reporting requirements of Rule 144, the 1933 Act and the 1934 Act, a copy of the most recent annual or quarterly report of Quanta, and such other reports and documents so filed as such Stockholder may reasonably request in availing itself of any rule or regulation of the SEC allowing such Stockholder to sell any such shares without registration.

12.4. RESTRICTION ON SALE OR OTHER TRANSFER OF RESTRICTED SHARES. Each Stockholder covenants, warrants and represents that none of the Restricted Shares will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of, directly or indirectly, during the one-year period commencing on the Closing Date (the "Lockup Period") and, thereafter, only after full compliance with all of the applicable provisions of the 1933 Act and the rules and regulations of the SEC; and, during the Lockup Period, the Stockholders shall not engage in put, call, short-sale, hedge, straddle or similar transactions

intended to reduce the Stockholders' risk of owning the Restricted Shares. Certificates representing the Restricted Shares shall bear the following legend in addition to the legend under Section 12.1:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A CONTRACTUAL RESTRICTION ON TRANSFER THAT EXPIRES ON AUGUST 4, 1999 AND MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, TRANSFERRED OR OTHERWISE

DISPOSED OF DURING THE PERIOD OF SUCH CONTRACTUAL RESTRICTION WITHOUT THE PRIOR WRITTEN CONSENT OF QUANTA SERVICES, INC.

ARTICLE XIII

MISCELLANEOUS

13.1 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of Law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of Quanta, Newco, the Surviving Corporation and the Companies, and the heirs and legal representatives of the Stockholders.

13.2. ENTIRE AGREEMENT. This Agreement (including the Schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Companies, Newco and Quanta and supersede any prior agreement and understanding relating to the subject matter of this Agreement, including, without limitation, that certain letter of intent dated June 26, 1998 by and among Quanta and UCCO, as amended or supplemented. This Agreement may be modified or amended only by a written instrument executed by the Stockholders, the Companies, Newco and Quanta, acting through their respective officers, duly authorized by their respective Boards of Directors.

13.3. COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

13.4. BROKERS AND AGENTS.

(a) Except for the Stockholders' engagement of Upton Financial Group, Inc. ("Broker"), whose fees and expenses are liabilities and obligations of the Stockholders, each party hereto represents and warrants that it employed no broker or agent in connection with the transactions contemplated by this Agreement. Except as specifically provided in Section 73, each party agrees to indemnify each other party against all loss, cost, damages or expense arising out of claims for fees or commissions of brokers employed or alleged to have been employed by such indemnifying party.

(b) Broker is acting as in intermediary only. Broker has not provided legal or accounting advice to any party, since Broker is neither an attorney or an accountant. Quanta and Newco are entering into this Agreement and shall satisfy themselves as to the viability of the business of the Companies on the basis of (i) their independent assessment of each such business and the assets of the Companies, (ii) the information provided by the Companies, and (iii) their physical inspection of the assets of the Companies. Quanta and Newco acknowledge that Broker shall not verify the

accuracy of the Stockholders' representations and warranties. Quanta and Newco specifically understand and acknowledge that marketing flyers, brochures and packages concerning a business contain opinions, speculations and projections as to the potential of the Companies and other matters. Quanta and Newco acknowledge that they are not entering into this Agreement on the basis of any representations, warranties or guarantees of Broker. If any representations and warranties of either Quanta, Newco or the Stockholders are untrue, Quanta, Newco, and/or the Stockholders shall look solely to each other for relief and shall release and hold Broker harmless from any claims arising out of any such misrepresentation. The Merger has been structured as such to meet the needs of the parties hereto and not as a result of the recommendation of Broker.

13.5. NOTICES. All notices and communications required or permitted hereunder shall be in writing and may be given by depositing the same in the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party, as follows:

(a) If to Quanta, Newco or the Surviving Corporation, addressed to them at:

Quanta Services, Inc.
1360 Post Oak Boulevard, Suite 2100
Houston, Texas 77056
Attn: President and General Counsel

(b) If to any Stockholder, respectively addressed as follows:

Lynn E. Barr
19495 Franquelin Place
Sonoma, California 95476

or such other address as any party hereto shall specify pursuant to this Section 13.5 from time to time.

13.6. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in ARTICLE V and ARTICLE VI shall survive the Closing for a period of two years from the Closing Date (the "Expiration Date"), except that the representations and warranties set forth in Section 5.18 hereof shall survive until such time as the limitations period has run for all tax periods ended prior to the Closing Date, which shall be deemed to be the Expiration Date for Section 5.18.

13.7. EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

13.8. REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and unenforceable, but so as to most nearly retain the intent of the parties, and if such modification is not

possible, such provision shall be severed from this Agreement, and in either case, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

13.9. GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of California (except for its principles governing conflicts of laws).

13.10. DISPUTE RESOLUTION.

(a) Except with respect to injunctive relief as provided in Section 9.2 and Section 10.2 (which relief may be sought from any court or administrative agency with jurisdiction with respect thereto), any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in accordance with the commercial rules of the American Arbitration Association then in effect. The arbitration shall be conducted by a retired judge employed by the San Francisco Regional Office of the Judicial Arbitration and Mediation Services, Inc. ("JAMS"). The arbitration shall be held in JAMS' San Francisco office.

(b) The parties shall obtain from JAMS a list of the retired judges available to conduct the arbitration. The parties shall use their reasonable efforts to agree upon a judge to conduct the arbitration. If the parties cannot agree upon a judge to conduct the arbitration within 10 days after receipt of the list of available judges, the parties shall ask JAMS to provide the parties a list of three available judges (the "Judge List"). Within five days after receipt of the Judge List, each party shall strike one of the names of the available judges from the Judge List and return a copy of such list to JAMS and the other party. If two different judges are stricken from the Judge List, the remaining judge shall conduct the arbitration. If only one judge is stricken from the Judge List, JAMS shall select a judge from the remaining two judges on the Judge List to conduct the arbitration.

(c) The arbitrator shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrator shall have the authority to order payment of damages, reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that a material breach of this Agreement has occurred. A decision by the arbitrator shall be final and binding. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

QUANTA SERVICES, INC.

By: ______________________________________

Its:

____

UNDERGROUND ACQUISITION, INC.

By: ____________________________________

Its: ____________________________________

UNDERGROUND CONSTRUCTION CO., INC.

By: ____________________________________

Its: ____________________________________

FIVE POINTS CONSTRUCTION COMPANY

By: ____________________________________

Its: ____________________________________

JAMES G. SILER, TRUSTEE OF THE JAMES G. SILER
REVOCABLE TRUST, DATED AUGUST 11, 1994

____
James G. Siler, Trustee

LYNN E. BARR AND LINDA D. BARR, TRUSTEES
UNDER THE LYNN E. BARR AND LINDA D. BARR
TRUST DATED OCTOBER 12, 1993

____
Lynn E. Barr, Trustee

____
Thomas K. McManus, Jr., Individually

____
Harry T. Robinson, Individually

____
James H. Curry, Individually

ANN-MARIE AND LEE A. TALBOT, TRUSTEES UNDER THE
ANN-MARIE TALBOT AND LEE A. TALBOT REVOCABLE
LIVING TRUST DATED NOVEMBER 23, 1994

____
Ann-Marie Talbot, Trustee

____
Patricia C. Darnell, Individually

____
Philip L. Smith, Individually

____
Richard R. Shone, Individually

____
George R. Bradshaw, Individually

____
Errol C. Bisutti, Individually

____
Timothy H. Richards, Individually

EXHIBIT 10.5

==

$125,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF

AUGUST 3, 1998

AMONG

QUANTA SERVICES, INC., AS BORROWER

AND

BANK ONE, TEXAS, NATIONAL ASSOCIATION,
NATIONAL CITY BANK AND THE OTHER FINANCIAL
INSTITUTIONS PARTIES HERETO, AS LENDERS

AND

BANK ONE, TEXAS, NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT

AND

NATIONAL CITY BANK, AS CO-AGENT

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AMENDED AND RESTATED CREDIT AGREEMENT, dated as of August 3, 1998, between Quanta Services, Inc., a Delaware corporation (the "Borrower"), Bank One, Texas, National Association ("Bank One"), National City Bank and the other lenders from time to time parties hereto (each a "Lender" and collectively, the "Lenders"), Bank One as administrative agent for the Lenders (in such capacity, the "Agent") and National City Bank as co-agent for the Lenders (in such capacity, the "Co-Agent").

WITNESSETH:

WHEREAS, the Borrower, certain of the Lenders and the Agent have previously entered into that certain Credit Agreement dated as of April 9, 1998 (the "Prior Credit Agreement"); and

WHEREAS, the parties to the Prior Credit Agreement desire to amend and restate such agreement in its entirety as provided herein;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

Section 1.1 Definitions. Unless otherwise defined herein, the following terms shall have the following meanings:

"Acquisition" means a direct or indirect purchase by the Borrower or any of its Subsidiaries after the Effective Date hereof for cash, stock or other securities or other property, whether in one or more related transactions, of all or substantially all of the assets or voting securities or other equity interests of a Person or a business unit, division or group of a Person.

"Adjusted LIBOR Rate" means, for any Borrowing of LIBOR Loans, a rate per annum determined in accordance with the following formula:

Adjusted LIBOR Rate = $\frac{\text{LIBOR Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$

"Affiliate" means, for any Person, (i) any other Person that directly or indirectly through one or more intermediaries controls, or is under common control with, or is controlled by, such Person, and (ii) any other Person owning beneficially or controlling ten percent (10%) or more of the equity interests in such Person; provided that any investor in connection with any Subordinated Debt Investment shall not be considered an Affiliate hereunder. As used in this definition, "control" means the power, directly or indirectly, to direct or cause the direction of management or policies of a Person (through ownership of voting securities or other equity interests, by contract or otherwise).

"Agent" means Bank One acting in its capacity as administrative agent for the Lenders, and any successor agent appointed hereunder pursuant to Section 9.7.

"Agent Loans" means the loans made by the Agent, in its sole discretion, described in Section 2.1(b).

"Agent Swing Line" means the uncommitted credit facility in an amount of $5,000,000 for making Agent Loans described in Section 2.1(b).

"Agreement" means this Credit Agreement, as amended, restated or supplemented from time to time.

"Applicable Margin" means for Base Rate Loans or LIBOR Loans, as applicable, for any day at such times as the relevant Funded Debt to EBITDA Ratio is in one of the following ranges, the percentage per annum set forth opposite such Funded Debt to EBITDA Ratio for such Loans as follows:

Funded Debt to EBITDA Ratio	LIBOR Loans	Base Rate Loans
Less than or equal to 1.5 to 1.0	0.75%	0.00%
Greater than 1.5 to 1.0 but less than or equal to 1.75 to 1.0	1.00%	0.00%
Greater than 1.75 to 1.0 but less than or equal to 2.25 to 1.0	1.25%	0.00%
Greater than 2.25 to 1.0 but less than or equal to 2.75 to 1.0	1.50%	0.00%
Greater than 2.75 to 1.0	1.75%	0.25%

For the period from the Effective Date through the earlier of the date the Borrower is to provide the Agent with the financial statements for the fiscal quarter ended June 30, 1998, as required by Section 6.6(a)(i) or the date such financial statements are provided to the Agent, the Applicable Margin for LIBOR Loans shall be 0.75% and the Applicable Margin for Base Rate Loans shall be 0%, and thereafter, the Applicable Margin shall be set according to the above grid upon receipt by the Agent of the applicable financial statements and Compliance Certificate as required by Section 6.6(a)(i) or (ii) and Section 6.6(b) from the Borrower to be effective as of the date one (1) Business Day after the earlier of the date such financial statements are required to be provided or the date such financial

statements are provided to the Agent. Upon the closing of Subordinated Debt Investment(s) with proceeds aggregating at least $30,000,000, the percentages in the LIBOR Loans column above shall each be reduced by 0.125%.

"Application" means an application for a Letter of Credit as defined in Section 2.2(b).

"Arranger" means Bank One Capital Markets.

"Assignment Agreement" means an agreement in substantially the form of Exhibit 10.10 whereby a Lender conveys part or all of its Commitments, Loans and participations in Letters of Credit to another Person that thereupon becomes a Lender, or that increases its Commitments, outstanding Loans and outstanding participations in Letters of Credit pursuant to Section 10.10.

"Base Rate" means, for any day, the fluctuating commercial loan rate announced by the Agent from time to time as its base rate for Dollar loans in the United States of America in effect on such day (which base rate may not be the lowest rate charged by the Agent on loans to any of its customers), with any

change in the Base Rate resulting from a change in such announced rate to be effective on the date of the relevant change.

"Base Rate Loan" means (i) a Revolving Loan bearing interest prior to maturity at the Base Rate plus the Applicable Margin, or (ii) an Agent Loan bearing interest prior to maturity at the Base Rate minus 0.625%, as applicable.

"Borrower" means Quanta Services, Inc., a Delaware corporation.

"Borrowing" means any extension of credit made by the Lenders or the Agent, as the case may be, by way of Loans or Letters of Credit, including any Borrowings advanced, continued or converted. A Borrowing is "advanced" on the day the Lenders or the Agent, as the case may be, advances funds comprising such Borrowing to the Borrower or a Letter of Credit is issued, is "continued" (in the case of LIBOR Loans) on the date a new Interest Period commences for such Borrowing and is "converted" when such Borrowing is changed from one type of Loan to the other, all as requested by the Borrower pursuant to Section 2.4(a).

"Borrowing Request" means a request for a Borrowing as defined in Section 2.2(b).

"Business Day" means any day other than a Saturday or Sunday on which banks are not authorized or required to close in Houston, Texas, and, if the applicable Business Day relates to the advance or continuation of, conversion into or payment on a LIBOR Loan, on which banks are dealing in Dollar deposits in the interbank eurocurrency market in London, England.

"Capital Expenditures" means, for any period, the sum, without duplication, of all expenditures of the Borrower and its Subsidiaries for fixed or capital assets made during such period which, in accordance with GAAP, are required to be classified as capital expenditures, in each case

excluding all such expenditures incurred by any entity or business acquired in an Acquisition prior to the date of such Acquisition.

"Capitalized Lease Obligations" means, for any Person, the amount of such Person's liabilities under all leases of real or personal property (or any interest therein) which is required to be capitalized on the balance sheet of such Person as determined in accordance with GAAP.

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof having maturities of not more than twelve (12) months from the date of acquisition; (ii) U.S. Dollar denominated time deposits and certificates of deposit maturing within one (1) year from the date of acquisition thereof with any Lender or any other financial institution whose short-term senior unsecured debt rating is at least A-1 from S&P or P-1 from Moody's; (iii) LIBOR denominated time deposits and certificates of deposit maturing within six (6) months from the date of acquisition thereof with any Lender or any other financial institution whose short-term senior unsecured debt rating is at least A-1 from S&P or P-1 from Moody's; (iv) commercial paper or Eurocommercial paper with a rating of at least A-1 from S&P or P-1 from Moody's, with maturities of not more than twelve (12) months from the date of acquisition; (v) repurchase obligations entered into with any Lender or any other financial institution whose short-term senior unsecured debt rating is at least A-1 from S&P or P-1 from Moody's, which are secured by a fully perfected security interest in any obligation of the type described in (i) above and has a market value of the time such repurchase is entered into of not less than 100% of the repurchase obligation of such Lender or such other Person thereunder; (vi) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within twelve (12) months from the date of acquisition thereof or providing for the resetting of the interest rate applicable thereto not less often than annually and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's; and (vii) money market funds which have at least $1,000,000,000 in assets and which invest primarily in securities of the types described in clauses (i) through (vi) above.

"Co-Agent" means National City Bank acting in its capacity as co-agent for the Lenders, and any successor co-agent appointed hereunder pursuant to Section 9.7.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all property and assets of the Borrower and its Subsidiaries in which the Agent is granted a Lien for the benefit of the Lenders.

"Collateral Account" means the cash collateral account for outstanding undrawn Letters of Credit as defined in Section 7.4(b).

"Commitment" means, relative to any Lender, such Lender's obligation to

make Revolving Loans and participate in Letters of Credit issued pursuant to Sections 2.1 and 2.2 in the percentage

set forth opposite its signature hereto or pursuant to Section 10.10, as such commitment may be reduced from time to time pursuant to this Agreement, provided that the obligation of the Agent to make Revolving Loans and participate in Letters of Credit shall be limited to $100,000,000 (subject to any reduction thereof pursuant to Section 10.10) minus the outstanding principal amount of the Agent Loans from time to time outstanding.

"Commitment Amount" means an amount equal to $125,000,000 minus the outstanding amount of Agent Loans, as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"Commitment Termination Date" means the earliest of (i) the Maturity Date; (ii) the date on which the Commitments are terminated in full or reduced to zero pursuant to Section 2.13; or (iii) the occurrence of any Event of Default described in Section 7.1(f) or (g) with respect to the Borrower or the occurrence and continuance of any other Event of Default and either (x) the declaration of the Loans to be due and payable pursuant to Section 7.2, or (y) in the absence of such declaration, the giving of written notice by the Agent, acting at the direction of the Majority Lenders, to the Borrower pursuant to Section 7.2 that the Commitments have been terminated.

"Compliance Certificate" means a certificate substantially in the form of Exhibit 6.6.

"Consolidated Interest Expense" means, for any period, total interest expense of the Borrower and its Subsidiaries on a consolidated basis for such period in connection with Indebtedness, determined in accordance with GAAP.

"Consolidated Net Income" means, for any period, the net income (or loss), after provision for taxes, of the Borrower and its Subsidiaries on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Net Worth" means, as of any date of determination, the Borrower's consolidated stockholders equity determined in accordance with GAAP.

"Credit Documents" means this Agreement, the Notes, the Subsidiary Guaranties, the Stock Pledge Agreements, the Applications, the Borrowing Requests and any other documents or instruments executed by the Borrower or any of the Guarantors in connection with this Agreement.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Dollar" and "U.S. Dollar" and the sign "$" means lawful money of the United States of America.

"EBITDA" means, for any period, on a trailing four fiscal quarter basis (using the historical financial results of the Founding Companies, to the extent necessary, for any period prior to the

acquisition of the Founding Companies by the Borrower on a pro forma basis, consistent with SEC regulations), the sum of (i) Consolidated Net Income plus each of the following to the extent actually deducted in determining Consolidated Net Income (a) Consolidated Interest Expense, and (b) provisions for taxes based on income or revenues, plus (ii) the amount of all depreciation, amortization expense and other non-cash charges deducted in determining Consolidated Net Income, all calculated on a consolidated basis for the Borrower and its Subsidiaries and as determined in accordance with GAAP. Upon the consummation of any Acquisition, EBITDA shall be adjusted to include the historical financial results of the acquired business (on a trailing four fiscal quarter pro forma basis consistent with SEC regulations).

"Effective Date" means the date this Agreement becomes effective as defined in Section 10.19.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violations, formal investigations or proceedings relating to any Environmental Law ("Claims") or any permit issued under any Environmental Law, including, without limitation, (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from a release or threatened release of Hazardous Materials.

"Environmental Law" means any federal, state or local statute, law, rule,

regulation, ordinance, code, policy or rule of common law now or hereafter in effect, including any judicial or administrative order, consent, decree or judgment relating to (i) the environment, (ii) health or safety in relation to the environment or (iii) Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Eurodollar Reserve Percentage" means, with respect to each Interest Period for a LIBOR Loan, a percentage (expressed as a decimal) equal to the daily average during such Interest Period of the percentages in effect on each day of such Interest Period, if any, as prescribed by the Board of Governors of the Federal Reserve System (or any successor thereto), for determining the maximum reserve requirements (including, without limitation, any supplemental, marginal and emergency reserves) applicable to "Eurocurrency Liabilities" pursuant to Regulation D of the Board of Governors of the Federal Reserve System or any other then applicable regulation of the Board of Governors which prescribes reserve requirements applicable to "Eurocurrency Liabilities" as presently defined in Regulation D.

"Event of Default" means any of the events or circumstances specified in Section 7.1.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the next Business Day, provided that (A) if such day is not a Business Day, the rate on such transactions on the immediately preceding Business Day as so published on the next Business Day shall apply, and (B) if no such rate is

published on such next Business Day, the rate for such day shall be the average of the offered rates quoted to the Agent by two (2) federal funds brokers of recognized standing on such day for such transactions as selected by the Agent.

"Fee Letter" means that certain letter agreement dated July 30, 1998, by and between the Agent, the Arranger and the Borrower.

"Fixed Charge Coverage Ratio" means, for any period, on a trailing four fiscal quarter basis (using the historical financial results of the Founding Companies, to the extent necessary, for any period prior to the acquisition of the Founding Companies by the Borrower on a pro forma basis, consistent with SEC regulations), the ratio of (i) the sum of, without duplication, (a) EBITDA, minus (b) cash taxes, minus (c) all cash dividends, distributions or payments made in respect of the capital stock of the Borrower to the extent permitted hereunder; to (ii) the sum of, without duplication, (a) the portion of Funded Debt due and payable within one (1) year of the date of determination, plus (b) Consolidated Interest Expense for the four fiscal quarters then ended, all calculated on a consolidated basis for the Borrower and its Subsidiaries and as determined in accordance with GAAP. Upon the consummation of any Acquisition, the Fixed Charge Coverage Ratio shall be determined including the historical financial results of the acquired business (on a trailing four fiscal quarter pro forma basis, consistent with SEC regulations).

"Founding Companies" means PAR Electrical Contractors, Inc., a Missouri corporation, Union Power Construction Company, a Colorado corporation, TRANS TECH Electric, Inc., an Indiana corporation, and Potelco, Inc., a Washington corporation.

"Funded Debt" means, as of any date of determination, the sum, without duplication, of the following for the Borrower and its Subsidiaries: (i) Indebtedness for borrowed money, all obligations evidenced by bonds, debentures, notes or similar instruments, and purchase money obligations which in accordance with GAAP would be shown on the consolidated balance sheet of the Borrower as a liability, (ii) all reimbursement obligations relative to the face amount of all drawn letters of credit issued for the account of the Borrower or any of its Subsidiaries, and (iii) all Capitalized Lease Obligations.

"Funded Debt to EBITDA Ratio" means, for any period, the ratio of (i) Funded Debt, to (ii) EBITDA.

"GAAP" means generally accepted accounting principles from time to time in effect as set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements, opinions and pronouncements by such other entity as may be approved by a significant segment of the U.S. accounting profession.

"Guarantor" means each Subsidiary of the Borrower listed on Schedule 5.1 and any other Subsidiary of the Borrower required to become a Guarantor pursuant to Section 6.9.

"Guaranty" by any Person means all contractual obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection or similar transactions

in the ordinary course of business) of such Person guarantying any Indebtedness, dividend or other obligation (including, without limitation, obligations in connection with sales of any property) of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation, or to purchase any property or assets constituting security therefor, primarily for the purpose of assuring the owner of such Indebtedness or obligations of the ability of the primary obligor to make payment of the Indebtedness or obligation; or (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness or obligation, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, in each case primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation; or (iii) to lease property or to purchase securities or other property or services of the primary obligor primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation; or (iv) otherwise to assure the owner of the Indebtedness or obligation of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any obligation shall be deemed to be equal to the amount that would apply if such obligation were the direct obligation of such Person rather than the primary obligor or, if less, the maximum aggregate potential liability of such Person under the terms of the Guaranty.

"Hazardous Material" shall have the meaning assigned to the term Hazardous Substance in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Acts of 1986, and shall include any substance defined as "hazardous" or "toxic" or words used in place thereof under any Environmental Law applicable to the Borrower or any of its Subsidiaries.

"Highest Lawful Rate" means the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Loans or the Reimbursement Obligations, or under laws applicable to the Agent or any of the Lenders, which are presently in effect or, to the extent allowed by applicable law, under such laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow. Determination of the rate of interest for the purpose of determining whether the Loans or the Reimbursement Obligations are usurious under all applicable laws shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the period of the full stated term of the Loans, all interest at any time contracted for, taken, reserved, charged or received from the Borrower in connection with the Loans or the Reimbursement Obligations, as applicable.

"Indebtedness" means, for any Person, the following obligations of such Person, without duplication: (i) obligations of such Person for borrowed money; (ii) obligations of such Person representing the deferred purchase price of property or services other than accounts payable arising in the ordinary course of business and other than amounts which are being contested in good faith and for which reserves in conformity with GAAP have been provided; (iii) obligations of such Person evidenced by bonds, notes, bankers acceptances, debentures or other similar instruments of such Person or reimbursement obligations or other obligations with respect to letters of credit issued for such Person's account or letters of credit issued pursuant to such Person's application therefor;

(iv) obligations of other Persons, whether or not assumed, secured by Liens upon property or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, but only to the extent of such property's fair market value; (v) Capitalized Lease Obligations of such Person; (vi) obligations under Interest Rate Protection Agreements and under hedge, swap, exchange, forward, future, collar or cap arrangements, fixed price agreements and all other agreements or arrangements designed to protect against fluctuations in commodity prices and currency exchange rates; and (vii) obligations of such Person pursuant to a Guaranty of any of the foregoing of another Person. For purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture to which such Person is a party, to the extent the holder of such Indebtedness has recourse to such Person.

"Indemnified Taxes" shall have the meaning ascribed to such term in Section 3.3.

"Initial Borrowing Date" means the date on which all conditions precedent

set forth herein to the initial Borrowings are satisfied or waived in writing and the initial Borrowing hereunder occurs.

"Interest Payment Date" means (i) for a Base Rate Loan, the last Business Day of each calendar quarter such Loan is outstanding commencing September 30, 1998, and (ii) for a LIBOR Loan, the last Business Day of each Interest Period for such Loan and, during any Interest Period of six (6) months, the next Business Day occurring three (3) months after the commencement of such Interest Period.

"Interest Period" means the period commencing on the date that a Borrowing of LIBOR Loans is advanced, continued or created by conversion and, subject to Section 2.5, ending on the date one (1), two (2), three (3) or six (6) months thereafter as selected by the Borrower pursuant to the terms of this Agreement.

"Interest Rate Protection Agreement" means any hedge, swap, exchange, forward, future collar or cap arrangements, fixed price agreements or other agreements or arrangements designed to protect against fluctuations in interest rates.

"Investments" shall have the meaning ascribed to such term in Section 6.15.

"L/C Commitments" means, relative to any Lender, such Lender's obligation to participate in Letters of Credit pursuant to Section 2.2 in the percentage set forth opposite its signature hereto or pursuant to Section 10.10, as such commitments may be reduced from time to time pursuant to the terms of this Agreement; provided that the obligation of the Agent to make Revolving Loans and participate in Letters of Credit shall be limited to $100,000,000 (subject to any reduction thereof pursuant to Section 10.10) minus the outstanding principal amount of the Agent Loans from time to time outstanding.

"L/C Commitment Amount" means $10,000,000, as such amount may be reduced from time to time pursuant to the terms of this Agreement.

"L/C Documents" means this Agreement, the Letters of Credit and any Borrowing Requests and Applications with respect thereto and any draft or other document presented in connection with a drawing thereunder.

"L/C Obligations" means the undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations with respect to Letters of Credit.

"Lenders" is defined in the preamble.

"Lending Office" means the branch, office or affiliate of a Lender specified on the appropriate signature page hereof or designated pursuant to Sections 8.4 or 10.10.

"Letter of Credit" means any of the letters of credit issued by the Agent on behalf of the Lenders for the account of the Borrower pursuant to Section 2.2.

"LIBOR Loan" means a Revolving Loan bearing interest prior to maturity at the Adjusted LIBOR Rate plus the Applicable Margin.

"LIBOR Rate" means a rate of interest per annum (rounded upwards, if necessary, to the nearest whole multiple of 1/16 of 1%), equal to the offered rate for U.S. Dollar deposits of not less than $1,000,000 for a period of time equal to the applicable Interest Period for such Loan as of 11:00 a.m. City of London, England time two (2) London Business Days prior to the first date of each such Interest Period as shown on the display designated as "British Bankers Assoc. Interest Settlement Rates" on the Telerate System ("Telerate"), Page 3750 or Page 3740 or such other page or pages as may replace such pages on Telerate for the purpose of displaying such rate; provided, however, that if such rate is not available on Telerate then such offered rate shall be otherwise independently determined by the Agent from an alternate, substantially similar independent source available to the Agent or shall be calculated by the Agent by a substantially similar methodology as that theretofore used to determine such offered rate in Telerate.

"Lien" means any interest in any property or asset in favor of a Person other than the owner of the property or asset and securing an obligation owed to such Person, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes.

"Loan" means a Base Rate Loan or a LIBOR Loan, each of which is a "type" of Loan hereunder, outstanding as a Revolving Loan or an Agent Loan, as applicable.

"London Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions are generally authorized or obligated by law or executive order to close in the City of London, England.

"Majority Lenders" means, at any time, the Lenders then holding in the aggregate at least sixty-six and two-thirds percent (66 2/3%) of the aggregate of the Commitments plus the outstanding principal amount of the Agent Loans, or if the Commitments have terminated pursuant to the terms

hereof, the aggregate Obligations. The percentage set forth opposite each Lender's name in the line designated "Percentage" on the signature page hereto reflects the initial voting percentage of each Lender hereunder on the Effective Date.

"Material Adverse Effect" means an effect that results in a material adverse change since March 31, 1998 in (i) the business, properties, assets, financial condition or, prior to the Initial Borrowing Date, prospects of the Borrower and its Subsidiaries taken as a whole, or (ii) in the ability of the Borrower or Borrower and the Guarantors, taken as a whole, to perform its Obligations under the Credit Documents to which they are a party.

"Maturity Date" means August 2, 2003.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Notes" shall mean the revolving promissory notes of the Borrower as defined in Section 2.11.

"Obligations" means all joint and several obligations of the Borrower and the Guarantors to pay fees, costs and expenses hereunder, to pay principal or interest on Loans and Reimbursement Obligations and to pay any other obligations to the Agent or the Lenders arising under any Credit Document.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Percentage" means, for each Lender, the percentage of the Commitments represented by such Lender's Commitment; provided that, if the Commitments are terminated, each Lender's Percentage shall be calculated based on its Commitment in effect immediately before such termination, subject to any assignments by such Lender of Obligations pursuant to Section 10.10.

"Permitted Business" means any business described in Section 6.8.

"Permitted Liens" means the Liens described in Section 6.13.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by the Borrower or any of its Subsidiaries, or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Borrower or any of its Subsidiaries is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made or had an obligation to make contributions.

"Reimbursement Obligation" means the obligations of the Borrower to reimburse the Agent, for the benefit of the Lenders, for each drawing under a Letter of Credit as described in Section 2.2(c).

"Revolving Loans" means the revolving loans by the Lenders described in Section 2.1(a).

"S&P" means Standard & Poor's Rating Group or any successor thereto.

"SEC" means the Securities and Exchange Commission.

"Senior Debt" means, as of the date of any determination, the outstanding Indebtedness under the Credit Documents.

"Senior Debt to EBITDA Ratio" means, for any period, the ratio of (i) Senior Debt, to (ii) EBITDA.

"Stock Pledge Agreements" means each Stock Pledge Agreement of the Borrower and any of its Subsidiaries in substantially the form of Exhibit 4.1B, as amended, restated or supplemented from time to time.

"Subsidiary" means, for any Person, any corporation or other entity of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the board of

directors of such corporation, any managers of such limited liability company or similar governing body (irrespective of whether or not, at the time, stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such Person, as applicable, or by one or more of its Subsidiaries.

"Subordinated Debt Investment" means any issue of subordinated debt of the Borrower subordinated in payment to the Obligations, having a maturity after the Maturity Date, with no scheduled principal payments until after the Maturity Date, containing covenants no more restrictive than the covenants contained in this Agreement and containing subordination, standstill and other provisions reasonably acceptable to the Agent.

"Subsidiary Guaranty" means each Guaranty of each domestic direct or indirect Subsidiary of the Borrower in substantially the form of Exhibit 4.1A.

"Tangible Assets" means all property which would be considered tangible under GAAP, all calculated on a consolidated basis for the Borrower and its Subsidiaries.

"Tangible Assets to Senior Debt" means, for any period, the ratio of (i) Tangible Assets, to (ii) Senior Debt.

"Taxes" shall have the meaning ascribed to such term in Section 5.12.

"Unfunded Vested Liabilities" means, for any Plan at any time, the amount, if any, by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Borrower or any of its Subsidiaries to the PBGC or such Plan.

Section 1.2 Interpretation. The foregoing definitions shall be equally applicable to the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to Houston, Texas time unless otherwise specifically provided.

SECTION 2. THE CREDIT FACILITY.

Section 2.1 Loans.

(a) Revolving Loans. Subject to the terms and conditions hereof, each Lender severally and not jointly agrees to make one or more loans (each a "Revolving Loan") to the Borrower from time to time before the Commitment Termination Date on a revolving basis in an aggregate amount not to exceed at any time outstanding an amount equal to its Percentage of the Commitment Amount (for each Lender, its "Commitment"), subject to any reductions thereof pursuant to the terms of this Agreement. No Lender shall be permitted or required to make any Revolving Loan if, after giving effect thereto, (i) the aggregate principal amount of the Revolving Loans of all Lenders and L/C Obligations outstanding of the Borrower would thereby exceed the Commitment Amount then in effect; (ii) the aggregate principal amount of all Revolving Loans of such Lender and its participating interest in all L/C Obligations would thereby exceed the Percentage of such Lender of the Commitment Amount then in effect; or (iii) with respect to the Agent, the aggregate principal amount of all Revolving Loans, its participating interest in all L/C Obligations and the aggregate principal amount of all its Agent Loans would thereby exceed its Commitment. Each Borrowing of Revolving Loans shall be made ratably from the Lenders in proportion to their respective Percentages (subject to the limitation of the Commitment of the Agent). Revolving Loans may be repaid, in whole or in part, and all or any portion of the principal amount thereof reborrowed, before the Commitment Termination Date, subject to the terms and conditions hereof.

(b) Agent Loans. Subject to the terms and conditions hereof, the Agent may, in its sole discretion, make one or more loans (each an "Agent Loan") to the Borrower from time to time before the Commitment Termination Date in an aggregate amount not to exceed at any time outstanding the amount of the Agent Swing Line. Agent Loans may be repaid, in whole or in part, at any time. Upon an Event of Default and at the request of the Agent, (i) the Lenders agree to make Revolving Loans to the Borrower in an amount equal to the outstanding amount of the Agent Loans, and the Borrower hereby instructs the Agent in such circumstance to apply the proceeds of such Revolving Loans to such Agent Loans such that the Agent Loans are repaid in full; or (ii) in the event any such Revolving Loans are not made, each Lender severally and not jointly agrees to purchase from the Agent, and the Agent hereby agrees to sell to each Lender, an undivided percentage participation interest, up to the extent of its Percentage, in each Agent Loan, in each case so long as no Default or Event of Default of which the Agent had actual knowledge was in existence at the time the Agent Loan was made and such that the principal amount of each Lender's Revolving

Loans and/or participations in Agent Loans shall be an amount equal to its Percentage times the principal amount of all Loans.

Section 2.2 Letters of Credit.

(a) Issuance of Letters of Credit. Subject to the terms and conditions hereof, the Agent agrees to issue, from time to time prior to the Commitment Termination Date, at the request of the Borrower and on behalf of the Lenders and in reliance on their obligations under this Section 2.2, one or more letters of credit (each a "Letter of Credit") for the Borrower's account; provided that the Agent shall have no obligation to issue a Letter of Credit if, after the issuance thereof, (i) the outstanding Loans and L/C Obligations would thereby exceed the Commitment Amount then in effect, (ii) the outstanding L/C Obligations would thereby exceed the L/C Commitment Amount then in effect, or (iii) the issuance of such Letter of Credit would violate any legal or regulatory restriction then applicable to the Agent or any Lender as notified by such Lender to the Agent before the date of issuance of such Letter of Credit.

(b) Issuance Procedure. To request that the Agent issue a Letter of Credit, the Borrower shall deliver to the Agent (with a duplicate copy to an operations employee of the Agent as designated by the Agent from time to time) a duly executed Borrowing Request in the form of Exhibit 2.2A (each a "Borrowing Request"), together with a duly executed application for the relevant Letter of Credit substantially in the form of Exhibit 2.2B (each an "Application"), or such other computerized issuance or application procedure, instituted from time to time by the Agent and agreed to by the Borrower, completed to the reasonable satisfaction of the Agent, and such other documentation and information as the Agent may reasonably request. In the event of any irreconcilable difference or inconsistency between this Agreement and an Application, the provisions of this Agreement shall govern. Upon receipt of a properly completed and executed Borrowing Request and Application and any other reasonably requested documents or information at least two (2) Business Days prior to any requested issuance date, the Agent will process such Borrowing Request and Application in accordance with its customary procedures and issue the requested Letter of Credit on the requested issuance date. The Borrower may cancel any requested issuance of a Letter of Credit prior to the issuance thereof without the incurrence of any fee, charge or expense. The Agent will notify each Lender of the amount and expiration date of each Letter of Credit it issues promptly upon issuance thereof. Each Letter of Credit (except for up to $5,000,000 in aggregate face amounts of Letters of Credit) shall have an expiration date no later than one (1) year from the date of issuance thereof, provided that in no event shall a Letter of Credit have an expiration date later than four (4) Business Days before the Maturity Date. If the Agent issues any Letters of Credit with expiration dates that automatically extend unless the Agent gives notice that the expiration date will not so extend, the Agent will give such notice of non-renewal before the time necessary to prevent such automatic extension if before such required notice date (i) the expiration date of such Letter of Credit if so extended would be later than four (4) Business Days before the Maturity Date, (ii) the Commitment Termination Date shall have occurred, (iii) an Event of Default has occurred and is continuing, or (iv) the Agent is so directed by the Borrower. The Agent agrees to issue amendments to any Letter of Credit increasing its amount, or extending its expiration date, at the request of the Borrower subject to the conditions precedent for all Loans of Section 4.2 and the other terms and conditions of this Section 2.2.

(c) The Borrower's Reimbursement Obligations.

(i) The Borrower hereby irrevocably and unconditionally agrees to reimburse the Agent, for the benefit of the Lenders, for each payment or disbursement made by the Agent to settle its obligations under any draft drawn under a Letter of Credit (each, a "Reimbursement Obligation") within two (2) Business Days from when such draft is paid with either funds not borrowed hereunder or with a Borrowing subject to Section 2.4 and the other terms and conditions contained in this Agreement. The Reimbursement Obligation shall bear interest (which the Borrower hereby promises to pay) from and after the date such draft is paid until (but excluding the date) the Reimbursement Obligation is paid at the lesser of the Highest Lawful Rate or the Base Rate plus the Applicable Margin so long as the Reimbursement Obligation shall not be past due, and thereafter at the default rate per annum as set forth in Section 2.7(c), whether or not the Maturity Date shall have occurred. If any such payment or disbursement is reimbursed to the Agent after 2:00 p.m. on the date such payment or disbursement is made by the Agent, interest shall be paid on the reimbursable amount for one (1) day. The Agent shall give the Borrower notice of any drawing on a Letter of Credit within one (1) Business Day after such drawing is paid.

(ii) The Borrower agrees for the benefit of the Agent and each Lender that, notwithstanding any provision of any Application, the obligations of the Borrower under this Section 2.2(c) and each applicable Application shall be absolute, unconditional and irrevocable (subject to Section 2.2(b)) and shall be performed strictly in accordance with the terms of this Agreement and each applicable Application under all circumstances whatsoever INCLUDING, BUT NOT LIMITED TO, ANY DEFENSE BASED UPON THE AGENT'S OR ANY LENDER'S OWN SIMPLE OR CONTRIBUTORY NEGLIGENCE (other than the defense of payment in accordance with

this Agreement or a defense based on the gross negligence or willful misconduct of the Agent or any Lender), including, without limitation, the following circumstances (subject in all cases to the defense of payment in accordance with this Agreement or a defense based on the gross negligence or willful misconduct of the Agent or any Lender):

(1) any lack of validity or enforceability of any of the L/C Documents;

(2) any amendment or waiver of or any consent to depart from all or any of the provisions of any of the L/C Documents;

(3) the existence of any claim, setoff, defense or other right the Borrower or any Subsidiary may have at any time against a beneficiary of a Letter of Credit (or any Person for whom a beneficiary may be acting), the Agent, any Lender or any other Person, whether in connection with this Agreement, another L/C Document or any unrelated transaction;

(4) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, provided that the Agent's determination that documents presented under the

Letter of Credit comply with the terms thereof did not constitute gross negligence or willful misconduct of the Agent;

(5) payment by the Agent under a Letter of Credit against presentation to the Agent of a draft or certificate that does not comply with the terms of the Letter of Credit, provided that the Agent's determination that documents presented under the Letter of Credit comply with the terms thereof did not constitute gross negligence or willful misconduct of the Agent; or

(6) any other act or omission to act or delay of any kind by the Agent, any Lender or any other Person or any other event or circumstance whatsoever that might, but for the provisions of this Section 2.2(c), constitute a legal or equitable discharge of the Borrower's obligations hereunder or under any L/C Document, provided that such act or omission of the Agent did not constitute gross negligence or willful misconduct of the Agent or any Lender.

(d) The Participating Interests. Each Lender severally and not jointly agrees to purchase from the Agent, and the Agent hereby agrees to sell to each Lender, an undivided percentage participating interest, to the extent of its Percentage, in each Letter of Credit issued by, and Reimbursement Obligation owed to, the Agent in connection with a Letter of Credit. Upon any failure by the Borrower to pay any Reimbursement Obligation in connection with a Letter of Credit at the time required in Sections 2.2(c) and 2.4(c), or if the Agent is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment by the Borrower of any Reimbursement Obligation in connection with a Letter of Credit, the Agent shall promptly give notice of same to each Lender, and the Agent shall have the right to require each Lender to fund its participation in such Reimbursement Obligation. Each Lender (except the Agent to the extent it is also a Lender) shall pay to the Agent an amount equal to each Lender's Percentage of such unpaid or recaptured Reimbursement Obligation not later than the Business Day it receives notice from the Agent to such effect, if such notice is received before 2:00 p.m., or not later than the following Business Day if such notice is received after such time. If a Lender fails to pay timely such amount to the Agent, it shall also pay to the Agent interest on such amount accrued from the date payment of such amount was made by the Agent to the date of such payment by the Lender at a rate per annum equal to the Federal Funds Rate in effect for each such day, and only after such payment shall such Lender be entitled to receive its Percentage of each payment received on the relevant Reimbursement Obligation and of interest paid thereon. If any such Lender fails to pay such amount to the Agent, any payments made by the Borrower with respect to the relevant Reimbursement Obligation shall first be applied by the Agent to the unfunded participation in such Reimbursement Obligation before any other Lenders receive any payments or proceeds. The Agent will thereafter pay each Lender its Percentage of each payment received by it relating to that for which such Lender has funded its Percentage, from the date of funding. THE SEVERAL OBLIGATIONS OF THE LENDERS TO THE AGENT UNDER THIS SECTION 2.2(D) SHALL BE ABSOLUTE, IRREVOCABLE AND UNCONDITIONAL UNDER ANY AND ALL CIRCUMSTANCES WHATSOEVER AND SHALL NOT BE SUBJECT TO ANY SETOFF, COUNTERCLAIM OR DEFENSE TO PAYMENT ANY LENDER MAY HAVE OR HAVE HAD AGAINST THE BORROWER, THE AGENT, ANY OTHER LENDER OR

ANY OTHER

PERSON WHATSOEVER INCLUDING, BUT NOT LIMITED TO, ANY DEFENSE BASED ON THE FAILURE OF THE DEMAND FOR PAYMENT UNDER THE LETTER OF CREDIT TO CONFORM TO THE TERMS OF SUCH LETTER OF CREDIT OR THE LEGALITY, VALIDITY, REGULARITY OR ENFORCEABILITY OF SUCH LETTER OF CREDIT AND INCLUDING, BUT NOT LIMITED TO, THOSE RESULTING FROM THE AGENT'S OWN SIMPLE OR CONTRIBUTORY NEGLIGENCE. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any subsequent reduction or termination of any Commitment of a Lender, and each payment by a Lender under Section 2.2 shall be made without any offset, abatement, withholding or reduction whatsoever.

Section 2.3 Types of Loans and Minimum Borrowing Amounts. Borrowings of Revolving Loans may be outstanding as either Base Rate Loans or LIBOR Loans, as selected by the Borrower pursuant to Section 2.4. Borrowings of Agent Loans may be outstanding only as Base Rate Loans. All Borrowings of LIBOR Loans advanced on the Initial Borrowing Date shall be advanced as Base Rate Loans unless the requisite notice for a LIBOR Loan has been given pursuant to Section 2.4(a) and indemnification has been provided to the Lenders in connection therewith. Each Borrowing of Base Rate Loans shall be in an amount of not less than $250,000 and each Borrowing of LIBOR Loans shall be in an amount of not less than $500,000.

Section 2.4 Manner of Borrowing.

(a) Notice to the Agent. Subject to the limitations in Section 2.3, the Borrower shall give notice to the Agent by no later than 11:00 a.m. at least two (2) Business Days before the date on which the Borrower requests the Lenders or the Agent, as applicable, to advance a Borrowing of LIBOR Loans and on the date the Borrower requests the Lenders or the Agent, as applicable, to advance a Borrowing of Base Rate Loans pursuant to a duly executed Borrowing Request, and the Agent shall promptly give the Lenders notice thereof.

(b) Selection of Interest Periods. The Borrower may select multiple Interest Periods for the Revolving Loans constituting any particular Borrowing, provided that at no time shall the number of different Interest Periods for outstanding LIBOR Loans exceed eight (8). The Revolving Loans included in each Borrowing shall bear interest initially at the type of rate specified in the Borrowing Request with respect thereto. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Borrowing or, subject to Section 2.3's minimum amount requirement for each outstanding Borrowing, a portion thereof, as follows: (i) if such Borrowing is of LIBOR Loans, the Borrower may continue part or all of such Borrowing as LIBOR Loans for an Interest Period specified by the Borrower or convert part or all of such Borrowing into Base Rate Loans on the last day of the Interest Period applicable thereto, or the Borrower may earlier convert part or all of such Borrowing into Base Rate Loans so long as it pays the breakage fees and funding losses provided in Section 2.12 and all interest accrued on such Borrowing, and (ii) if such Borrowing is of Base Rate Loans, the Borrower may convert all or part of such Borrowing into LIBOR Loans for an Interest Period specified by the Borrower on any Business Day. Notices of the continuation of a Borrowing of LIBOR Loans for an additional Interest Period or of the conversion of part or all of a Borrowing of LIBOR Loans into Base Rate Loans or of Base Rate Loans into LIBOR Loans must be given by no later than 11:00 a.m. at least two (2) Business Days before the date of the requested continuation or conversion. The Borrower shall give

such notices concerning the advance, continuation, or conversion of a Borrowing by telephone or facsimile (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing) pursuant to a Borrowing Request which shall specify the date of the requested advance, continuation or conversion (which shall be a Business Day), the amount of the requested Borrowing, the type of Loans to comprise such new, continued or converted Borrowing and, if such Borrowing is to be comprised of LIBOR Loans, the Interest Period applicable thereto. The Borrower agrees that the Agent and each Lender may rely on any such telephonic or facsimile notice given by any person it in good faith believes is an authorized representative of the Borrower without the necessity of independent investigation and that, if any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Agent or any Lender has acted in reliance thereon.

(c) Borrower's Failure to Notify. If the Borrower fails to give notice pursuant to Section 2.4(a) or (b) of (i) the continuation or conversion of any outstanding principal amount of a Borrowing of LIBOR Loans or of (ii) a Borrowing of Loans to pay outstanding Reimbursement Obligations, as applicable, and has not notified the Agent by 11:00 a.m. at least two (2) Business Days before the last day of the Interest Period for such Borrowing of LIBOR Loans or by 11:00 a.m. on the day such Reimbursement Obligation becomes due that it intends to repay such Borrowing or such Reimbursement Obligation with funds not borrowed hereunder, the Borrower shall be deemed to have requested, (x) the continuation of such Borrowing as a LIBOR Loan with an Interest Period of one

(1) month, or (y) the advance of a new Borrowing of Base Rate Loans on such day in the amount of the Reimbursement Obligation then due, which Borrowing shall be deemed to have been funded on such day to pay the Reimbursement Obligation then due, in each case so long as no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Borrowing but otherwise disregarding the conditions to a Borrowing set forth in Section 4.2. Upon the occurrence and during the continuance of any Event of Default, (i) each LIBOR Loan will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Loan and (ii) the obligation of the Lenders to make, continue or convert Loans into LIBOR Loans shall be suspended.

(d) Funding and Disbursement of Loans. Not later than 1:00 p.m. on the date of any requested advance of a new Borrowing of Revolving Loans, each Lender, subject to all other provisions hereof, shall make available its Revolving Loan comprising its ratable share of such Borrowing in funds immediately available in Houston, Texas for the benefit of the Agent and according to the disbursement instructions of the Agent. The Agent shall make the proceeds of each such Borrowing, and each Agent Loan which the Agent makes, in its sole discretion, available in immediately available funds to the Borrower on the date of any requested advance of a new Borrowing by 2:00 p.m. No Lender shall be responsible to the Borrower for any failure by another Lender to fund its portion of a Borrowing, and no such failure by a Lender shall relieve any other Lender from its obligation, if any, to fund its portion of a Borrowing.

(e) Agent Reliance on Lender Funding. Unless the Agent shall have been notified by a Lender before the date on which such Lender is scheduled to make payment to the Agent of the proceeds of a Revolving Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the Agent may assume that such Lender has made such payment when due and in reliance upon such assumption may (but shall not be required to) make available

to the Borrower the proceeds of the Revolving Loan to be made by such Lender and, if any Lender has not in fact made such payment to the Agent, such Lender shall, on demand, pay to the Agent the amount made available to the Borrower attributable to such Lender together with interest thereon for each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the Agent at a rate per annum equal to the interest rate attributable to the relevant Revolving Loan. If such amount is not received from such Lender by the Agent immediately upon demand, the Borrower will, on demand, repay to the Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Revolving Loan. Nothing in this Section 2.4(e) shall be deemed to relieve any Lender from its obligations to fund its Commitments hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

Section 2.5 Interest Periods. As provided in Section 2.4(a) and (b), at the time of each request for the advance or continuation of, or conversion into, a Borrowing of LIBOR Loans, the Borrower shall select an Interest Period applicable to such LIBOR Loans from among the available options subject to the limitations in Section 2.4(a); provided, however, that:

(a) the Borrower may not select an Interest Period for a Borrowing of LIBOR Loans that extends beyond the Maturity Date;

(b) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall either be (i) extended to the next succeeding Business Day, or (ii) reduced to the immediately preceding Business Day if the next succeeding Business Day is in the next calendar month; and

(c) for purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month; provided, however, that if there is no such numerically corresponding day in the month in which an Interest Period is to end or if such Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 2.6 Interest Payments.

(a) Base Rate Loans. Each Base Rate Loan shall bear interest (computed on the basis of a 365/366-day year and actual days elapsed, excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or conversion to a LIBOR Loan in accordance with Section 2.4(b) hereof, at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) with respect to Revolving Loans, the sum of the Base Rate from time to time in effect plus the Applicable Margin, or with respect to Agent Loans, the sum of the Base Rate from time to time in effect minus 0.625%, payable in arrears on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise) or conversion to a LIBOR Loan in accordance with Section 2.4(b).

(b) LIBOR Loans. Each LIBOR Loan shall bear interest (computed on the basis of a 360-day year and actual days elapsed, excluding the date of repayment) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration or otherwise) or conversion to a Base Rate Loan in accordance with Section 2.4(b) hereof, at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) the sum of the Adjusted LIBOR Rate plus the Applicable Margin, payable in arrears on each Interest Payment Date for such Loan and at maturity (whether by acceleration or otherwise) or conversion to a Base Rate Loan in accordance with Section 2.4(b).

(c) Rate Determinations. The Agent shall determine each interest rate applicable to the Loans and Reimbursement Obligations hereunder (including the Applicable Margin, determined as set forth in the definition thereof) and such determination shall be conclusive and binding except in the case of the Agent's manifest error or willful misconduct. The Agent shall give prompt telephonic, telex or facsimile notice to the Borrower and each Lender (in the case of Revolving Loans) of the interest rate applicable to each Loan or Reimbursement Obligation (but, if such notice is given by telephone, the Agent shall confirm such rate in writing) promptly after the Agent has made such determination.

Section 2.7 Default Rates. If any payment of principal on any Loan is not made when due after the expiration of the grace period therefor provided in Section 7.1 (whether by acceleration or otherwise), such Loan shall bear interest (computed on the basis of a year of 360, 365 or 366 days, as applicable, and actual days elapsed) from the date such payment was due until such principal then due is paid in full, payable on demand, at a rate per annum equal to:

(a) for any Base Rate Loan which is a Revolving Loan the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at maturity) plus the Applicable Margin;

(b) for any LIBOR Loan the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period for such Loan and, thereafter, at a rate per annum equal to the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at maturity) plus the Applicable Margin;

(c) for any unpaid Reimbursement Obligations, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at maturity) plus the Applicable Margin; and

(d) for any Base Rate Loan which is an Agent Loan, the lesser of (i) the Highest Lawful Rate, or (ii) the sum of two percent (2%) per annum plus the Base Rate from time to time in effect (but not less than the Base Rate in effect at maturity) minus 0.625%.

It is the intention of the Agent and each Lender to conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby or the Loans or the Reimbursement Obligations would be usurious as to the Agent or the Lenders under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be

mandatorily applicable to the Agent or such Lender notwithstanding the other provisions of this Agreement, the Notes or any other Credit Document), then, in that event, notwithstanding anything to the contrary in this Agreement, the Notes or any other Credit Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under laws applicable to the Lenders that is contracted for, taken, reserved, charged or received by the Lenders under this Agreement, the Notes or any other Credit Document or otherwise shall under no circumstances exceed the Highest Lawful Rate, and any excess shall be credited by the applicable Lender on the principal amount of the applicable Note or to the Reimbursement Obligations (or, if the principal amount of such Note and all Reimbursement Obligations owed to such Lender shall have been paid in full, refunded by such Lender to the Borrower); (ii) in the event that the maturity of the Notes is accelerated by reason of an election of the holder or holders thereof resulting from any Event of Default hereunder or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under laws applicable to the Lenders may never include more than the Highest Lawful Rate, and excess interest, if any, provided for in this Agreement, the Notes, any other Credit Document or otherwise shall be automatically canceled by the applicable Lenders as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by the applicable Lenders on the principal amount of the applicable Notes or Reimbursement Obligations (or if the principal amounts thereof shall have been paid in full, refunded by the applicable Lender to the Borrower); and (iii) if at any time the interest provided hereunder, together with any other

fees payable pursuant to this Agreement, the Notes or any other Credit Document and deemed interest under applicable law, exceeds the amount that would have accrued at the Highest Lawful Rate, the amount of interest and any such fees to accrue to the Lenders hereunder and thereunder shall be limited to the amount which would have accrued at the Highest Lawful Rate, but any subsequent reductions shall not reduce the interest to accrue to the Lenders hereunder and thereunder below the Highest Lawful Rate until the total amount of interest accrued pursuant hereto and thereto and such fees deemed to be interest equals the amount of interest which would have accrued to the Lenders if a varying rate per annum equal to the interest hereunder had at all times been in effect plus the amount of fees which would have been received but for the effect of this Section 2.7. The Agent and the Lenders hereby elect to determine the applicable rate ceiling under Section 303.201 of the Texas Finance Code Ann. (Vernon 1998) by the weekly rate ceiling from time to time in effect, subject to the Agent's and the Lenders' right subsequently to change such method in accordance with applicable law. In the event the Loans and all Reimbursement Obligations are paid in full by the Borrower prior to the Maturity Date and the interest received for the actual period of the existence of the Loans or the Reimbursement Obligations exceeds the Highest Lawful Rate, the applicable Lenders shall refund to the Borrower the amount of the excess or shall credit the amount of the excess against amounts owing under the Loans and none of the Lenders shall be subject to any of the penalties provided by law for contracting for, taking, reserving, charging or receiving interest in excess of the Highest Lawful Rate. The provisions of Chapter 346 of Tex. Finance Code Ann. (Vernon 1998), regulating certain revolving credit accounts shall not apply to this Agreement or any of the Notes.

Section 2.8 Maturity of Loans. Each Revolving Loan, together with accrued and unpaid interest thereon and all other fees then due and owing under any Credit Document, shall mature and become due and payable on the Maturity Date. Each Agent Loan, together with accrued and unpaid interest thereon, shall mature and become due and payable five (5) days after the date of such Agent Loan, provided that all such Agent Loans shall mature and become due and payable no later than the Maturity Date.

Section 2.9 Optional Prepayments. The Borrower shall have the privilege of prepaying the Loans without premium or penalty in whole or in part at any time. If the Borrower is prepaying LIBOR Loans, it shall give to the Agent notice of such prepayment no later than 11:00 a.m. at least two (2) Business Days before the proposed prepayment date. All prepayments of LIBOR Loans shall be accompanied by accrued interest thereon, together with any applicable breakage fees and funding losses pursuant to Section 2.12. The Borrower may direct the application of any optional prepayment hereunder to the Base Rate Loans or LIBOR Loans outstanding.

Section 2.10 Mandatory Prepayments of Loans. If the aggregate principal amount of outstanding Loans and L/C Obligations shall at any time for any reason exceed the Commitment Amount then in effect, the Borrower shall, immediately and without notice or demand, pay the amount of such excess to the Agent for the ratable benefit of the Lenders as a prepayment of the Loans and, if all Loans have been paid, a pre-funding of Letters of Credit pursuant to the provisions of Section 7.4. Any mandatory prepayment of Loans pursuant hereto shall not be limited by the notice provision for prepayments set forth in Section 2.9, but immediately upon determining the need to make any such prepayment, the Borrower shall notify the Agent of such required prepayment. Each such prepayment shall be accompanied by a payment of all accrued and unpaid interest on the Loans prepaid and any applicable breakage fees and funding losses pursuant to Section 2.12.

Section 2.11 The Notes. The Revolving Loans outstanding to the Borrower from the Lenders (and, with respect to the Agent, any Agent Loans outstanding to the Borrower) shall be evidenced by promissory notes of the Borrower payable to each of the Lenders and the Agent in the form of Exhibit 2.11 (such promissory notes, together with any replacements thereof, the "Notes"). Each holder of a Note shall record on its books and records or on a schedule to the Note the amount of each Loan outstanding from it to the Borrower, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan and, if a LIBOR Loan, the Interest Period and interest rate applicable thereto. Such record, whether shown on the books and records of a holder of a Note or on a schedule to its Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any holder to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans outstanding to it hereunder, together with accrued interest thereon. At the request of any holder of a Note and upon such holder tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such holder to replace any outstanding Note and at such time the first notation appearing on the schedule on the reverse side of, or attached to, such new Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 2.12 Breakage Fees. If any Lender incurs any loss, cost or expense (excluding any loss of anticipated profit, but including, without limitation,

any loss, cost, expense or premium reasonably incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any LIBOR Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to the Lenders) as a result of any of the following events other than any such occurrence as a result of a change of circumstance described in Sections 8.1 or 8.2:

(i) any payment, prepayment or conversion of a LIBOR Loan on a date other than the last day of its Interest Period (whether by acceleration, prepayment or otherwise);

(ii) any failure to make a principal payment of a LIBOR Loan on the due date therefor; or

(iii) any failure by the Borrower to borrow, continue, prepay or convert to a LIBOR Loan on the date specified in a notice given pursuant to Section 2.4(a) or (b) (other than by reason of a default of a Lender),

then the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall provide to the Borrower a certificate executed by an officer of such Lender setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense)no later than 120 days after the event giving rise to the claim for compensation, and the amounts shown on such certificate shall be conclusive and binding absent manifest error. Within ten (10) days of receipt of such certificate, the Borrower shall pay to such Lender such amount as will compensate such Lender for such loss, cost or expense as provided herein, unless such Lender has failed to timely give notice to the Borrower of such claim for compensation as provided herein, in which event the Borrower shall no longer be obligated to pay such claim.

Section 2.13 Commitment Terminations. The Borrower shall have the right at any time and from time to time, upon five (5) Business Days' prior and irrevocable written notice to the Agent, to terminate or reduce the Commitments without premium or penalty, in whole or in part, any partial termination to be (i) in an amount not less than $1,000,000 as determined by the Borrower, and (ii) allocated ratably among the Lenders in proportion to their respective Commitments, as applicable; provided that the Commitment Amount may not be reduced to an amount less than the sum of the aggregate principal amount of outstanding Loans plus the aggregate outstanding L/C Obligations, after giving effect to payments on such proposed termination or reduction date, unless the Borrower provides to the Lenders or the Agent, as applicable, cash collateral in an amount sufficient to cover such shortage or back to back letters of credit from a financial institution satisfactory to all of the Lenders in an amount equal to the undrawn face amount of any applicable outstanding Letters of Credit with an expiry date of at least five (5) days after the expiry date of any applicable Letter of Credit and which provide that the Lenders may make a drawing thereunder in the event that it pays a drawing under such Letter of Credit. Any termination of the Commitments pursuant to this Section 2.13 is permanent and may not be reinstated. The Agent shall give prompt notice to each Lender of any such termination of the Commitments.

SECTION 3. FEES AND PAYMENTS.

Section 3.1 Fees.

(a) Commitment Fee. For the period from the Effective Date to and including the Commitment Termination Date the Borrower shall pay to the Agent for the ratable account of the Lenders, a commitment fee (computed on a basis of a 365/366-day year and actual days elapsed) on an amount equal to the average daily difference between (i) the sum of the Commitment Amount plus the outstanding principal amount of the Agent Loans and (ii) the outstanding Revolving Loans and L/C Obligations, such commitment fee to be calculated, for any day, at such times as the relevant

Funded Debt to EBITDA Ratio is in one of the following ranges, based upon the percentage per annum set forth opposite such Funded Debt to EBITDA Ratio set forth below times such amount:

Funded Debt to EBITDA Ratio	Commitment Fee
Less than or equal to 1.5 to 1.0	0.175%
Greater than 1.5 to 1.0 but less than or equal to 1.75 to 1.0	0.200%
Greater than 1.75 to 1.0 but less than or equal to 2.25 to 1.0	0.250%
Greater than 2.25 to 1.0 but less	

than or equal to 2.75 to 1.0	0.250%
Greater than 2.75 to 1.0	0.300%

For the period from the Effective Date through the earlier of the date the Borrower is to provide the Agent with the financial statements for the fiscal quarter ended June 30, 1998, as required by Section 6.6(a)(i) or the date such financial statements are provided to the Agent, the commitment fee percentage shall be 0.175%, thereafter, the commitment fee percentage shall be set by the Agent at the same time and in the same manner as the Applicable Margin is set. Such commitment fees shall be payable in arrears commencing on September 30, 1998, and on the last Business Day of each calendar quarter thereafter and on the Maturity Date unless the Commitments are terminated in whole on an earlier date, in which event the commitment fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination. Upon the closing of a Subordination Debt Investment(s) with proceeds aggregating at least $30,000,000, the percentages in the Commitment Fee column above shall each be reduced by 0.025%.

(b) Letter of Credit Fees. Commencing upon the date of issuance or extension of any Letter of Credit, the Borrower shall pay to the Agent quarterly in arrears (pro rated, if necessary for any portion of such quarter) for the ratable account of the Lenders a non-refundable fee for any Letter of Credit equal to the greater of (x) $125 per quarter, or (y) the face amount of such Letter of Credit times the Applicable Margin for LIBOR Loans, calculated on the basis of a 365/366-day year and actual days in the period and based on the then scheduled expiry date of the Letter of Credit. Thereafter, such fees shall be payable by the Borrower in arrears on the last Business Day of each calendar quarter of each year commencing with the next succeeding calendar quarter, with the last such payment on the date any such Letter of Credit expires. In addition, the Borrower shall pay to the Agent solely for the Agent's account, in connection with each Letter of Credit, reasonable administrative and amendment fees and expenses for letters of credit established by the Agent from time to time in accordance with its customary practices and as agreed between the Agent and the Borrower and a 1/8% fronting fee of 1% of the face amount of each Letter of Credit.

(c) Agent Fees. The Borrower shall pay to each of the Agent and the Arranger the fees agreed to between the Agent, the Arranger and the Borrower pursuant to the Fee Letter, and any other fees from time to time agreed to by the Borrower and the Agent.

Section 3.2 Place and Application of Payments. All payments of principal of and interest on the Loans and the Reimbursement Obligations and all other amounts payable by the Borrower under the Credit Documents shall be made by the Borrower to the Agent by no later than 2:00 p.m. on the due date thereof at the office of the Agent in Houston, Texas (or such other location as the Agent may designate to the Borrower). Any payments received by the Agent from the Borrower after 2:00 p.m. shall be deemed to have been received on the next Business Day.

Section 3.3 Withholding Taxes.

(a) Payments Free of Withholding. Except as otherwise required by law and subject to Section 3.3(b), each payment by the Borrower to the Agent or any Lender under this Agreement or any other Credit Document shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient) imposed by or within the jurisdiction in which the Borrower is domiciled, any jurisdiction from which the Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein, excluding, in the case of each Lender and the Agent, taxes, assessments or other governmental charges

(i) imposed on, based upon, or measured by its income, and branch profits, franchise and similar taxes imposed on it, by any jurisdiction in which the Agent or such Lender, as the case may be, is incorporated or maintains its principal place of business or Lending Office or which subjects the Agent or such Lender to tax by reason of a connection between the taxing jurisdiction and the Agent or such Lender (other than a connection resulting from the transactions contemplated by this Agreement);

(ii) imposed as a result of a connection between the taxing jurisdiction and the Agent or such Lender, as the case may be, other than a connection resulting from the transactions contemplated by this Agreement;

(iii) imposed as a result of the transfer by such Lender of its interest in this Agreement or any other Credit Document or a designation by such Lender (other than pursuant to Section 3.3(d) hereof) of a new Lending Office (other than taxes imposed as a result of any change in treaty, law or regulation after such transfer of the Lender's interest in this Agreement or any Credit Document or designation of a new Lending Office);

(iv) imposed by the United States of America upon a Lender organized under the laws of a jurisdiction outside of the United States, except

to the extent that such tax is imposed or increased as a result of any change in applicable law, regulation or treaty (other than any addition of or change in any "anti-treaty shopping," "limitation of benefits," or similar provision applicable to a treaty) after the Effective Date hereof, in the case of each Lender originally a party hereto or, in the case of any Purchasing Lender (as defined in Section 10.10), after the date on which it becomes a Lender;

(v) which would not have been imposed but for (a) the failure of the Agent or any Lender, as the case may be, to provide (x) an Internal Revenue Service Form 1001 or 4224,

as the case may be, or any substitute or successor form prescribed by the Internal Revenue Service pursuant to Section 3.3(b) below, or (y) any other certification, documentation or proof which is reasonably requested by the Borrower, or (b) a determination by a taxing authority or a court of competent jurisdiction that a certification, documentation or other proof provided by such Lender or the Agent to establish an exemption from such tax, assessment or other governmental charge is false

(all such non-excluded taxes, assessments or other governmental charges and liabilities being hereinafter referred to as "Indemnified Taxes"). If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by the Agent and each Lender is free and clear of such Indemnified Taxes (including Indemnified Taxes on such additional amount) and is equal to the amount that the Agent or such Lender (as the case may be) would have received had such withholding not been made. If the Agent or any Lender pays any amount in respect of any Indemnified Taxes, penalties or interest, the Borrower shall reimburse the Agent or that Lender for the payment on demand in the currency in which such payment was made. If the Borrower pays any Indemnified Taxes, penalties or interest, it shall deliver official tax receipts evidencing the payment or certified copies thereof, or other satisfactory evidence of payment if such tax receipts have not yet been received by the Borrower (with such tax receipts to be promptly delivered when actually received), to the Agent or the Lender on whose account such withholding was made (with a copy to the Agent if not the recipient of the original) within fifteen (15) days of such payment.

(b) U.S. Withholding Tax Exemptions. Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Agent on or before the Effective Date, two duly completed and signed copies of either Form 1001 (entitling such Lender to a complete exemption from withholding under the Code on all amounts to be received by such Lender, including fees, pursuant to the Credit Documents) or Form 4224 (relating to all amounts to be received by such Lender, including fees, pursuant to the Credit Documents) of the Internal Revenue Service. Thereafter and from time to time, each Lender shall submit to the Borrower and the Agent such additional duly completed and signed copies of one or the other of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be (i) notified by the Borrower, directly or through the Agent, to such Lender, and (ii) required under then-current United States law or regulations to avoid United States withholding taxes on payments in respect of all amounts to be received by such Lender, including fees, pursuant to the Credit Documents. Upon the request of the Borrower, each Lender that is a United States person shall submit to the Borrower a certificate to the effect that it is such a United States person. Each such Lender shall make written demand on the Borrower for indemnification or compensation hereunder not later than 120 days after the earlier of (i) the date on which such Lender or Agent makes payment of Indemnified Taxes, or (ii) the date on which the relevant taxing authority or other governmental authority makes written demand upon such Lender or the Agent for payment of Indemnified Taxes; provided that any failure of a Lender or the Agent to give the Borrower timely notice as provided herein shall not relieve the Borrower of any obligation which it has to pay such claim for compensation for such indemnification.

(c) Inability of Lender to Submit Forms. If any Lender determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that it is unable to submit to the Borrower or the Agent any form or certificate that such Lender is obligated to submit pursuant to Section 3.3(b) or that such Lender is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Lender shall promptly notify the Borrower and the Agent of such fact and the Lender shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

(d) Refund of Taxes. If any Lender or the Agent receives a refund of any Indemnified Tax or any tax referred to in Section 10.3 with respect to which the Borrower has paid any amount pursuant to this Section 3.3 or Section 10.3,

such Lender or the Agent shall pay the amount of such refund (including any interest received with respect thereto) to the Borrower.

SECTION 4. CONDITIONS PRECEDENT.

Section 4.1 Conditions Precedent to Initial Borrowing. The obligation of each Lender to advance the initial Loans hereunder and of the Agent to issue any Letter of Credit on the Initial Borrowing Date is subject to the following conditions precedent, all in form and substance satisfactory to the Lenders (and which shall be evidenced by the making of such Loan(s) and, if applicable, the issuance of such Letter(s) of Credit) and in sufficient number of signed counterparts, where applicable, to provide one for each Lender (except for the Notes, of which only one original shall be signed for each Lender):

(a) The Agent shall have received:

(i) Notes. The duly executed Notes of the Borrower;

(ii) Subsidiary Guaranties. The duly executed Subsidiary Guaranties of each of the Guarantors in substantially the form of Exhibit 4.1A;

(iii) Stock Pledge Agreements. The duly executed Stock Pledge Agreements of each of the Borrower, NorAm Telecommunications, Inc. and Spalj Construction Co. in substantially the form of Exhibit 4.1B, together with the original stock certificates referenced therein and undated stock powers executed in blank with respect to each such stock certificate;

(iv) UCC-Financing Statements. The duly executed UCC-1 Financing Statements of each of the Borrower, NorAm Telecommunications, Inc. and Spalj Construction Co. with respect to the stock referenced in the Stock Pledge Agreements;

(v) Certificate of Officers of Borrower and Guarantors. A certificate of the Secretary or Assistant Secretary and the President or Vice President of each of the Borrower and the Guarantors containing specimen signatures of the persons authorized to execute Credit Documents on such Person's behalf or any other documents provided for herein, together with (x) copies of resolutions of the Board of Directors of such Person authorizing the execution and delivery of the Credit Documents and of all other legal documents or proceedings taken by such Person in

connection with the execution and delivery of the Credit Documents, and (y) copies of such Person's Certificate or Articles of Incorporation, certified by the Secretary of State of such Person's jurisdiction of organization, and Bylaws;

(vi) Certificates of Existence and Good Standing. Certificates of existence and good standing from the appropriate governing agency of the Borrower's and each Guarantor's jurisdiction of organization and of all jurisdictions where such Person is authorized to do business;

(vii) Fees. Payment of all fees and all expenses incurred through the Effective Date then due and owing to the Agent and the Arranger pursuant to this Agreement and the Fee Letter;

(viii) Consents. Certified copies of all documents evidencing any necessary consents and governmental approvals taken or obtained by the Borrower and the Guarantors with respect to the Credit Documents;

(ix) Financial Condition Certificate. A certificate of the principal financial officer of the Borrower in substantially the form of Exhibit 4.1C;

(x) Searches. The results of recent lien searches showing no Liens on any of the property or assets of the Borrower or any of its Subsidiaries other than Permitted Liens or evidence that any such Liens other than Permitted Liens have been terminated or will be terminated concurrently with the Initial Borrowing Date;

(xi) Opinion of Counsel. The opinion of Brad Eastman, General Counsel to the Borrower and the Guarantors covering such matters as the Lenders may reasonably require; and

(xii) Other Documents. Such other documents as the Lenders may reasonably request.

(b) All legal matters incident to the execution and delivery of the Credit Documents shall be reasonably satisfactory to the Lenders.

Section 4.2 Conditions Precedent to all Borrowings. In the case of each advance of a Borrowing hereunder (including the issuance of, increase in the amount of, or extension of the expiry date of, a Letter of Credit and the initial Borrowing hereunder but excluding the Revolving Loans to be made as required by Section 2.1(b)):

(a) Notices. In the case of a Borrowing, the Agent shall have received the Borrowing Request required by Section 2.4, and in the case of the issuance, extension or increase of a Letter of Credit, the Agent shall have received a duly completed Borrowing Request and Application for such Letter of Credit meeting the requirements of Section 2.2;

(b) Representations and Warranties True and Correct. Each of the representations and warranties of the Borrower and its Subsidiaries set forth herein and in the Credit Documents

shall be true and correct in all material respects as of the time of such new Borrowing, except as a result of the transactions expressly permitted hereunder or thereunder and except to the extent that any such representation or warranty relates solely to an earlier date, in which case it shall have been true and correct in all material respects as of such earlier date;

(c) No Default. No Default or Event of Default shall have occurred and be continuing or would occur as a result of such Borrowing;

(d) New Litigation and Changes in Pending Litigation. Since the Effective Date, no new litigation (including, without limitation, derivative or injunctive actions), arbitration proceedings or governmental proceedings shall be pending or known to be threatened against the Borrower or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect; and no material development (whether or not disclosed) shall have occurred in any litigation (including, without limitation, derivative or injunctive actions), arbitration proceedings or governmental proceedings previously disclosed, which could reasonably be expected to have a Material Adverse Effect;

(e) Regulation U; Other Laws. The Borrowings to be made by the Borrower shall not result in either the Borrower or the Agent or any Lender being in non-compliance with or in violation of Regulation U of the Board of Governors of the Federal Reserve System and shall not be prohibited by any other legal requirement (including Regulations T and X of the Board of Governors of the Federal Reserve System) imposed by the banking laws of the United States of America, and shall not otherwise subject the Agent or any Lender to a penalty or other onerous conditions under or pursuant to any legal requirement; and

(f) Material Adverse Change. There has occurred no event or effect that has had or could reasonably be expected to have a Material Adverse Effect.

Each request for the advance of a Borrowing and each request for the issuance of, increase in the amount of, or extension of the expiry date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing, or issuance of, increase in the amount of, or extension of the expiry date of, such Letter of Credit that all conditions precedent to such Borrowing have been satisfied or fulfilled unless the Borrower gives to the Agent written notice to the contrary, in which case no Lender shall be required to fund such advances and the Agent shall not be required to issue, increase the amount of or extend the expiry date of such Letter of Credit unless the Majority Lenders shall have previously waived in writing such non-compliance. In the event an Event of Default shall have occurred or be continuing or would occur as a result of such Borrowing, the Borrower may not convert any Base Rate Loan into a LIBOR Loan or continue any LIBOR Loan and may only convert or continue any LIBOR Loan into or as a Base Rate Loan in accordance with Section 2.4(b) hereof and subject to the applicability of the provisions of Section 2.7 regarding default rates of interest, and in such case, any LIBOR Loan which has not been accelerated pursuant to the terms hereof shall automatically convert into a Base Rate Loan at the end of the applicable Interest Period unless prior to such time, any such Event of Default shall have been cured or waived pursuant to the terms hereof. In the event a Default shall have occurred and be continuing or would occur as a result of such Borrowing, the Borrower may only convert any

Base Rate Loan or continue any LIBOR Loan into a LIBOR Loan with a one (1) month Interest Period.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Agent and each Lender as follows:

Section 5.1 Organization.

(a) The Borrower and each of its Subsidiaries (i) is a duly incorporated and existing corporation (or other Person) in good standing under the laws of the jurisdiction of its organization, (ii) has all necessary corporate power (or comparable power, in the case of a Subsidiary that is not a corporation) to own the property and assets it uses in its business and otherwise to carry on its business as presently conducted, and (iii) is duly

licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified could not reasonably be expected to have a Material Adverse Effect.

(b) As of the date hereof, the Borrower has no Subsidiaries other than the Subsidiaries listed on Schedule 5.1, and the Borrower owns one hundred percent (100%) of each class of capital stock or ownership interests of each of such Subsidiary.

Section 5.2 Power and Authority; Validity. Each of the Borrower and the Guarantors has the corporate (or comparable power, in the case of a Subsidiary that is not a corporation) power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents to which it is a party and has taken all necessary corporate (or comparable action, in the case of a Subsidiary that is not a corporation) action to authorize the execution, delivery and performance of the Credit Documents to which it is a party. Each of the Borrower and the Guarantors has duly executed and delivered each such Credit Document and each such Credit Document constitutes the legal, valid and binding obligation of such Person enforceable in accordance with its terms, subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether in a proceeding in equity or at law.

Section 5.3 No Violation. Neither the execution, delivery nor performance by the Borrower or any of the Guarantors of the Credit Documents to which it is a party nor compliance by any of such Persons with the terms and provisions thereof, nor the consummation by it of the transactions contemplated herein or therein, will (i) contravene any applicable provision of any law, statute, rule or regulation, or any applicable order, writ, injunction or decree of any court or governmental instrumentality, except where such contravention could not reasonably be expected to have a Material Adverse Effect, (ii) conflict with or result in any breach of any term, covenant, condition or other provision of, or constitute a default under (except where such conflict, breach or default could not reasonably be expected to have a Material Adverse Effect), or result in the creation or imposition of (or the obligation to create or impose) any Lien other than any Permitted Lien upon any of the property or assets of the Borrower or its Subsidiaries under the terms of any contractual obligation to which the Borrower or any of its Subsidiaries is a party or by which it or any of its

properties or assets are bound or to which it may be subject, or (iii) violate or conflict with any provision of the Certificate or Articles of Incorporation or Bylaws or other governance documents, as applicable, of such Person.

Section 5.4 Litigation. There are no lawsuits (including, without limitation, derivative or injunctive actions), arbitration proceedings or governmental proceedings pending or, to the best knowledge of the Borrower, threatened, involving the Borrower or any of its Subsidiaries except for such lawsuits or other proceedings which could not reasonably be expected to have a Material Adverse Effect and any lawsuits and proceedings disclosed in Schedule 5.4.

Section 5.5 Use of Proceeds; Margin Regulations. The proceeds of the Loans may only be used to repay existing Indebtedness, to provide working capital and for general corporate purposes (including the issuance of Letters of Credit) and for Acquisitions. Neither the Borrower nor any of its Subsidiaries are engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds of any Loan will be used to purchase or carry any "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System), to extend credit for the purpose of purchasing or carrying any "margin stock," or for a purpose which violates Regulations T, U or X of the Board of Governors of the Federal Reserve System.

Section 5.6 Investment Company Act. Neither the Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

Section 5.7 Public Utility Holding Company Act. Neither the Borrower nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 5.8 True and Complete Disclosure. All factual information (not including estimated, pro forma financial information and other projections) heretofore or contemporaneously furnished by the Borrower or any of its Subsidiaries in writing to the Agent or the Lenders in connection with any Credit Document or any transaction contemplated therein is, disregarding any updated, corrected, supplemented, superceded or otherwise modified information except as so updated, corrected, supplemented, superceded or otherwise modified

and all other such factual information hereafter furnished by any such Persons in writing to the Lenders in connection herewith, any of the other Credit Documents or the Loans will be, true and accurate in all material respects, taken as a whole, on the date of such information and not incomplete by omitting to state any material fact necessary to make the information therein not misleading at such time in light of the circumstances under which such information, taken as a whole, was provided. All estimates, pro forma financial information and projections furnished by the Borrower or any of its Subsidiaries in writing to the Lenders in connection with any Credit Document or any transaction contemplated therein, were prepared by the Borrower in good faith based upon assumptions believed by the Borrower to be reasonable at the time such information was prepared, it being recognized by the Agent and the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

Section 5.9 Financial Statements. The financial statements heretofore delivered to the Lenders for the fiscal quarter ending March 31, 1998, were prepared in accordance with GAAP, and such financial statements, together with the related notes and schedules, fairly presents the financial position of the Borrower and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby, subject to normal year-end adjustments and omission of certain footnotes as permitted by the SEC.

Section 5.10 No Material Adverse Change. From March 31, 1998, there has occurred no event or effect that has had, or to the best knowledge of the Borrower could reasonably be expected to have, a Material Adverse Effect.

Section 5.11 Labor Controversies. There are no labor strikes, lock-outs, slow downs, work stoppages or similar events pending or, to the best knowledge of the Borrower, threatened against the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

Section 5.12 Taxes. Except as disclosed on Schedule 5.12, the Borrower and its Subsidiaries have filed all federal tax returns and all other material tax returns required to be filed, and have paid all governmental taxes, rates, assessments, fees, charges and levies (collectively, "Taxes") except such Taxes, if any, as are being contested in good faith and for which reserves have been provided in accordance with GAAP and except where the failure to pay such Taxes could not reasonably be expected to have a Material Adverse Effect. Except as disclosed on Schedule 5.12, no tax liens have been filed and no claims are being asserted for Taxes. Except as disclosed on Schedule 5.12, the charges, accruals and reserves on the books of the Borrower and its Subsidiaries for Taxes and other governmental charges have been determined in accordance with GAAP.

Section 5.13 ERISA. With respect to each Plan, the Borrower and its Subsidiaries have fulfilled their obligations under the minimum funding standards of, and are in compliance in all material respects with, ERISA and with the Code to the extent applicable to it, and have not incurred any liability under Title IV of ERISA to the PBGC or a Plan other than a liability to the PBGC for premiums under Section 4007 of ERISA, except where such liability could not reasonably be expected to have a Material Adverse Effect. As of the Effective Date, neither the Borrower nor any of its Subsidiaries has any contingent liability with respect to any post-retirement benefits under a welfare plan as defined in ERISA other than liability for continuation coverage described in Part 6 of Title I of ERISA, except where such liability could not reasonably be expected to have a Material Adverse Effect.

Section 5.14 Consents. All consents and approvals of, and filings and registrations with, and all other actions of, all governmental agencies, authorities or instrumentalities required to consummate the Borrowings hereunder, on the date of each such Borrowing, have been obtained or made and are or will be in full force and effect.

Section 5.15 Capitalization. All outstanding shares of the Borrower and its Subsidiaries have been duly and validly issued, are fully paid and nonassessable. None of the Borrower's Subsidiaries has outstanding any securities convertible into or exchangeable for its capital stock or outstanding any rights to subscribe for or to purchase, or any options for the purchase of, or any

agreement providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to, its capital stock.

Section 5.16 Ownership of Property. The Borrower and its Subsidiaries have good title to or a valid leasehold interest in all of its property except to the extent, in the aggregate, no Material Adverse Effect could reasonably be expected to result from the failure to have such title or interest, subject to no Liens except Permitted Liens. The Borrower and its Subsidiaries own or hold valid licenses to use all the material patents, trademarks, permits, service

marks and trade names, free of any burdensome restrictions, that are necessary to the operation of the business of the Borrower and its Subsidiaries as presently conducted, except where the failure to own or hold such licenses could not reasonably be expected to have a Material Adverse Effect.

Section 5.17 Compliance with Statutes. The Borrower and its Subsidiaries are in compliance in all material respects with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies and have all necessary permits, licenses and other necessary authorizations with respect to the conduct of their businesses and the ownership and operation of their properties except where the failure to so comply or hold such permits, licenses or other authorizations could not reasonably be expected to have a Material Adverse Effect.

Section 5.18 Environmental Matters.

(a) Borrower and its Subsidiaries have complied with, and on the date of each Borrowing will be in compliance with, all applicable Environmental Laws and the requirements of any permits issued under such Environmental Laws except where failure to so comply could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, there are no pending, past or threatened Environmental Claims against the Borrower or any of its Subsidiaries or any property owned or operated by the Borrower or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, there are no conditions or occurrences on or emanating from any property owned or operated by the Borrower or any of its Subsidiaries or on any property adjoining or in the vicinity of any such property that could reasonably be expected (i) to form the basis of an Environmental Claim against the Borrower or any of its Subsidiaries or any property owned or operated by the Borrower or any of its Subsidiaries, or (ii) to cause any property owned or operated by the Borrower or any of its Subsidiaries to be subject to any material restrictions on the ownership, occupancy, the current or intended use or transferability of such property by the Borrower or any of its Subsidiaries under any applicable Environmental Law except for any such condition or occurrence described in clauses (i) or (ii) which could not reasonably be expected to have a Material Adverse Effect.

(b) To the best knowledge of the Borrower (i) Hazardous Materials have not at any time been generated, used, treated or stored on, or transported to or from, any property owned or operated by the Borrower or any of its Subsidiaries in a manner that has violated or could reasonably be expected to violate any

Environmental Law, except for such violation which could not reasonably be expected to have a Material Adverse Effect, and (ii) Hazardous Materials have not at any time been released on or from any property owned or operated by the Borrower or any of its Subsidiaries in a matter that has violated or could reasonably be expected to violate any Environmental Law, except for such violation which could not reasonably be expected to have a Material Adverse Effect.

Section 5.19 Year 2000 Compliance. All devices, systems, machinery, information technology, computer software and hardware, and other date sensitive technology (jointly and severally its "systems") necessary for the Borrower and its Subsidiaries to carry on their business as presently contemplated to be conducted will be Year 2000 Compliant within a period of time calculated to result in no material disruption of any of their business operations. For purposes hereof, "Year 2000 Compliant" means that such systems are designed to be used prior to, during and after the Gregorian calendar year 2000 A.D. and will operate during each such time period without error relating to date data, specifically including any error relating to, or the product of, date data which represents or references different centuries or more than one century. The Borrower and its Subsidiaries will (i) undertake a inventory, review, and assessment of all areas within their businesses and operations that could be adversely affected by the failure of the Borrower and its Subsidiaries to be Year 2000 Compliant on a timely basis; and (ii) develop a plan and timeline for becoming Year 2000 Compliant on a timely basis. The Borrower, when it reasonably determines such action necessary, will make written inquiry of each of its and its Subsidiaries' key suppliers, vendors, and customers, and will obtain in writing confirmations from all such Persons, as to whether such Persons have initiated programs to become Year 2000 Compliant. For purposes hereof, "key suppliers, vendors, and customers" refers to those suppliers, vendors, and customers of the Borrower and its Subsidiaries whose business failure could reasonably be expected to have a Material Adverse Effect. The fair market value of all Collateral pledged to the Lenders as collateral to secure the Loans is not and shall not be less than currently anticipated or subject to substantial deterioration in value because of the failure of such Collateral to be Year 2000 Compliant."

Section 5.20 Existing Indebtedness and Liens. The Borrower and its Subsidiaries have no Indebtedness or Liens on any of their properties or assets on the Effective Date other than as listed on Schedule 5.20.

SECTION 6. COVENANTS.

The Borrower covenants and agrees that, without the consent of the Majority Lenders and so long as any Note, Letter of Credit or Reimbursement Obligation or any other Obligation is outstanding or any Commitment is outstanding hereunder:

Section 6.1 Existence. The Borrower and its Subsidiaries will preserve and maintain their existence except (i) for the dissolution of any Subsidiaries whose assets are transferred to the Borrower or any of its Subsidiaries; (ii) the Borrower shall not be required to preserve, renew or keep in full force and effect the corporate or other existence of any Subsidiary, if the Board of Directors of the Borrower shall determine in the exercise of its business judgment that the preservation thereof is no longer desirable in the conduct of business of the Borrower or any Subsidiary and that abandonment of any such right shall not have a Material Adverse Effect on the Borrower and its Subsidiaries, taken as a whole; and (iii) as otherwise expressly permitted herein.

Section 6.2 Maintenance. The Borrower and its Subsidiaries will maintain, preserve and keep their material plants, properties and equipment necessary to the proper conduct of their businesses in reasonably good repair, working order and condition (normal wear and tear excepted) and will from time to time make all reasonably necessary repairs, renewals, replacements, additions and betterments thereto consistent with usual and customary business practices so that at all times such plants, properties and equipment are reasonably preserved and maintained, in each case with such exceptions as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; provided, however, that nothing in this Section 6.2 shall prevent the Borrower or any of its Subsidiaries from discontinuing the operation or maintenance of any such plants, properties or equipment if such discontinuance is, in the judgment of the Borrower or any such Subsidiary, as applicable, desirable in the conduct of its business and not materially disadvantageous to the Lenders.

Section 6.3 Taxes. The Borrower and its Subsidiaries will duly pay and discharge all Taxes upon or against them or their properties before penalties accrue thereon, unless and to the extent that the same is being contested in good faith and by appropriate proceedings and reserves have been established in conformity with GAAP.

Section 6.4 ERISA. The Borrower and its Subsidiaries will promptly pay and discharge all obligations and liabilities arising under ERISA or otherwise with respect to each Plan of a character which if unpaid or unperformed might result in the imposition of a material Lien against any properties or assets of the Borrower or any of its Subsidiaries and will promptly notify the Agent of (i) the occurrence of any reportable event (as defined in ERISA) relating to a Plan other than any such event with respect to which the PBGC has waived notice by regulation; (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor; (iii) the Borrower's or any of its Subsidiary's intention to terminate or withdraw from any Plan if such termination or withdrawal would result in liability under Title IV of ERISA; and (iv) the occurrence of any event that could reasonably be expected to result in the incurrence of any material liability, fine or penalty, or any material increase in the contingent liability of the Borrower or any of its Subsidiaries, in connection with any post-retirement benefit under a welfare plan benefit (as defined in ERISA).

Section 6.5 Insurance. The Borrower and its Subsidiaries will maintain or cause to be maintained with responsible insurance companies, insurance against any loss or damage to all material insurable property and assets owned by them, such insurance to be of a character and in or in excess of such amounts as are customarily maintained by companies similarly situated and operating like property or assets (subject to self-insured retentions and deductibles), all of which policies shall provide that no policy shall terminate without at least ten (10) days' advance written notice to the Agent and be reasonably acceptable to the Agent. The Borrower and each of its Subsidiaries will also insure employers' and public and product liability risks with responsible insurance companies, all as reasonably acceptable to the Agent.

Section 6.6 Financial Reports and Other Information.

(a) The Borrower and its Subsidiaries will maintain a system of accounting in such manner as will enable preparation of financial statements in accordance with GAAP and will furnish to the Agent and its authorized representatives such information about the business and financial condition of the Borrower and its Subsidiaries, including, without limitation, any corporate documents and records, within such time period, as the Agent or any Lender may reasonably request; and, without any request, will furnish to the Agent:

(i) within forty-five (45) days after the end of each fiscal quarter of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter and the related consolidated statements of income and retained earnings and of cash

flows for such fiscal quarter and for the portion of the fiscal year ended with the last day of such fiscal quarter, all of which shall be in reasonable detail and in the case of consolidated statements, in the form filed with the SEC and within five (5) days thereafter, a certificate of an officer of the Borrower acceptable to the Agent that such financial reports fairly present the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows for the periods indicated and that they have been prepared in accordance with GAAP, in each case, subject to normal year-end audit adjustments and the omission of any footnotes as permitted by the SEC; and

(ii) within one hundred twenty (120) days after the end of each fiscal year of the Borrower, consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as at the end of such fiscal year and the related consolidated and consolidating statements of income and consolidated statements of retained earnings and of cash flows for such fiscal year and setting forth consolidated comparative figures for the preceding fiscal year and certified by an officer of the Borrower acceptable to the Agent, to the effect that such statements fairly present the financial condition of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and changes in their cash flows, and in the case of the consolidated statements, audited by an independent nationally-recognized accounting firm acceptable to the Agent.

(b) Each financial statement furnished to the Agent pursuant to subsections (i) and (ii) of Section 6.6(a) shall be accompanied by (i) a written certificate signed by an officer of the Borrower acceptable to the Agent to the effect that (x) no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower to remedy the same, and (y) the representations and warranties

contained herein are true and correct in all material respects as though made on the date of such certificate, except to the extent that any such representation or warranty relates solely to an earlier date, in which case it was true and correct as of such earlier date and except as otherwise described therein, as a result of the transactions expressly permitted hereunder or as previously disclosed to the Lenders, and (ii) a Compliance Certificate in the form of Exhibit 6.6 showing the Borrower's compliance with the financial covenants set forth herein.

(c) Promptly upon receipt thereof, the Borrower will provide the Agent with a copy of each report or "management letter" submitted to the Borrower or any of its Subsidiaries by its independent accountants or auditors in connection with any annual, interim or special audit made by them of the books and records of the Borrower or any of its Subsidiaries.

(d) Promptly after any officer of the Borrower obtains knowledge of any of the following, the Borrower will provide the Agent with written notice in reasonable detail of: (i) any pending or threatened Environmental Claim against the Borrower or any of its Subsidiaries or any property owned or operated by the Borrower or any of its Subsidiaries that if adversely determined could reasonably be expected to have a Material Adverse Effect; (ii) any condition or occurrence on any property owned or operated by the Borrower or any of its Subsidiaries that results in noncompliance by the Borrower or any of its Subsidiaries with any Environmental Law that could reasonably be expected to have a Material Adverse Effect; and (iii) the taking of any material removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any property owned or operated by the Borrower or any of its Subsidiaries, which Hazardous Material or the removal or remediation thereof could reasonably be expected to have a Material Adverse Effect.

(e) The Borrower will promptly and in any event, within ten (10) days after an officer of the Borrower has knowledge thereof, give written notice to the Agent of: (i) any pending or threatened litigation or proceeding against the Borrower or any of its Subsidiaries asserting any uninsured claim or claims against any of same in excess of $1,000,000 in the aggregate; (ii) the occurrence of any Default or Event of Default; (iii) any circumstance that has had a Material Adverse Effect; and (iv) any event which would result in a breach of Sections 6.20, 6.21, 6.22, 6.23 or 6.24.

(f) The Agent will promptly provide to each Lender all information provided to it by the Borrower pursuant to this Section 6.6.

(g) The Borrower will (i) furnish such additional information, statements and other reports with respect to the Borrower's compliance (and its approach to and progress towards achieving compliance) with Section 5.19 as the Agent may request from time to time; (ii) in the event of any change in circumstances that causes or will likely cause any of the Borrower's representations and warranties set forth in Section 5.19, to no longer be true, the Borrower shall promptly, and in any event within ten (10) days of receipt of information regarding a change in circumstances, provide the Agent with written

notice that describes in reasonable detail the change in circumstances and any additional information any Lender requests of the Borrower in connection therewith; and (iii) give any representative of any Lender reasonable access to, and permit such representative to examine, copy or make excerpts from, any and all relevant books, records and documents in the possession of the Borrower and its Subsidiaries and relating to their affairs, and to inspect any of the properties and systems of the Borrower and its Subsidiaries, and to project test

its systems to determine if they are Year 2000 Compliant in an integrated environment, all at the sole cost and expense of the Lenders.

Section 6.7 Lenders' Inspection Rights. Upon reasonable notice from the Agent or any Lender, the Borrower will permit the Agent or any Lender (and such Persons as the Agent or any Lender may reasonably designate), at the Borrower's expense while an Event of Default has occurred and is continuing, during normal business hours following reasonable notice to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books and records, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision, the Borrower authorizes such accountants to discuss with the Agent or any Lender, and such Persons as the Agent or any Lender may designate, the affairs, finances and accounts of the Borrower and its Subsidiaries provided that the Borrower has the opportunity to be present at such discussions), all at such reasonable times and as often as may be reasonably requested.

Section 6.8 Conduct of Business. The Borrower and its Subsidiaries will not engage in any line of business other than the specialty electric and telecommunications infrastructure contracting service business, electrical contracting services, installation of transportation, control and lighting equipment and services or businesses reasonably related thereto (each, a "Permitted Business").

Section 6.9 New Subsidiaries. The Borrower shall cause (i) any direct or indirect domestic Subsidiary which is formed or acquired after the Effective Date to become a Guarantor with respect to, and jointly and severally liable with all other Guarantors for, all of the Obligations under this Agreement and the Notes pursuant to a Guaranty substantially in the form of Exhibit 4.1A, and (ii) any Subsidiary which forms or acquires a Subsidiary after the Effective Date to execute and deliver to the Agent a Stock Pledge Agreement substantially in the form of Exhibit 4.1B, and to deliver the original stock certificates for any such Subsidiary as set forth therein (or other evidence of its ownership interest therein) and undated stock powers executed in blank with respect thereto, in each case within thirty (30) days following such formation or acquisition. The Borrower shall provide to the Agent a list of all its Subsidiaries with the state or country of incorporation and the location of the principal place of business of each such Subsidiary at the same time as it provides its quarterly financial reports to the Agent pursuant to Section 6.6(a)(i).

Section 6.10 Dividends and Negative Pledges.

(a) The Borrower shall not pay any dividends or other distributions on its capital stock.

(b) Except as otherwise permitted herein, neither the Borrower nor any of its Subsidiaries shall, directly or indirectly, create or otherwise permit to exist or become effective any restriction on the ability of any Subsidiary of the Borrower to (i) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Borrower or to pay any Indebtedness owed to the Borrower, or (ii) make loans or advances to the Borrower or any of its Subsidiaries, except in either case for restrictions existing under or by reason of applicable law, this Agreement and the other Credit Documents.

(c) Neither the Borrower nor any of its Subsidiaries shall enter into any agreement creating or assuming any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired other than as permitted hereunder. Neither the Borrower nor any of its Subsidiaries shall enter into any agreement other than this Agreement and the Credit Documents prohibiting the creation or assumption of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired or prohibiting or restricting the ability of the Borrower or any of its Subsidiaries to amend or otherwise modify this Agreement or any Credit Document.

Section 6.11 Restrictions on Fundamental Changes. Neither the Borrower nor any of its Subsidiaries shall be a party to any merger into or consolidation with, make an Acquisition or otherwise purchase or acquire all or substantially all of the assets or stock of, any other Person, or sell all or substantially all of its assets (other than sales of inventory or surplus or obsolete assets in the ordinary course of business) or stock, except:

(a) the Borrower or any of its Subsidiaries may merge into or consolidate with, make an Acquisition or otherwise purchase or acquire all or substantially all of the assets or stock of any other Person if upon the consummation of any such merger, consolidation, purchase or Acquisition, (i) the Borrower or such Subsidiary is the surviving corporation to any such merger or consolidation (or the other Person will thereby become a Subsidiary); (ii) the nature of the business of such acquired Person is a Permitted Business; (iii) the maximum cash purchase price paid and Indebtedness incurred to a seller by the Borrower or any of its Subsidiaries in connection with (x) any single Acquisition shall not exceed ten percent (10%) of the Borrower's Consolidated Net Worth as of the end of the immediately preceding fiscal quarter, and (y) all Acquisitions made during any rolling four (4) fiscal quarters (excluding any Acquisition exceeding ten percent (10%) of the Borrower's Consolidated Net Worth for which the Borrower has obtained the approval of the Majority Lenders hereunder) shall not exceed twenty-five percent (25%) of the Borrower's Consolidated Net Worth as of the end of the immediately preceding fiscal quarter; (v) no Default or Event of Default shall have occurred and be continuing or would otherwise be existing as a result of such merger, consolidation, purchase or Acquisition; and (vi) such merger, consolidation, purchase or Acquisition is non-hostile in nature;

(b) the Borrower may purchase or otherwise acquire all or substantially all of the stock or assets of, or otherwise acquire by merger or consolidation, any of its Subsidiaries, and any such Subsidiary may merge into, or consolidate with, or purchase or otherwise acquire all or substantially all of the assets or stock of or sell all or substantially all of its assets or stock to, any other Subsidiary of the Borrower or the Borrower, in each case so long as the Borrower shall be the surviving entity to any such merger or consolidation if the transaction is with the Borrower; and

(c) the sale of non operating assets unnecessary for the continued operation of the Borrower's business and in the normal course of the Borrower's business.

Except as otherwise permitted in this Section 6.11, the Borrower shall not sell or dispose of any capital stock of or its ownership interest in any of the Guarantors or any other Subsidiaries which it may form.

Section 6.12 Environmental Laws. The Borrower and its Subsidiaries shall comply with all Environmental Laws (including, without limitation, obtaining and maintaining all necessary

permits, licenses and other necessary authorizations) applicable to or affecting the properties or business operations of the Borrower or any of its Subsidiaries except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

Section 6.13 Liens. The Borrower and its Subsidiaries shall not create, incur, assume or suffer to exist any Lien of any kind on any of their properties or assets of any kind except the following (collectively, the "Permitted Liens"):

(a) Liens arising in the ordinary course of business by operation of law in connection with workers' compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, statutory obligations or other similar charges, good faith deposits, pledges or other Liens in connection with (or to obtain letters of credit in connection with) bids, performance bonds, contracts or leases to which the Borrower or its Subsidiaries are a party or other deposits required to be made in the ordinary course of business; provided that in each case the obligation secured is not for Indebtedness and is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;

(b) mechanics', workmen, materialmen, landlords', carriers' or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) related to obligations not due or, if due, that are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;

(c) inchoate Liens under ERISA and Liens for Taxes not yet due or which are being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor;

(d) Liens arising out of judgments or awards against the Borrower or any of its Subsidiaries, or in connection with surety or appeal bonds or the like in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or for which the Borrower or such Subsidiary shall be prosecuting on appeal or proceeding for review and for which it shall have obtained a stay of execution or the like pending such appeal or proceeding for review; provided that the aggregate amount of uninsured or underinsured liabilities (including interest,

costs, fees and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed $1,000,000 at any one time outstanding and provided further there is adequate assurance, in the sole reasonable discretion of the Lenders, that the insurance proceeds attributable thereto shall be paid promptly upon the expiry of such time period or resolution of such proceeding if necessary to remove such Liens;

(e) rights of a common owner of any interest in property held by a Person and such common owner as tenants in common or through other common ownership;

(f) encumbrances (other than to secure the payment of Indebtedness), easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any property or rights-of-way of a Person for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines, removal of gas, oil, coal, metals, steam, minerals, timber or other natural resources, and other like purposes, or for the joint or common use of real property, rights-of-way,

facilities or equipment, or defects, irregularity and deficiencies in title of any property or rights-of-way which do not materially diminish the value of or the ability to use such property;

(g) financing statements filed by lessors of property (but only with respect to the property so leased) and Liens under any conditional sale or title retention agreements entered into in the ordinary course of business;

(h) rights of lessees of equipment owned by the Borrower or any of its Subsidiaries;

(i) Liens securing Indebtedness permitted by Section 6.14(d) on any assets acquired;

(j) Liens on assets acquired in an Acquisition securing Indebtedness permitted by Section 6.14(h); provided that no such Liens shall encumber accounts, accounts receivable, inventory (other than purchase money Liens), cash, deposit accounts, Cash Equivalents, general intangibles, intellectual property or any stock or other ownership interests in any Subsidiaries;

(k) existing Liens listed on Schedule 6.13 and any extension, renewal or replacement thereof; and

(l) Liens on any assets acquired in an Acquisition, provided that all such Liens, other than Permitted Liens listed in (a) through (k) of this Section, shall be released on or before thirty (30) days from the date of such Acquisition.

Section 6.14 Indebtedness. The Borrower and its Subsidiaries shall not contract, assume or suffer to exist any Indebtedness (including, without limitation, any Guaranties), except:

(a) Indebtedness under the Credit Documents;

(b) unsecured intercompany loans and advances from the Borrower to any of its Subsidiaries and unsecured intercompany loans and advances from any of such Subsidiaries to the Borrower or any other Subsidiaries of the Borrower;

(c) existing Indebtedness listed on Schedule 6.13, and any subsequent extensions, renewals or refinancings thereof so long as such Indebtedness is not increased in amount, the maturity date thereof is not made earlier in time, the interest rate per annum applicable thereto is not increased, any amortization of principal thereunder is not shortened and the payments thereunder are not increased;

(d) Capitalized Lease Obligations and purchase money Indebtedness on assets acquired in an aggregate amount not to exceed $2,500,000 at any one time outstanding;

(e) unsecured Indebtedness to a seller incurred in connection with an Acquisition, provided that such Indebtedness is subordinated in payment to the Obligations hereunder as reasonably acceptable to the Agent, such Indebtedness contains covenants no more restrictive than the covenants contained in this Agreement and standstill provisions reasonably acceptable to the

Agent and no payments may be made thereon if a Default or Event of Default shall have occurred and be continuing or would occur as a result of any such payment;

(f) Indebtedness under any Interest Rate Protection Agreements entered into to protect the Borrower against fluctuations in interest rates and not for speculative purposes;

(g) Indebtedness incurred in connection with Subordinated Debt Investments not to exceed (excluding any Indebtedness permitted by Section 6.14(e)) in the aggregate $50,000,000, all as reasonably acceptable to the Agent; and

(h) other Indebtedness not included within subsections (a) through (g) above, including, without limitation, Indebtedness assumed in connection with an Acquisition, provided that such Indebtedness shall not exceed $7,500,000 at any one time outstanding.

Section 6.15 Loans, Advances and Investments. The Borrower and its Subsidiaries shall not lend money or make advances to any Person, or purchase or acquire any stock, indebtedness, obligations or securities of, or any other interest in, or make any capital contribution to, any Person (any of the foregoing, an "Investment") other than:

(a) Investments in Cash Equivalents;

(b) receivables owing to the Borrower or its Subsidiaries created or acquired in the ordinary course of business and payable on customary trade terms of the Borrower or such Subsidiary and in compliance with the requirements of Section 6.17;

(c) Investments received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(d) deposits made in the ordinary course of business consistent with past practices to secure the performance of leases;

(e) as permitted by Section 6.14(b);

(f) loans to employees of the Borrower or any of its Subsidiaries, provided that all such loans shall not exceed $2,000,000 at any one time;

(g) the existing loan to the NorAm Telecommunications, Inc. employee stock ownership plan; and

(h) as permitted by Section 6.11.

Section 6.16 Transfer of Assets. The Borrower and its Subsidiaries shall not permit any sale, transfer, conveyance, assignment or other disposition of any material asset of the Borrower or any of its Subsidiaries except:

(a) transfers of inventory, equipment and other assets in the ordinary course of business;

(b) the retirement or replacement of assets (with assets of equal or greater value) in the ordinary course of business;

(c) transfers of any assets among the Borrower and any of its Subsidiaries; and

(d) the transfer of any assets acquired in an Acquisition which are not necessary for the operation of the business of the Borrower and its Subsidiaries, provided that the net cash proceeds thereof are reinvested by the Borrower and its Subsidiaries in the operation of a Permitted Business.

Section 6.17 Transactions with Affiliates. Except as otherwise specifically permitted herein, the Borrower and its Subsidiaries shall not enter into or be a party to any material transaction or arrangement or series of related transactions or arrangements which in the aggregate would be material with any Affiliate of such Person, including without limitation, the purchase from, sale to or exchange of property with or the rendering of any service by or for, any Affiliate, except pursuant to the reasonable requirements of such entity's business and upon fair and reasonable terms no less favorable to such entity than would be able to be obtained in a comparable arm's-length transaction with a Person other than an Affiliate.

Section 6.18 Compliance with Laws. The Borrower and its Subsidiaries shall conduct their businesses and otherwise be in compliance in all material respects with all applicable laws, regulations, ordinances and orders of all governmental, judicial and arbitral authorities applicable to them and shall obtain and maintain all necessary permits, licenses and other authorizations necessary to conduct their businesses and own and operate their properties except where the failure to comply or have such permits, licenses or other authorizations could not reasonably be expected to have a Material Adverse Effect.

Section 6.19 Capital Expenditures. Neither the Borrower nor any of its Subsidiaries shall make or commit to make Capital Expenditures in excess of fifteen percent (15%) of Consolidated Net Worth during any rolling four (4)

fiscal quarters.

Section 6.20 Minimum Consolidated Net Worth. The Borrower will maintain a minimum Consolidated Net Worth of not less than an amount equal to the sum of (i) $98,000,000, plus (ii) for each fiscal quarter ended prior to (but not on) such date of determination, commencing with the fiscal quarter ended June 30, 1998, an amount equal to 50% of Consolidated Net Income for such fiscal quarter, if positive, plus (iii) for the fiscal quarter during which such date of determination falls, an amount equal to 100% of the amount of any equity issuance by the Borrower, including in a secondary offering or where equity is used to acquire another entity in an Acquisition, plus (iv) for the fiscal quarter during which such determination falls, an amount equal to 100% of the stockholders equity of any entity acquired in an Acquisition for which the Borrower uses the pooling of interest method of accounting in accordance with GAAP, minus (v) any distributions to shareholders of any Subchapter S corporation acquired in an Acquisition as a result of operations of the corporation acquired prior to the closing of the Acquisition or the terms of the Acquisition.

Section 6.21 Fixed Charge Coverage Ratio. The Borrower will maintain a Fixed Charge Coverage Ratio of at least 1.25 to 1.0.

Section 6.22 Funded Debt to EBITDA Ratio. The Borrower will maintain a maximum Funded Debt to EBITDA Ratio of not greater than 3.50 to 1.0.

Section 6.23 Senior Debt to EBITDA. The Borrower will maintain a maximum Senior Debt to EBITDA Ratio of not greater than 3.0 to 1.0.

Section 6.24 Tangible Assets to Senior Debt Ratio. The Borrower will maintain a Tangible Assets to Senior Debt Ratio of at least 1.5 to 1.0.

SECTION 7. EVENTS OF DEFAULT AND REMEDIES.

Section 7.1 Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) default by the Borrower in the payment of the principal amount of any Loan, any Reimbursement Obligation or any interest thereon or any fees payable hereunder within five (5) days following the date when due;

(b) default by the Borrower in the observance or performance of any covenant set forth in Sections 6.6(e), 6.10(a), 6.11 or 6.16;

(c) default by the Borrower in the observance or performance of any provision hereof or of any other Credit Document not mentioned in (a) or (b) above (excluding any default of Section 6.21 solely as a result of distributions or dividends made by the entity acquired in an Acquisition before the date of such Acquisition), which is not remedied within thirty (30) days after the earlier of (i) such default or event of default first becoming known to any officer of the Borrower, or (ii) notice to the Borrower by the Agent of the occurrence of such default or event of default;

(d) any representation or warranty made or deemed made herein, in any other Credit Document or in any financial or other report or document furnished in compliance herewith or therewith by the Borrower or any of its Subsidiaries proves untrue in any material respect as of the date of the issuance or making, or deemed issuance or making thereof;

(e) default occurs in the payment when due (after any applicable grace period) of Indebtedness in an aggregate principal amount of $1,000,000 or more of the Borrower or any of its Subsidiaries, or the occurrence of any other default, which with the passage of time or notice would permit the holder or beneficiary of such Indebtedness, or a trustee therefor, to cause the acceleration of the maturity of any such Indebtedness or any mandatory unscheduled prepayment, purchase, or other early funding thereof;

(f) the Borrower or any of its Subsidiaries (i) has entered involuntarily against it an order for relief under the United States Bankruptcy Code or a comparable action is taken under any bankruptcy or insolvency law of another country or political subdivision of such country, (ii) generally does not pay, or admits its inability generally to pay, its debts as they become due, (iii)

makes a general assignment for the benefit of creditors, (iv) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (v) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code or any comparable law, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or

relief of debtors or fails to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) makes any board of directors resolution in direct furtherance of any matter described in clauses (i)-(v) above, or (vii) fails to contest in good faith any appointment or proceeding described in Section 7.1(f);

(g) a custodian, receiver, trustee, examiner, liquidator or similar official is appointed for the Borrower or any of its Subsidiaries or any substantial part of its property, or a proceeding described in Section 7.1(f)(v) is instituted against the Borrower or any of its Subsidiaries, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days;

(h) the Borrower or any of its Subsidiaries fails within thirty (30) days (or such earlier date as any steps to execute on such judgment or order take place) to pay, bond or otherwise discharge, or to obtain an indemnity against on terms and conditions satisfactory to the Lenders in their reasonable discretion, any one or more judgments or orders for the payment of money in excess of $1,000,000 in the aggregate which is uninsured or underinsured by at least such amount (provided that there is adequate assurance, in the sole discretion of the Lenders, that the insurance proceeds attributable thereto shall be paid promptly upon the expiration of such time period or resolution of such proceeding), which is not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution;

(i) the Borrower or any of its Subsidiaries fails to pay when due an amount aggregating in excess of $1,000,000 that it is liable to pay to the PBGC or to a Plan under Title IV of ERISA; or a notice of intent to terminate a Plan having Unfunded Vested Liabilities of the Borrower or any of its Subsidiaries in excess of $1,000,000 (a "Material Plan") is filed under Title IV of ERISA; or the PBGC institutes proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan; or a proceeding is instituted by a fiduciary of any Material Plan against the Borrower or any of its Subsidiaries to collect any liability under Section 515 or 4219(c)(5) of ERISA and such proceeding is not dismissed within thirty (30) days thereafter; or a condition exists by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(j) the Borrower, any Guarantor, any Person acting on behalf of the Borrower or any Guarantor, or any governmental, judicial or arbitral authority challenges the validity of any Credit Document or the Borrower's or any Guarantor's obligations thereunder, or any Credit Document ceases to be in full force and effect in all material respects or ceases to give to the Agent and the Lenders the rights and powers purported to be granted in its favor thereby in all material respects other than for any reason solely caused by or within the sole control of the Agent or any Lender; or

(k) any Person or two or more Persons acting in concert shall acquire beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934), directly or indirectly, of securities of the Borrower (or other securities convertible into such securities) representing fifty percent (50%) or more of the combined voting power of all outstanding securities of the Borrower entitled to vote in the election of directors.

Section 7.2 Non-Bankruptcy Defaults. When any Event of Default other than those described in subsections (f) or (g) of Section 7.1 has occurred and is continuing, the Agent shall, by notice to the Borrower: (a) if so directed by the Majority Lenders, terminate the remaining Commitments and all other obligations of the Lenders hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Majority Lenders, declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, shall be and become immediately due and payable together with all other amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind, including, but not limited to, notice of intent to accelerate and notice of acceleration, each of which is expressly waived by the Borrower; and (c) if so directed by the Majority Lenders, demand that the Borrower immediately pay to the Agent (to be held by the Agent pursuant to Section 7.4) the full amount then available for drawing under each or any outstanding Letter of Credit; and the Borrower agrees to immediately make such payment and acknowledges and agrees that neither the Agent nor the Lenders would have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Agent, for the benefit of the Lenders shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Agent, after giving notice to the Borrower pursuant to Section 7.1(c) or (d) or this Section 7.2, shall also promptly send a copy of such notice to the other Lenders, but the failure to do so shall not impair or annul the effect of such notice.

Section 7.3 Bankruptcy Defaults. When any Event of Default described in subsections (f) or (g) of Section 7.1 has occurred and is continuing with respect to the Borrower, then (i) all outstanding Notes shall immediately become

due and payable together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, each of which is expressly waived by the Borrower, (ii) all obligations of the Agent or any Lender to extend further credit pursuant to any of the terms hereof shall immediately terminate, and (iii) the Borrower shall immediately pay to the Agent (to be held by the Agent pursuant to Section 7.4) the full amount then available for drawing under all outstanding Letters of Credit, the Borrower acknowledging and agreeing that neither the Agent nor the Lenders would have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Agent and the Lenders shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any of the Letters of Credit.

Section 7.4 Collateral for Undrawn Letters of Credit.

(a) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 7.2 or 7.3, the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Agent in a separate collateral account (such account, and the credit balances, properties and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the "Collateral Account") as security for, and for application by the Agent (to the extent available) to, the reimbursement of any drawing under any Letter of Credit then or thereafter made by the Agent, and to the payment of the unpaid balance of any Loans and all other due and unpaid Obligations (collectively, the "Collateralized Obligations"). The Collateral Account shall be held in the name of and subject to the exclusive dominion and control of the Agent, for the benefit of the Lenders, as pledgee hereunder. If and when requested by the Borrower, the Agent shall invest and reinvest funds held in the Collateral Account from time to time in Cash Equivalents specified from time to time by the Borrower, provided that the Agent is irrevocably authorized to sell investments held in the Collateral Account when and as required to make payments out of the Collateral Account for application to Collateralized Obligations due and owing from the Borrower to the Lenders. If such funds have been deposited pursuant to Section 7.2 or 7.3, when and if either (i) the Borrower shall have made payment of all Collateralized Obligations then due and payable, all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, and no Letters of Credit, Commitments, Loans, Reimbursement Obligations or other Obligations remain outstanding or (ii) no Default or Event of Default shall be continuing hereunder, the Agent shall repay to the Borrower any remaining amounts held in the Collateral Account.

Section 7.5 Notice of Default. The Agent shall give notice to the Borrower under Section 7.1(c) and (d) and 7.2 promptly upon being requested to do so by the Majority Lenders and shall thereupon notify all the Lenders thereof.

Section 7.6 Application of Proceeds. After the occurrence of and during the continuance of an Event of Default, any payment to the Agent hereunder or from the proceeds of any cash collateral shall be applied as the Agent and the Lenders shall elect in their sole discretion.

SECTION 8. CHANGE IN CIRCUMSTANCES.

Section 8.1 Change of Law. Notwithstanding any other provisions of this Agreement or any Note, if at any time any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Lender to make or continue to maintain LIBOR Loans or to give effect to its obligations as contemplated hereby, such Lender shall promptly give written notice thereof (which notice shall specify in reasonable detail the basis therefor) to the Borrower and such Lender's obligations to make, continue or convert Loans into LIBOR Loans under this Agreement shall be suspended until it is no longer unlawful for such Lender to make or maintain LIBOR Loans. The Borrower shall prepay on demand the outstanding principal amount of any such affected LIBOR Loans, together with all interest accrued thereon and all other amounts then due and payable to such Lender under this Agreement; provided, however, subject to all of the terms and conditions of this Agreement, the Borrower may then elect to borrow the principal amount of the affected LIBOR Loans from such Lender by means of Base Rate Loans from such Lender that shall not be made ratably by the Lenders but only by such affected Lender.

Section 8.2 Unavailability of Deposits or Inability to Ascertain LIBOR Rate. If on or before the first day of any Interest Period for any Borrowing of LIBOR Loans the Agent determines (after consultation with other Lenders) that, due to changes in circumstances since the date hereof, adequate and fair means do not exist for determining the Adjusted LIBOR Rate or such rate will not accurately reflect the cost to the Majority Lenders of funding LIBOR Loans for

such Interest Period, the Agent shall give written notice of such determination (which notice shall specify in reasonable detail the basis therefor) to the Borrower and the Lenders, whereupon until the Agent notifies the Borrower and Lenders that the circumstances giving rise to such suspension no longer exist, the obligations of the Lenders to make, continue or convert Loans into LIBOR Loans shall be suspended.

Section 8.3 Increased Cost and Reduced Return.

(a) If, on or after the Effective Date, the adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Lending Office), including the Agent in its capacity as the issuer of Letters of Credit, with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) subjects any Lender of that type (or its Lending Office) to any tax, duty or other charge related to any LIBOR Loan, Letter of Credit or Reimbursement Obligation, or its participation in any thereof, or its obligation to advance or maintain LIBOR Loans, issue Letters of Credit or to participate therein, or shall change the basis of taxation of payments to any Lender (or its Lending Office) of the principal of or interest on its LIBOR Loans, Letters of Credit or participations therein, or any other amounts due under this Agreement related to its LIBOR Loans, Letters of Credit, Reimbursement Obligations or participations therein, or its obligation to make LIBOR Loans, issue Letters of Credit or acquire participations therein (except for changes in the rate of tax on the overall net income of such Lender or its Lending Office imposed by the jurisdiction in which such Lender's principal executive office or Lending Office is located); or

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System) against assets of, deposits with or for the account of, or credit extended by, any Lender of that type (or its Lending Office) or imposes on any Lender of that type (or its Lending Office) or on the interbank market any other condition affecting its LIBOR Loans, its Letters of Credit, any Reimbursement Obligation owed to it or its participation in any thereof, or its obligation to advance or maintain LIBOR Loans, issue Letters of Credit or to participate in any thereof;

and the result of any of the foregoing is to increase the cost to such Lender (or its Lending Office) of advancing or maintaining any LIBOR Loan, issuing or maintaining a Letter of Credit or participation therein, or to reduce the amount of any sum received or receivable by such Lender (or its Lending Office) in connection therewith under this Agreement or its Note(s), by an amount deemed by such Lender to be material, then, within fifteen (15) days after demand in reasonable detail by such Lender (with a copy to the Agent), the Borrower shall be obligated to pay to such

Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction.

(b) If, after the Effective Date, the Agent or any Lender shall have determined that the adoption after the Effective Date of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital adequacy rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Agent or any Lender (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital, or on the capital of any corporation controlling such Lender, as a consequence of its obligations hereunder to a level below that which such Lender could have achieved but for such adoption, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, within fifteen (15) days after demand in reasonable detail by such Lender (with a copy to the Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) The Agent and each Lender that determines to seek compensation under this Section 8.3 shall notify the Borrower and, in the case of a Lender other than the Agent, the Agent of the circumstances that entitle the Agent or Lender to such compensation and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of such Lender, be otherwise

disadvantageous to it; provided that, the foregoing shall not in any way affect the rights of any Lender or the obligations of the Borrower under this Section 8.3, and provided further that no Lender shall be obligated to make its LIBOR Loans hereunder at any office located in the United States. A certificate of any Lender claiming compensation under this Section 8.3 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error and shall be deemed to contain a representation by the Lender issuing such certificate that: (i) such Lender has used, in its sole judgment, reasonable efforts to minimize said compensation, and (ii) the increased costs and charges are common to substantially all of the comparable or similarly situated loan customers of such Lender and are not unique to the Borrower. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 8.4 Lending Offices. The Agent and each Lender may, at its option, elect to make its Loans hereunder at the Lending Office for each type of Loan available hereunder or at such other of its branches, offices or Affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Agent subject to Section 8.3(c).

Section 8.5 Discretion of Lender as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes

of this Agreement all determinations hereunder shall be made as if each Lender had actually funded and maintained each LIBOR Loan through the purchase of deposits in the Eurodollar interbank market having a maturity corresponding to such Loan's Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

Section 8.6 Substitution of Lender. If (i) any Lender has demanded compensation or given notice of its intention to demand compensation under Section 8.3, or (ii) the Borrower is required to pay any additional amount to any Lender under Section 2.12, the Borrower shall have the right, with the assistance of the Agent, to seek a substitute lender or lenders reasonably satisfactory to the Agent (which may be one or more of the Lenders) to replace such Lender under this Agreement. The Lender to be so replaced shall cooperate with the Borrower and substitute lender to accomplish such substitution on the terms of Section 10.10, as applicable; provided that all the Commitments of such Lender are replaced and such Lender is paid any amounts which it is owed pursuant to Sections 2.12, 3.3, 7.6, 8.3 and 10.3. Any such replaced Lender shall retain the benefits of Sections 3.3 and 10.13.

SECTION 9. THE AGENT.

Section 9.1. Appointment and Authorization of Agent and Co-Agent. Each Lender hereby appoints Bank One as the Agent and National City Bank as the Co-Agent under the Credit Documents and hereby authorizes the Agent and the Co-Agent to take such action as Agent and Co-Agent on each of its behalf and to exercise such powers under the Credit Documents as are delegated to the Agent and the Co-Agent, respectively, by the terms thereof, together with such powers as are reasonably incidental thereto.

Section 9.2. Rights and Powers. The Agent and the Co-Agent shall have the same rights and powers under the Credit Documents as any other Lender and may exercise or refrain from exercising such rights and powers as though it were not an Agent or a Co-Agent, and the Agent and the Co-Agent and their respective Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any of its Subsidiaries or Affiliates as if it were not an Agent or a Co-Agent under the Credit Documents. The term Lender as used in all Credit Documents, unless the context otherwise clearly requires, includes the Agent or the Co-Agent in their respective individual capacities as a Lender. References herein to the Agent Loans, or to the amount owing to the Agent for which an interest rate is being determined, refer to the Agent in its individual capacity.

Section 9.3. Action by Agent and Co-Agent. The obligations of the Agent and the Co-Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action concerning any Default or Event of Default, except as expressly provided in Sections 7.2 and 7.5. Unless and until the Majority Lenders give such direction the Agent may, except as otherwise expressly provided herein or therein, take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders. In no event, however, shall the Agent or any Co-Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and each of the Agent and the Co-Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other

protection it requires against any and all costs, expenses, and liabilities it may incur in taking or continuing to take any such action. The Agent shall be entitled to assume that no Default or Event of Default exists unless notified in writing to the contrary by a Lender or the Borrower. In all cases in which the Credit Documents do not require the Agent or any Co-Agent to take specific action, the Agent and the Co-Agent shall be fully justified in using its discretion in failing to take or in taking any action thereunder. Any instructions of the Majority Lenders, or of any other group of Lenders called for under specific provisions of the Credit Documents, shall be binding on all the Lenders and holders of Notes.

Section 9.4. Consultation with Experts. Each of the Agent and the Co-Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 9.5. Indemnification Provisions; Credit Decision. Neither the Agent, the Co-Agent nor any of their directors, officers, agents, or employees shall be liable for any action taken or not taken by them in connection with the Credit Documents (i) with the consent or at the request of the Majority Lenders or all the Lenders where unanimity is required or (ii) in the absence of their own gross negligence or willful misconduct. Neither the Agent, the Co-Agent nor any of their directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Borrowing; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Subsidiary contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 4, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectability hereof or of any other Credit Document or of any other documents or writing furnished in connection with any Credit Document or of any Collateral; and the Agent and the Co-Agent make no representation of any kind or character with respect to any such matters mentioned in this sentence. The Agent and the Co-Agent may execute any of their duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Agent and the Co-Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Agent and the Co-Agent shall have no responsibility for confirming the existence or worth of any Collateral or the accuracy of any Compliance Certificate or other document or instrument received by any of them under the Credit Documents. The Agent and the Co-Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with such Agent signed by such owner in form satisfactory to such agent. Each Lender acknowledges that it has independently and without reliance on the Agent or the Co-Agent or any other Lender obtained such information and made such investigations and inquiries regarding the Borrower and its Subsidiaries as it deems appropriate, and based upon such information, investigations and inquiries, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Lender to keep itself informed about the creditworthiness and business, properties, assets, liabilities, condition (financial or otherwise) and prospects of the Borrower and

its Subsidiaries, the creditworthiness of all account debtors of the Borrower and its Subsidiaries, and the Agent and the Co-Agent shall have no liability whatsoever to any Lender for such matters. The Agent and the Co-Agent shall have no duty to disclose to the Lenders information that is not required by any Credit Document to be furnished by the Borrower or any Subsidiaries to such agent at such time, but is voluntarily furnished to such agent (either in their respective capacity as Agent or the Co-Agent or in their individual capacity).

Section 9.6. Indemnity. The Lenders shall ratably, in accordance with their Percentages, indemnify and hold the Agent, the Co-Agent, and their directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it or by any security trustee under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower or out of the proceeds of any Collateral and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Lenders under this Section 9.6 shall survive termination of this Agreement.

Section 9.7. Resignation of Agent and Successor Agent. The Agent and any Co-Agent may resign at any time upon at least thirty (30) days' prior written notice to the Lenders and the Borrower. Upon any such resignation of the Agent

or any Co-Agent, the Majority Lenders, with the consent of the Borrower, which consent shall not be unreasonably withheld, shall have the right to appoint a successor Agent or Co-Agent, as the case may be. If no successor Agent or Co-Agent, as the case may be, shall have been so appointed by the Majority Lenders and shall have accepted such appointment within thirty (30) days after the retiring Agent's or Co-Agent's giving of notice of resignation, then the retiring Agent or Co-Agent, as the case may be, may, on behalf of the Lenders, appoint a successor Agent or Co-Agent, as the case may be, which shall be any Lender hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $250,000,000. Upon the acceptance of its appointment as the Agent or any Co-Agent hereunder, such successor Agent or Co-Agent, as the case may be, shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent or Co-Agent, as the case may be, under the Credit Documents, and the retiring Agent or any Co-Agent shall be discharged from its duties and obligations thereunder. After any retiring Agent's or Co-Agent's resignation hereunder as Agent or Co-Agent, as the case may be, the provisions of this Section 9 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent or Co-Agent, as the case may be.

Section 9.7. Co-Agent. The Lender identified on the facing page or signature pages of this Agreement as Co-Agent shall have no rights, powers, obligations, liabilities, responsibilities or duties under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, such Lender shall not have and shall not be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on such Lender in deciding to enter into this Agreement or in taking any action hereunder.

SECTION 10. MISCELLANEOUS.

Section 10.1 No Waiver of Rights. No delay or failure on the part of the Agent or any of the Lenders, or on the part of the holder or holders of the Notes, in the exercise of any power, right or remedy under any Credit Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power, right or remedy. To the fullest extent permitted by applicable law, the powers, rights and remedies under the Credit Documents of the Lenders and the holder or holders of the Notes are cumulative to, and not exclusive of, any rights or remedies any of them would otherwise have.

Section 10.2 Non-Business Day. If any payment of principal or interest on any Loan, Reimbursement Obligation or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, for such Loan, such Reimbursement Obligation or such other Obligation or Agent Obligation bears for the period prior to maturity shall continue to accrue in the manner set forth herein on such Obligation from the stated due date thereof to and including the next succeeding Business Day on which the same shall be payable.

Section 10.3 Documentary Taxes. The Borrower agrees that it will pay any documentary, stamp or similar taxes payable with respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed irrespective of when such assessment is made and regardless whether any credit is then in use or available hereunder.

Section 10.4 Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as the Borrower has any Obligation hereunder or any Commitment hereunder is in effect.

Section 10.5 Survival of Indemnities. All indemnities and all other provisions relative to reimbursement to the Agent and the Lenders of amounts sufficient to protect the yield of the Lenders or the Agent with respect to the Loans or the Agent Loans, as applicable, shall survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations or Agent Obligations, as applicable, for a period of one (1) year.

Section 10.6 Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of, and throughout the continuance of, any Default or Event of Default, the Agent and each of the Lenders and each subsequent holder of any of the Notes is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower, to any Subsidiary of the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other Indebtedness at any time held or owing by the Agent

or the Lenders or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the obligations and liabilities of the Borrower to the Agent or the Lenders or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (i) the Agent or any of the Lenders or that subsequent holder shall have made any demand

hereunder or (ii) the principal of or the interest on the Loans, the Notes and other amounts due hereunder shall have become due and payable hereunder and although said obligations and liabilities, or any of them, may be contingent or unmatured. The Agent or such Lender, as applicable, shall promptly give the Borrower notice of any such setoff, provided that any failure to give such notice shall not impact the validity of any such setoff or give rise to any liability of the Agent or any Lender as a result of any such failure. The Agent and the Lenders agree, if there shall be any other Lenders pursuant to Section 10.10(b), that if a Lender receives and retains any payment, whether by setoff or application of deposit balances or otherwise, on any of the Loans or L/C Obligations in excess of its ratable share of payments on all such Obligations then owed to the Lenders hereunder, then such Lender shall purchase for cash at face value, but without recourse, ratably from each of the other Lenders such amount of the Loans or L/C Obligations, or participations therein, held by such Lender (or interest therein) as shall be necessary to cause such Lender to share such excess payment ratably with all the other Lenders; provided, however, that if any such purchase is made by any Lender, and if such excess payment or part thereof is thereafter recovered from such purchasing Lender, the related purchases from the other Lenders shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, with interest pro rata, to the extent the purchasing Lender is required to pay interest on the amount restored.

Section 10.7 Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including cable, telecopy or telex) and shall be given to a party hereunder at its address, telecopier number or telex numbers set forth below or such other address, telecopier number or telex as such party may hereafter specify by notice to the Lenders or the Borrower, as applicable, given by courier, by United States certified or registered mail, by telegram or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents shall be addressed to the Agent and the Lenders as set forth on the signature pages hereto and to the Borrower as follows:

Quanta Services, Inc.
1360 Post Oak Blvd., Suite 2100
Houston, Texas 77056
Attention: Mr. James Haddox
Telephone: (713) 629-7600
Fax No.: (713) 629-7676

with a copy to

Quanta Services, Inc.
1360 Post Oak Blvd., Suite 2100
Houston, Texas 77056
Attention: General Counsel
Telephone: (713) 629-7600
Fax No.: (713) 629-7676

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 10.7 and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by telex, when such telex is transmitted to the telex number specified in this Section 10.7 and the answer back is

received by sender, (iii) if given by courier, when delivered, (iv) if given by mail, five (5) days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (v) if given by any other means, when delivered at the addresses specified in this Section 10.7; provided that any notice given pursuant to Section 2 shall be effective only upon receipt and, provided further, that any notice that but for this provision would be effective after the close of business on a Business Day or on a day that is not a Business Day shall be effective at the opening of business on the next Business Day.

Section 10.8 Counterparts. This Agreement may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same Agreement.

Section 10.9 Successors and Assigns. This Agreement shall be binding upon

the Borrower, the Agent, the Co-Agent and the Lenders and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Agent, the Co-Agent and the Lenders and their respective successors and assigns, including any subsequent holder of the Notes. The Borrower may not assign any of its rights or obligations under any Credit Document without the consent of the Agent and all of the Lenders.

Section 10.10 Sales and Transfers of Borrowings and Notes; Participations in Borrowings and Notes.

(a) Any Lender may at any time sell to one or more banks or other financial institutions having a combined capital and surplus of at least $250,000,000 ("Participants"), participating interests in any Borrowing owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender hereunder, provided that no Lender may sell any participating interests in any such Borrowing, Note, Commitment or other interest hereunder without also selling to such Participant the appropriate pro rata share of its Borrowings, Notes, Commitments and other interests hereunder, and provided further that no Lender shall transfer, grant or assign any participation under which the Participant shall have rights to vote upon or consent to any matter to be decided by the Lender or the Majority Lenders hereunder or under any Credit Document or approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) increase the amount of such Lender's Commitment and such increase would affect such Participant, (ii) reduce the principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder and such reduction would affect such Participant, (iii) postpone any date fixed for any scheduled payment of principal of, or interest on, any of such Lender's Borrowings, or any fees or other amounts payable to such Lender hereunder, or (iv) release any collateral for any Obligation (including, without limitation, any Subsidiary Guaranty), except as otherwise specifically provided in any Credit Document. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. The Borrower agrees that if amounts outstanding under this Agreement and the Notes are due and unpaid, or shall have been

declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Note, provided that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 10.6. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.12 and 8.3 with respect to its participation in the Commitments and the Borrowings outstanding from time to time, provided that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred.

(b) Any Lender may at any time sell to any Lender or any Affiliate thereof, and, with the consent of the Agent and the Borrower (which shall not be unreasonably withheld or delayed), to one or more banks or other financial institutions having a combined capital and surplus of at least $250,000,000 (a "Purchasing Lender"), all or any part of its rights and obligations under this Agreement and the Notes, pursuant to an Assignment Agreement in the form attached as Exhibit 10.10 hereto, executed by such Purchasing Lender and such transferor Lender (and, in the case of a Purchasing Lender which is not then a Lender or an Affiliate thereof, by the Borrower and the Agent) and delivered to the Agent; provided that, each such sale to a Purchasing Lender shall be in an amount of $5,000,000 or more, or if in a lesser amount, such sale shall be of all of the Lender's rights and obligations under this Agreement and all of the Notes payable to it to one eligible assignee. Notwithstanding the above, any Lender may sell to one or more eligible assignees all or any part of their rights and obligations under this Agreement and the Notes with only the consent of the Agent (which shall not be unreasonably withheld) if an Event of Default shall have occurred and be continuing. No Lender may sell any Loans to a Purchasing Lender without also selling to such Purchasing Lender the appropriate pro rata share of its Borrowings, Notes, Commitments and other interests hereunder, including participations in Letters of Credit hereunder; provided that, the Agent shall not be required to sell its Agent Loans at such time as it may sell any other portion of its Borrowings, Notes, Commitments and other interests hereunder. Upon such execution, delivery, acceptance and recording, from and after the effective date of the transfer determined pursuant to such Assignment Agreement (x) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment Agreement, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein and

(y) the transferor Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto). Such Assignment Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitments and Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement, the Notes and the other Credit Documents. On or prior to the effective date of the transfer determined pursuant to such Assignment Agreement, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for any surrendered Notes, new Notes as appropriate to the order of such Purchasing Lender in an amount equal to the Commitments assumed by it pursuant to such Assignment Agreement, and, if the transferor Lender has retained a Commitment or Borrowing hereunder, new Notes to the order of the transferor Lender in an amount equal to the

Commitments or Borrowings retained by it hereunder. Such new Notes shall be dated the Initial Borrowing Date and shall otherwise be in the form of the Notes replaced thereby. The Notes surrendered by the transferor Lender shall be returned by the Agent to the Borrower marked "cancelled."

(c) Upon its receipt of an Assignment Agreement executed by a transferor Lender, a Purchasing Lender and the Agent (and, in the case of a Purchasing Lender that is not then a Lender or an Affiliate thereof, by the Borrower), together with payment to the Agent hereunder of a registration and processing fee of $3,500, the Agent shall (i) promptly accept such Assignment Agreement, and (ii) on the effective date of the transfer determined pursuant thereto give notice of such acceptance and recordation to the Lenders and the Borrower.

(d) The provisions of the foregoing clauses (b) and (c) shall not apply to or restrict, or require the consent of or any notice to any Person to effectuate, the pledge or assignment by any Lender of its rights under this Agreement and its Notes to any Federal Reserve Bank.

(e) If, pursuant to this Section 10.10 any interest in this Agreement or any Note is transferred to any transferee which is organized under the laws of any jurisdiction other than the United States of America or any State thereof, the transferor Lender shall cause such transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Lender (for the benefit of the transferor Lender, the Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Agent, the Borrower or the transferor Lender with respect to any payments to be made to such transferee in respect of the Loans or the L/C Obligations, (ii) to furnish to the transferor Lender (and, in the case of any Purchasing Lender, the Agent and the Borrower) either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities (wherein such transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the transferor Lender, the Agent and the Borrower) to provide the transferor Lender (and, in the case of any Purchasing Lender, the Agent and the Borrower) a new Form 4224 or Form 1001 upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments dully executed and completed by such transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

Section 10.11 Amendments. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Majority Lenders (in the case of a consent or waiver, the Borrower may rely on the consent or waiver of the Agent on behalf of the Majority Lenders, the Agent agreeing to obtain the necessary consents or waivers from the Majority Lenders before providing such consent or waiver), and (c) if the rights or duties of the Agent are affected thereby, the Agent; provided that:

(i) no amendment or waiver shall (A) increase the Commitment Amount without the consent of all Lenders or increase any Commitment of any Lender without the consent of such Lender, (B) postpone the Maturity Date without the consent of all Lenders (and the Agent in the case of Agent Loans) or reduce the amount of or postpone the date for any scheduled payment of any principal of or interest on any Loan, Reimbursement Obligation or of any fee or any other

amounts payable hereunder without the consent of each Lender owed such Obligation or (C) release any Subsidiary Guaranty or any Collateral without the consent of all the Lenders and the Agent; and

(ii) no amendment or waiver shall, unless signed by each Lender, change the provisions of this Section 10.11 or the definition of Majority Lenders or affect the number of Lenders required to take any action under any other provision of the Credit Documents.

Section 10.12 Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 10.13 Legal Fees, Other Costs and Indemnification. The Borrower, upon demand by the Agent, the Co-Agent or any of the Lenders, agrees to pay the reasonable fees and disbursements of legal counsel to the Agent, the Co-Agent or any Lender in connection with the preparation and execution of the Credit Documents, any amendment, waiver or consent related thereto, whether or not the transactions contemplated therein are consummated, any Default or Event of Default by the Borrower hereunder and any enforcement (including, without limitation, all workout and bankruptcy proceedings) of any of the Credit Documents or collection of any Obligations; provided that the Borrower shall only have to pay the reasonable fees and disbursements of one law firm in connection therewith unless the Agent, the Co-Agent, any Lender or their counsel is of the reasonable opinion that representation by one law firm would not be feasible or that a conflict of interest would exist. The Borrower further agrees to indemnify the Agent, the Co-Agent and each Lender and its respective directors, officers, shareholders, employees and attorneys (collectively, the "Indemnified Parties"), against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable attorneys' fees and other reasonable expenses of litigation or preparation therefor, whether or not the Indemnified Party is a party thereto) which any of them may pay or incur arising out of or relating to (a) any Credit Document, the Loans, the Letters of Credit or the application or proposed application by the Borrower of the proceeds of any Loan, REGARDLESS OF WHETHER SUCH CLAIMS OR ACTIONS ARE FOUNDED IN WHOLE OR IN PART UPON THE ALLEGED SIMPLE OR CONTRIBUTORY NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES AND/OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, SHAREHOLDERS, EMPLOYEES OR ATTORNEYS, (b) any investigation of any third party or any governmental authority involving the Agent, the Co-Agent or any Lender and related to any use made or proposed to be made by the Borrower of the proceeds of the Borrowings, or any transaction financed or to be financed in whole or in part, directly or indirectly with the proceeds of any Borrowing, and (c) any investigation of any third party or any governmental authority, litigation or proceeding, related to any environmental cleanup, audit, compliance or other matter relating to any Environmental Law or the presence of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law) with respect to the Borrower or any of its Subsidiaries, regardless of whether caused by, or within the control of, the Borrower or any of its Subsidiaries; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for any of the foregoing arising out of (i) such Indemnified Party's gross negligence or willful misconduct, (ii) the Agent's failure to pay under any Letter of Credit after the presentation to it of a request required to be paid under applicable law, (iii) the Agent's, the Co-Agent's or any Lender's breach of any material provision of any Credit Document, or any dispute solely among the Agent, the Co-Agent, the Lenders or any of same. The Borrower, upon demand by the Indemnified Party at any time, shall reimburse the Indemnified Party for any legal or other

expenses incurred in connection with investigating or defending against any of the foregoing except if the same is excluded from indemnification pursuant to the provisions of the foregoing sentence.

Section 10.14 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) The Credit Agreement, and the other Credit Documents, and the rights and duties of the parties thereto, shall be construed in accordance with and governed by the internal laws of the State of Texas.

(b) THE AGENT, THE CO-AGENT, EACH LENDER AND THE BORROWER HEREBY WAIVES ITS RIGHT TO RESOLVE DISPUTES, CLAIMS, AND CONTROVERSIES ARISING FROM THE CREDIT AGREEMENT, ANY OTHER CREDIT DOCUMENT OR ANY MATTER IN CONNECTION THEREWITH, INCLUDING, WITHOUT LIMITATION, CONTRACT DISPUTES AND TORT CLAIMS, THROUGH ANY COURT PROCEEDING OR LITIGATION AND ACKNOWLEDGES THAT ALL SUCH DISPUTES, CLAIMS AND CONTROVERSIES SHALL BE RESOLVED PURSUANT TO THIS SECTION, EXCEPT THAT EQUITABLE RELIEF AND CERTAIN OTHER RIGHTS AND REMEDIES SET FORTH BELOW MAY BE SOUGHT FROM ANY COURT OF COMPETENT JURISDICTION. EACH PARTY REPRESENTS TO THE OTHER PARTIES THAT THIS WAIVER IS MADE KNOWINGLY AND VOLUNTARILY AFTER CONSULTATION WITH AND UPON ADVICE OF ITS COUNSEL AND IS A MATERIAL PART OF THIS AGREEMENT. ALL SUCH DISPUTES, CLAIMS AND CONTROVERSIES SHALL BE RESOLVED BY BINDING ARBITRATION PURSUANT TO THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("AAA"). Any arbitration proceeding held pursuant to this arbitration provision shall be conducted in Houston, Texas or at any other place selected by mutual agreement of the parties. No act to take or dispose of any collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This arbitration provision shall not limit the right of any party during any dispute, claim or

controversy to seek, use, and employ ancillary, or preliminary rights and/or remedies, judicial or otherwise, for the purposes of realizing upon, preserving, protecting, foreclosing upon or proceeding under forcible entry and detainer for possession of, any real or personal property, and any such action shall not be deemed an election of remedies. Such remedies include, without limitation, obtaining injunctive relief or a temporary restraining order, invoking a power of sale under any deed of trust or mortgage, obtaining a writ of attachment or imposition of a receivership, or exercising any rights relating to personal property, including exercising the right of set-off, or taking or disposing of such property with or without judicial process pursuant to the Uniform Commercial Code. Any disputes, claims or controversies concerning the lawfulness or reasonableness of an act, or exercise of any right or remedy concerning any collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the collateral, shall also be arbitrated; provided, however that no arbitrator shall have the right or the power to enjoin or restrain any act of either party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. The statute of limitations, estoppel, waiver, laches and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of any action for these purposes. The federal arbitration act (Title 9 of the United States Code) shall apply to the construction, interpretation, and enforcement of this arbitration provision.

(c) To the fullest extent permitted by applicable law, each party hereto agrees that any court proceeding or litigation permitted by Section 10.14(b) may be brought and maintained in the courts of the State of Texas sitting in Harris County or the United States District Court for the Southern District of Texas. To the fullest extent permitted by applicable law, the Borrower hereby expressly and irrevocably submits to the jurisdiction of the courts of the State of Texas and the United States District Court for the Southern District of Texas for the purpose of any such litigation as set forth above and irrevocably agrees to be bound by any judgment rendered thereby in connection with such litigation. To the fullest extent permitted by applicable law, the Borrower further irrevocably consents to the service of process, by registered mail, postage prepaid, or by personal service within or without the state of Texas. To the fullest extent permitted by applicable law, the Borrower hereby expressly and irrevocably waives any objection which it may have or hereafter may have to the laying of venue of any such litigation brought in any such court referred to above and any claim that any such litigation has been brought in an inconvenient forum. To the extent that the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution or otherwise) with respect to itself or its property, the Borrower hereby irrevocably waives to the fullest extent permitted by applicable law, such immunity in respect of its obligations under the Credit Agreement and the other Credit Documents.

(d) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY (BY ITS ACCEPTANCE HEREOF) WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING PERMITTED BY SECTION 10.14(B) AND WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF THE CREDIT AGREEMENT, ANY OTHER CREDIT DOCUMENT, ANY OTHER RELATED DOCUMENT OR ANY RELATIONSHIP BETWEEN THE AGENT, ANY LENDER, THE BORROWER AND/OR ANY GUARANTOR, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR DISPUTE SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE LENDERS TO PROVIDE THE LOANS AND THE LETTERS OF CREDIT."

Section 10.15 Confidentiality. The Agent, the Co-Agent and each Lender agrees it will not disclose without the Borrower's consent (other than to its employees, auditors, counsel or other professional advisors or to its Affiliates on a need to know basis and provided that such Persons agree to be bound by this Section 10.15) any information concerning the Borrower or any of its Subsidiaries furnished pursuant to any of the Credit Documents; provided that the Agent, the Co-Agent and any Lender may disclose any such information (i) that has become generally available to the public other than through the Agent, the Co-Agent or the Lenders or that was previously known to the Agent, the Co-Agent or such Lender or comes from a source other than the Borrower or any of its Subsidiaries, (ii) if required or appropriate in any examination or audit or any report, statement or testimony submitted to any federal or state regulatory body having or claiming to have jurisdiction over the Agent, the Co-Agent or such Lender, (iii) if required or appropriate in response to any summons or subpoena or in connection with any litigation, (iv) in order to comply with any law, order, regulation or ruling applicable to Agent, the Co-Agent or such Lender, (v) to any prospective or actual permitted transferee in connection with any contemplated or actual permitted transfer of

any interest in the Note by such Lender (but only after the Borrower's conditional approval has been obtained to such transfer to the extent any such

approval is required hereunder), and (vi) in connection with the exercise of any remedies by the Agent, the Co-Agent or any Lender; provided that such actual or prospective transferee executes an agreement with the applicable Lender containing provisions substantially identical to those contained in this Section 10.15 prior to such transferee's receipt of any such information.

Section 10.16 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.17 Change in Accounting Principles or Tax Laws. If (i) any change in accounting principles from those used in the preparation of the financial statements of the Borrower referred to in Section 5.9 is hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions) and such change materially affects the calculation of any component of any financial covenant, standard or term found in this Agreement, or (ii) there is a material change in federal or foreign tax laws which materially affects the Borrower's ability to comply with the financial covenants, standards or terms found in this Agreement, the Borrower, the Agent and the Lenders agree to enter into negotiations in order to amend such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating the Borrower's and its Subsidiaries' consolidated financial condition shall be the same after such changes as if such changes had not been made. Unless and until such provisions have been so amended, the provisions of this Agreement shall govern.

Section 10.18 Loans Under Prior Credit Agreement. On the Initial Borrowing Date:

(a) The Borrower shall pay all accrued and unpaid commitment fees outstanding under the Prior Credit Agreement;

(b) each Revolving Loan under the Prior Credit Agreement shall be deemed to be repaid with the proceeds of a new LIBOR Loan(s) and each Agent Loan under the Prior Credit Agreement shall be deemed to be repaid with the proceeds of a new Base Rate Loan;

(c) each Letter of Credit outstanding under the Prior Credit Agreement shall be deemed to have been issued under this Agreement without payment of any further fronting fee (but subject to the other fees set forth in Section 3.1(b)); and

(d) the Prior Credit Agreement and the commitments thereunder shall be superseded by this Agreement and such commitments shall terminate.

Section 10.19 Effectiveness. This Agreement shall become effective on the date (the "Effective Date") on which the Borrower, the Agent, the Co-Agent and each Lender has signed and delivered to the Agent a counterparty signature page hereto or, in the case of a Lender, the Agent has received telex or facsimile notice that such a counterpart has been signed and mailed to the Agent.

Section 10.20 Notice. The Credit Documents constitute the entire understanding among the Borrower, the Agent, the Co-Agent and the Lenders and supersede all earlier or contemporaneous agreements, whether written or oral, concerning the subject matter of the Credit Documents. THIS WRITTEN AGREEMENT TOGETHER WITH THE OTHER CREDIT DOCUMENTS REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWER:

QUANTA SERVICES, INC.

By: ---------------------------------

Name: James H. Haddox

Title: Chief Financial Officer

LENDERS:

Percentage of Commitment: 80.0%   BANK ONE, TEXAS, National Association, as Administrative Agent and as a Lender

By:

Name: John E. Elam, Jr.
Title: Vice President

Bank One, Texas, National Association
P.O. Box 2629
Houston, TX 77252-2629
Attention: Mr. John E. Elam, Jr.
Telephone No.: (713) 751-3806
Fax No.: (713) 751-6199
Telex No.: 6734165
Answerback: BONE DAL

Payment Instructions:

Name of Credit Bank:	Bank One, Texas, National Association
City, State:	Houston, Texas
Method of Payment:	ABA #111000614
For Credit To:	Bank One, Texas, National Association
Account No.:	0749905618
Reference:	Quanta Services, Inc.
Attention:	Ms. Violet Nolton

Lending Office:

Bank One, Texas, National Association
910 Travis
Houston, TX 77002
Attention: Mr. John E. Elam, Jr.
Telephone No.: (713) 751-3806
Fax No.: (713) 751-6199

Percentage of Commitment: 20.0%   NATIONAL CITY BANK, as Co-Agent and as a Lender

By:

Name: Michael J. Durbin
Title: Vice President

Address for Notices:

National City Bank
155 E. Broad Street
Columbus, Ohio 43251-0034
Attention: Mr. Michael Durbin
Telephone No.: (614) 463-8844
Fax No.: (614) 463-8572

Payment Instructions:

Name of Credit Bank:	National City Bank
City, State:	Columbus, Ohio
Method of Payment:	ABA #041000124
For Credit To:	National City Bank
Account No.:	151804
Reference:	Quanta Services, Inc.
Attention:	Ms. Debbie Smithers (614) 463-7227

Lending Office:

National City Bank
155 E. Broad Street
Columbus, Ohio 43251-0034
Telephone No.: (614) 463-8844
Fax No.: (614) 463-8572

EXHIBIT 2.2A

FORM OF BORROWING REQUEST

EXHIBIT 2.2B

FORM OF APPLICATION

EXHIBIT 2.11

FORM OF NOTE

EXHIBIT 4.1A

FORM OF SUBSIDIARY GUARANTY

EXHIBIT 4.1B

FORM OF STOCK PLEDGE AGREEMENT

EXHIBIT 4.1C

FORM OF FINANCIAL CONDITION CERTIFICATE

EXHIBIT 6.6

FORM OF COMPLIANCE CERTIFICATE

EXHIBIT 10.10

FORM OF ASSIGNMENT AGREEMENT

SCHEDULE 5.1

LIST OF SUBSIDIARIES

A. Quanta Services, Inc.
B. PAR Electrical Contractors, Inc.
C. Potelco, Inc.
D. Trans Tech Electric, Inc.
E. Union Power Construction Co.
F. Underground Acquisition, Inc.
G. TNS Acquisition, Inc.
H. Sumter Acquisition, Inc.
I. Environmental Professional Associates Ltd.
J. Smith Acquisition DE, Inc.
K. NorAm Telecommunications Inc.
L. NPCC Acquisition, Inc.
M. Golden State Utility Co.
N. Hamlin Acquisition, Inc.
O. Spalj Construction Co.
P. Advanced Communications Technologies, Inc.
Q. RT Telecommunications, Inc.
R. Span-Con of Deerwood, Inc.
S. W.H.O.M. Corporation
T. Coast to Coast LLC
U. Quanta Delaware, Inc.
V. QSI, Inc.
W. Quanta Services Management Partnership, L.P.
X. Quanta Services of Canada, Inc.
Y. Danford Technologies, Inc.

SCHEDULE 5.4

LIST OF LITIGATION

None

SCHEDULE 5.12

LIST OF OUTSTANDING TAX ISSUES

Potelco, Inc., one of the Founding Companies, received a tax deficiency notice for the year ended 4/30/94. Sole issue is the amount of deductible compensation paid to an officer. Potelco has formally appealed the deficiency and has no reason to believe that it will not prevail at the appeal hearing. No hearing date has been set. The amount of tax and interest assessed is approximately $200,000. The former owner of Potelco, has indemnified Quanta Services, Inc. for any liability incurred by Quanta as a result of this deficiency notice.

SCHEDULE 5.20

LIST OF EXISTING LIENS AND INDEBTEDNESS

SCHEDULE 6.13

LIST OF PERMITTED LIENS AND INDEBTEDNESS

SCHEDULE 6.14

LIST OF EXISTING INDEBTEDNESS

[AMENDED AND RESTATED] GUARANTY

THIS [AMENDED AND RESTATED] GUARANTY (this "Guaranty") dated as of _____________, 199__, is from _____________________________, a ___________ corporation (the "Guarantor"), to the Lenders referred to hereinafter and Bank One, Texas, National Association, as Agent for the Lenders (in such capacity the "Agent").

RECITALS:

[A. Quanta Services, Inc. (the "Borrower"), a Delaware corporation, the various financial institutions as are or may from time to time become parties thereto (collectively, the "Lenders") and the Agent have entered into that certain Amended and Restated Credit Agreement dated as of August 3, 1998 (herein, as the same may be amended, modified, supplemented, extended, rearranged, and/or restated from time to time, called the "Credit Agreement"), pursuant to which, upon the terms and conditions therein set forth, (i) the Lenders have agreed to make Loans to the Borrower, which Revolving Loans are evidenced by Notes of the Borrower dated August 3, 1998, in the aggregate original principal amount of $125,000,000, payable the order of the Lenders, respectively, and the Agent may, in its sole discretion, make Agent Loans to the Borrower, in a principal amount of up to $5,000,000 pursuant to its Note (herein, as amended, extended, modified, rearranged and/or supplemented, from time to time together with any promissory notes given in extension, replacement, rearrangement, modification and/or substitution thereof or therefor, collectively called the "Notes") and (ii) the Agent on behalf of the Lenders has agreed to issue Letters of Credit for the account of Borrower. Capitalized terms used herein without definition shall have the meanings assigned in the Credit Agreement.]

[A. Quanta Services, Inc. (the "Borrower"), a Delaware corporation, the various financial institutions as are parties thereto (collectively, the "Lenders") and the Agent have entered into that certain Credit Agreement dated as of April 9, 1998 (the "Prior Credit Agreement") pursuant to which, upon the terms and conditions set forth therein, the Lenders agreed to make loans to the Borrower, and the Agent, on behalf of the Lenders, agreed to issue letters of credit for the account of the Borrower in the aggregate principal amount of $50,000,000, and the Guarantor has executed and delivered that certain Guaranty in connection therewith dated as of ____________, 1998 (the "Prior Guaranty").

B. The parties to the Prior Credit Agreement have entered into that certain Amended and Restated Credit Agreement dated as of August 3, 1998, which amends and restates in its entirety the Prior Credit Agreement (herein, as the same may be amended, modified, supplemented, extended, rearranged and/or restated from time to time, called the "Credit Agreement"), pursuant to which, upon the terms and conditions therein set forth, (i) the Lenders have agreed to make Loans to the Borrower, which Loans are evidenced by Notes of the Borrower dated August 3, 1998, in the aggregate original principal amount of $125,000,000, payable the order of the Lenders, respectively, and the Agent may, in its sole discretion, make Agent Loans to the Borrower, in an aggregate principal amount of up to $5,000,000 pursuant to its Note (herein, as amended, extended, modified, rearranged and/or supplemented from time to time, together with any promissory notes given in

extension, replacement, rearrangement, modification and/or substitution thereof

or therefor, collectively called the "Notes") and (ii) the Agent on behalf of the Lenders has agreed to issue Letters of Credit for the account of Borrower. Capitalized terms used herein without definition shall have the meanings assigned in the Credit Agreement.]

[B.][C.] As a condition precedent to the making of the Loans and the issuance of the Letters of Credit under the Credit Agreement, the Guarantor is required to execute and deliver this Guaranty [which amends and restates in its entirety the Prior Guaranty.]

[C.][D.] The Guarantor has duly authorized the execution, delivery and performance of this Guaranty.

[D.][E.] It is in the best interests of the Guarantor to execute this Guaranty inasmuch as the Guarantor will derive substantial direct and indirect benefits from the Loans made from time to time to the Borrower and the issuance of Letters of Credit by the Agent pursuant to the Credit Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Agent and the Lenders to make Loans to the Borrower and to issue or participate in Letters of Credit pursuant to the Credit Agreement, the Guarantor agrees, for the benefit of the Agent and each Lender, as follows:

ARTICLE I

GUARANTY

1.1 Guaranty. For value received, and in consideration of any loan or other financial accommodation, heretofore or hereafter at any time made or granted to the Borrower by the Agent and the Lenders, the Guarantor hereby unconditionally guarantees the full and prompt payment when due, whether by acceleration or otherwise, and at all times thereafter, of all obligations of the Borrower to the Agent and each Lender and their successors and assigns, howsoever created, arising or evidenced, whether direct or indirect, primary or secondary, absolute or contingent, joint or several, or now or hereafter existing or due or to become due, including, without limitation, all such amounts which would become due but for the operation of the automatic stay under Section 362(a) of the United States Bankruptcy Code, 11 U.S.C. (S) 362(a), and the operation of Sections 502(b) and 506(b) of such Bankruptcy Code, 11 U.S.C. (S) 502(b) and (S) 506(b), under and in connection with the Credit Agreement, including, without limitation under (a) the Notes, and (b) the Letters of Credit, including any Reimbursement Obligations with respect thereto (all such obligations being hereinafter collectively called the "Liabilities"), and the Guarantor further agrees to pay all reasonable expenses (including reasonable attorneys' fees and legal expenses) paid or incurred by the Agent and any Lender in endeavoring to collect the Liabilities, or any part thereof, and in enforcing this Guaranty. Anything herein contained to the contrary notwithstanding, the amount of this Guaranty, however, shall not exceed the maximum amount which the Guarantor could pay under this Guaranty without

having such payment set aside as a fraudulent transfer or conveyance or similar action under such Bankruptcy Code or any applicable state law.

1.2 Bankruptcy. The Guarantor hereby agrees that, in the event of the dissolution or insolvency of the Borrower or the Guarantor, or the inability or failure of the Borrower or the Guarantor to pay its debts as they become due, or an assignment by the Borrower or the Guarantor for the benefit of creditors, or the commencement of any case or proceeding in respect of the Borrower or the Guarantor under any bankruptcy, insolvency or similar laws, and if such event shall occur at a time when any of the Liabilities may not then be due and payable, the Guarantor will pay to the Lender forthwith the full amount which would be payable hereunder by the Guarantor as if all Liabilities were then due and payable.

1.3 Setoff. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of, and throughout the continuance of, any Event of Default under the Credit Agreement, the Agent and each Lender and each subsequent holder of any of the Notes is hereby authorized by the Guarantor without notice to the Borrower, the Guarantor or any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other Indebtedness at any time held or owing by the Agent, that Lender or that subsequent holder to or for the credit or the account of the Guarantor, whether or not matured, against and on account of the obligations and liabilities of the Guarantor to the Agent, such Lender or such subsequent holder under the Credit Documents, irrespective of whether or not (a) the Agent, such Lender or such subsequent holder shall have made any demand hereunder, or (b) the principal of or the interest on the Loans, the L/C Obligations or any other amounts due hereunder shall have become due and payable and although said obligations and liabilities, or any of them,

may be contingent or unmatured.

1.4 Guaranty Absolute, etc. This Guaranty shall in all respects be a continuing, absolute and unconditional Guaranty, and shall remain in full force and effect (notwithstanding, without limitation, the dissolution of the Borrower or the Guarantor or that at any time or from time to time all Liabilities may have been paid in full), until all Liabilities (including any renewals, extensions and/or rearrangements of any thereof) and all interest thereon and all reasonable expenses (including reasonable attorneys' fees and legal expenses) paid or incurred by the Agent and the Lenders in endeavoring to collect the Liabilities and in enforcing this Guaranty shall have been finally paid in full and the Commitments have been permanently terminated.

1.5 Reinstatement. The Guarantor further agrees that, if at any time all or any part of any payment theretofore applied by the Agent or any Lender to any of the Liabilities is or must be rescinded or returned by the Agent or any Lender for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of the Borrower), such Liabilities shall, for the purposes of this Guaranty, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Agent or any

Lender, and this Guaranty shall continue to be effective or be reinstated, as the case may be, as to such Liabilities, all as though such application by the Agent or any Lender had not been made.

1.6 Rights of the Agent and Lenders. The Agent or any Lender may, from time to time, at its sole discretion and without notice to the Guarantor, take any or all of the following actions:

(a) retain or obtain a lien upon or a security interest in any property to secure any of the Liabilities or any obligation hereunder;

(b) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to the Guarantor, with respect to any of the Liabilities;

(c) extend or renew for one or more periods (whether or not longer than the original period), alter or exchange any of the Liabilities, or release or compromise any obligation of the Guarantor hereunder or any obligation of any nature of any other obligor with respect to any of the Liabilities;

(d) extend or renew for one or more periods (whether or not longer than the original period) or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such property securing any of the Liabilities; or

(e) resort to the Guarantor for payment of any of the Liabilities, whether or not the Agent or the Lenders shall have proceeded against any other obligor primarily or secondarily obligated with respect to any of the Liabilities (all of the actions referred to in this clause being hereby expressly waived by the Guarantor).

1.7 Application of Payments. Any amounts received by the Agent or any Lender from whatsoever source on account of the Liabilities may be applied by it toward the payment of such of the Liabilities, and in such order of application, as the Agent or any Lender may from time to time elect.

1.8 Waiver.

(a) The Guarantor hereby expressly waives:

(i) notice of the acceptance by the Agent or any Lender of this Guaranty;

(ii) notice of the existence or creation or non-payment of all or any of the Liabilities;

(iii) presentment for payment, demand, protest, notice of intent to accelerate, notice of acceleration, notice of dishonor and all other notices whatsoever;

(iv) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for or guaranty of any of the foregoing; and

(v) any rights under, or any requirements imposed by, Chapter 34 of the Texas Business and Commerce Code, as amended, and any rights or requirements that the Agent or any Lender first enforce any rights or remedies against the Company or any other guarantor or against any

collateral for any of Liabilities.

(b) No delay on the part of the Agent or any Lender in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Agent or any Lender of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guaranty be binding upon the Agent or any Lender except as expressly set forth in a writing duly signed and delivered on behalf of the Agent or such Lender. No action of the Agent or any Lender permitted hereunder shall in any way affect or impair the rights of the Agent or any Lender and the obligations of the Guarantor under this Guaranty. The obligations of the Guarantor under this Guaranty shall be absolute and unconditional irrespective of any circumstance whatsoever which might constitute a legal or equitable discharge or defense of the Guarantor. The Guarantor hereby acknowledges that there are no conditions to the effectiveness of this Guaranty.

1.9 Subrogation. No payment made by or for the account of the Guarantor pursuant to this Guaranty shall entitle the Guarantor by subrogation or otherwise to demand or receive any payments by the Borrower or from or out of any properties of the Borrower until the Liabilities shall have been paid in full. The Guarantor shall not exercise any right or remedy against the Borrower or any properties of the Borrower by reason of any performance by the Guarantor of this Guaranty until the Liabilities shall have been paid in full.

1.10 Subordination. The Guarantor hereby subordinates its right to payment from the Company of any obligations, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing or due or to become due (collectively, the "Guarantor Liabilities"), to the Liabilities of the Company to the Agent and the Lenders, and no payments or other distributions whatsoever in respect of any such Guarantor Liabilities shall be made, nor shall any property or assets of the Company be applied to the purchase, acquisition or retirement of any such Guarantor Liabilities; provided that payments on such Guarantor Liabilities may be made at any time no Event of Default shall have occurred and be continuing. Any payments received by the Guarantor in respect of any such Guarantor Liabilities owing to it other than as expressly provided herein shall be held in trust for the Agent and the Lenders.

1.11 Excess Liabilities. The creation or existence from time to time of Liabilities in excess of the amount to which the right of recovery under this Guaranty is limited, if any, is hereby

authorized, without notice to the Guarantor, and shall in no way affect or impair the rights of the Lender and the obligation of the Guarantor under this Guaranty.

1.12 Successors, Transferees and Assigns. The Agent and each Lender may, from time to time, without notice to the Guarantor, assign or transfer any or all of the Liabilities or any interest therein in accordance with the terms of the Credit Agreement; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Liabilities shall be and remain Liabilities for the purposes of this Guaranty, and each and every immediate and successive assignee or transferee of any of the Liabilities or of any interest therein shall, to the extent of the interest of such assignee or transferee in the Liabilities, be entitled to the benefits of this Guaranty to the same extent as if such assignee or transferee were the transferring Lender; provided, however, that, unless the transferring Lender shall otherwise consent in writing, the transferring Lender shall have an unimpaired right, prior and superior to that of any such assignee or transferee, to enforce this Guaranty, for the benefit of the transferring Lender as to those of the Liabilities which the transferring Lender has not assigned or transferred.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Independent Means of Obtaining Information. The Guarantor hereby represents and warrants to the Agent and each Lender that it now has and will use its best commercial efforts to continue to have independent means of obtaining information concerning the affairs, operations, financial condition, business and prospects of the Borrower.

2.2 Authorization; No Conflict. The Guarantor hereby further represents and warrants to the Agent and each Lender that

(a) the execution and delivery of this Guaranty, and the performance by the Guarantor of its obligations hereunder, are within the Guarantor's corporate powers and have been duly authorized by all necessary corporate action on the part of the Guarantor; and

(b) this Guaranty has been duly executed and delivered on behalf of

the Guarantor and is the legal, valid and binding obligation of the Guarantor, enforceable in accordance with its terms subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and equitable principles relating to or limiting creditors' rights generally, the making and performance of which do not and will not contravene or conflict with the articles or certificate of incorporation and by-laws or other corporate governance documents of the Guarantor or violate or constitute a default under any law, any presently existing requirement or restriction imposed by any judicial, arbitral or governmental instrumentality or any agreement, instrument or indenture by which the Guarantor is bound.

2.3 Validity and Binding Nature. This Guaranty shall be binding upon the Guarantor, and upon the successors and assigns of the Guarantor, and shall include any successor or successors, whether immediate or remote, to such entity; provided, however, that the Guarantor may not assign any of its obligations hereunder without the prior written consent of the Agent and the Lenders except as may be provided in the Credit Agreement.

ARTICLE III

EVENTS OF DEFAULT

The Guarantor shall be in default under this Guaranty upon the occurrence of and during the continuance of any of the events or conditions defined as Events of Default in the Credit Agreement.

ARTICLE IV

MISCELLANEOUS PROVISIONS

4.1 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial; Arbitration.

(a) This Guaranty and the other Credit Documents, and the rights and duties of the parties thereto, shall be construed in accordance with and governed by the internal laws of the State of Texas.

(b) THE GUARANTOR HEREBY WAIVES ITS RIGHT TO RESOLVE DISPUTES, CLAIMS, AND CONTROVERSIES ARISING FROM THIS GUARANTY, ANY OTHER CREDIT DOCUMENT OR ANY MATTER IN CONNECTION THEREWITH, INCLUDING, WITHOUT LIMITATION, CONTRACT DISPUTES AND TORT CLAIMS, THROUGH ANY COURT PROCEEDING OR LITIGATION AND ACKNOWLEDGES THAT ALL SUCH DISPUTES, CLAIMS AND CONTROVERSIES SHALL BE RESOLVED PURSUANT TO THIS SECTION, EXCEPT THAT EQUITABLE RELIEF AND CERTAIN OTHER RIGHTS AND REMEDIES SET FORTH BELOW MAY BE SOUGHT FROM ANY COURT OF COMPETENT JURISDICTION. The Guarantor represents to the Lenders that this waiver is made knowingly and voluntarily after consultation with and upon advice of its counsel and is a material part of this Guaranty. All such disputes, claims and controversies shall be resolved by binding arbitration pursuant to the commercial rules of the American Arbitration Association ("AAA"). Any arbitration proceeding held pursuant to this arbitration provision shall be conducted in Houston, Texas or at any other place selected by mutual agreement of the Agent and the Guarantor. No act to take or dispose of any collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This arbitration provision shall not limit the right of either party during any dispute, claim or controversy to seek, use, and employ

ancillary or preliminary rights and/or remedies, judicial or otherwise, for the purposes of realizing upon, preserving, protecting, foreclosing upon or proceeding under forcible entry and detainer for possession of, any real or personal property, and any such action shall not be deemed an election of remedies. Such remedies include, without limitation, obtaining injunctive relief or a temporary restraining order, invoking a power of sale under any deed of trust or mortgage, obtaining a writ of attachment or imposition of a receivership or exercising any rights relating to personal property, including exercising the right of set-off or taking or disposing of such property with or without judicial process pursuant to the uniform commercial code. Any disputes, claims or controversies concerning the lawfulness or reasonableness of an act or exercise of any right or remedy concerning any collateral, including any claim to rescind, reform or otherwise modify any agreement relating to the collateral, shall also be arbitrated; provided, however that no arbitrator shall have the right or the power to enjoin or restrain any act of either party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. The statute of limitations, estoppel, waiver, laches and similar doctrines which would otherwise be applicable in an action brought

by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of any action for these purposes. The Federal Arbitration Act (Title 9 of the United States Code) shall apply to the construction, interpretation, and enforcement of this arbitration provision.

(c) To the fullest extent permitted by applicable law, the Guarantor agrees that any court proceeding or litigation permitted by Section 4.1(b) may be brought and maintained in the courts of the State of Texas sitting in Harris County or the United States District Court for the Southern District of Texas. To the fullest extent permitted by applicable law, the Guarantor hereby expressly and irrevocably submits to the jurisdiction of the courts of the State of Texas and the United States District Court for the Southern District of Texas for the purpose of any such litigation as set forth above and irrevocably agree to be bound by any judgment rendered thereby in connection with such litigation. To the fullest extent permitted by applicable law, the Guarantor further irrevocably consents to the service of process, by registered mail, postage prepaid or by personal service within or without the State of Texas. To the fullest extent permitted by applicable law, the Guarantor hereby expressly and irrevocably waives any objection which it may have or hereafter may have to the laying of venue of any such litigation brought in any such court referred to above and any claim that any such litigation has been brought in an inconvenient forum. To the extent that the Guarantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution or otherwise) with respect to itself or its property, the Guarantor hereby irrevocably waives to the fullest extent permitted by applicable law, such immunity in respect of its obligations under this Guaranty.

(d) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE GUARANTOR VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND

UNCONDITIONALLY (BY ITS ACCEPTANCE HEREOF) WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY COURT PROCEEDING OR LITIGATION PERMITTED BY SECTION 4.1(B) AND WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF THIS GUARANTY OR ANY OTHER CREDIT DOCUMENT, ANY OTHER RELATED DOCUMENT OR ANY RELATIONSHIP BETWEEN THE AGENT, LENDERS, THE BORROWER AND/OR ANY GUARANTOR, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR DISPUTE TO THE EXTENT PERMITTED BY SECTION 4.1(B) SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE LENDER TO PROVIDE THE LOAN.

4.2 Severability. Wherever possible, each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable laws, but if any provision of this Guaranty shall be prohibited by or invalid under such laws, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

4.3 Notices. Except as otherwise specified herein, all notices under this Guaranty shall be in writing (including cable, telecopy or telex) and shall be given to the Guarantor at its address, telecopier number or telex number set forth on the signature page hereof or such other address, telecopier number or telex number as the Guarantor may hereafter specify by notice to the Agent, given by courier, by United States certified or registered mail, by telegram or by other telecommunication device capable of creating a written record of such notice and its receipt. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section on the signature pages hereof and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by telex, when such telex is transmitted to the telex number specified on the signature pages hereof and the answerback is received by sender, (iii) if given by courier, when delivered, (iv) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, or (v) if given by any other means, when delivered at the addresses specified on the signature page hereof.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its duly authorized officer as of the date first above written.

Address: By: ---------------------------

Name: ----------------------

- -----------------------------

Title:
- ----------------------------   --------------------

STOCK PLEDGE AGREEMENT

THIS STOCK PLEDGE AGREEMENT (this "Agreement") dated as of August ___, 1998, is by and between ___________________________, a ________ corporation ("Pledgor"), and Bank One, Texas, National Association, as Agent for the Lenders ("Secured Party").

RECITALS:

A. [Pledgor] [Quanta Services, Inc., a Delaware corporation (the "Borrower")] the various financial institutions as are or may from time to time become parties thereto (collectively, the "Lenders"), National City Bank, as Co-Agent for the Lenders, and Secured Party have entered into that certain Amended and Restated Credit Agreement dated as of August 3, 1998 (herein, as the same may be amended, modified, supplemented, extended, rearranged, and/or restated from time to time, collectively called the "Credit Agreement"), pursuant to which, upon the terms and conditions therein set forth, the Lenders have agreed to from time to time make Revolving Loans to [Pledgor] [the Borrower] and to issue Letters of Credit for the account of [Pledgor] [the Borrower], which Revolving Loans are evidenced by Revolving Notes of [Pledgor] [the Borrower] dated August 3, 1998, in the aggregate original principal amount of $125,000,000, payable to the order of the Lenders, and the Agent, in its sole discretion, may make Agent Loans to [Pledgor] [the Borrower] in the aggregate original principal amount of $5,000,000 pursuant to its Revolving Note (together, herein, as the same may be amended, modified, supplemented, extended, rearranged, and/or restated from time to time, together with any notes given by Pledgor in extension, replacement, rearrangement, modification and/or substitution thereof or therefor, collectively called the "Notes").

B. Under the terms of the Credit Agreement, Pledgor is required by the Lenders to provide certain security in respect of the liabilities under the Credit Agreement, and the Lenders require that this Agreement be entered into by Pledgor as a condition precedent to the Loans to be made and the Letters of Credit to be issued pursuant to the terms and conditions of the Credit Agreement.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions.

1.1 Unless otherwise defined herein, capitalized terms have the same meaning assigned to such terms in the Credit Agreement.

1.2 "UCC" means the Uniform Commercial Code as in effect on the date hereof in the State of Texas; provided that if by mandatory provisions of law the perfection or the effect of perfection or non-perfection of the security interests granted pursuant to Section 2, as well as all other security interests created or assigned as additional security for the Obligations (defined

hereinafter) pursuant to the provisions of this Agreement in any Collateral (defined hereinafter) is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Texas, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

Section 2. Security Interest and Pledge.

2.1. Security Interest and Pledge. Subject to the terms of this Agreement, Pledgor hereby pledges, assigns and grants to Secured Party a first priority security interest in the following property (such property being hereinafter called the "Collateral"):

(a) all of shares of capital stock or membership interests, as applicable, in the Persons listed on the attached Schedule 1 and any other entities which hereafter become Subsidiaries of [Pledgor] [the Borrower] or any of its Subsidiaries in which Pledgor has an ownership interest (collectively, the "Companies");

(b) any other shares of capital stock or membership interests hereafter pledged to Secured Party pursuant to this Agreement;

(c) all "investment property" as such term is defined in (S)9.115(a)(6) of the UCC with respect thereto;

(d) any "security entitlement" as such term is defined in (S) 8.102(a)(17)

of the UCC with respect thereto; and

(e) all products and proceeds of the foregoing, including, without limitation, all distributions, dividends, stock dividends, securities, and other property, rights, and interests that Pledgor is at any time entitled to receive on account of the same (all of the foregoing described in this clause (e), the "Collateral Proceeds");

provided that in no event shall Secured Party's security interest encumber capital stock of any of the Companies which is a "controlled foreign corporation" (within the meaning of the Code) representing more than sixty-five percent (65%) of the combined voting power of all classes of stock entitled to vote (the "Voting Stock") of any such entity.

2.2. Obligations. The Collateral shall secure the following obligations, indebtedness and liabilities (all such obligations, indebtedness and liabilities being hereinafter sometimes called the "Obligations"):

(a) the payment of the indebtedness evidenced by the Notes;

(b) all obligations of [Pledgor] [the Borrower] to the Lenders under the Credit Agreement;

(c) the performance and payment of the obligations of [Pledgor] [the Borrower] and the Guarantors under any of the Credit Documents, including, without limitation, the performance and payment of Pledgor's obligations hereunder; and

(d) all extensions, renewals, rearrangements and modifications of any of the foregoing.

Section 3. Representations and Warranties. Pledgor represents and warrants to Secured Party that:

3.1. Title. Pledgor owns or, with respect to Collateral acquired after the date hereof, Pledgor will own, legally and beneficially, the Collateral free and clear of any Lien, security interest, pledge, claim, or other encumbrance or any right or option on the part of any third person to purchase or otherwise acquire the Collateral or any part thereof, except for the security interest granted hereunder. Pledgor has the unrestricted right to pledge the Collateral as contemplated hereby.

3.2. Organization and Authority. Neither the execution, delivery or performance by Pledgor of this Agreement nor compliance by it with the terms and provisions hereof, nor the consummation of the transactions contemplated herein, will (i) contravene any applicable provision of any law, statute, rule or regulation, or any order, writ, injunction or decree of any court or governmental instrumentality; or (ii) conflict with or result in any breach of any term, covenant, condition or other provision of, or constitute a default under, or (other than pursuant to the Security Documents) result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of Pledgor under the terms of any contractual obligation to which Pledgor is a party or by which it or any of its properties or assets are bound or to which it may be subject.

3.3. Location of Pledgor. As of the date hereof, the principal office (if applicable) of Pledgor, and the place where Pledgor keeps its books and records, is located at 1360 Post Oak Blvd., Suite 2100, Houston Texas 77056.

3.4. First Priority Perfected Security Interest. This Agreement creates in favor of Secured Party a first priority security interest in the Collateral currently in existence, which will be perfected upon the filing of a duly executed and completed UCC-1 Financing Statement in the Office of the Secretary of State of the State of Texas. There is no financing statement (or other evidence of a Lien or security interest) now on file in any public office covering any of the Collateral.

Section 4. Covenants. Pledgor covenants and agrees with Secured Party that:

4.1. Encumbrances. Except as permitted by the Credit Agreement, Pledgor shall not create, permit, or suffer to exist, and shall defend the Collateral against, any Lien on the Collateral except the pledge and security interest of Secured Party hereunder except for Permitted Liens, and shall defend Pledgor's rights in the Collateral and Secured Party's security interest in the Collateral

against the claims of all persons and entities (other than any person or entity claiming by, through or under Secured Party or any obligee of the Obligations).

4.2. Sale of Collateral. Pledgor shall not sell, assign, or otherwise dispose of the Collateral or any part thereof except as permitted by the Credit

Agreement.

4.3. Dividends. If Pledgor shall become entitled to receive or shall receive any distribution (including, without limitation, any dividend or distribution in connection with any reclassification, increase, or reduction of capital or issued in connection with any reorganization), option or rights constituting Collateral, whether as an addition to, in substitution of, or in exchange for any Collateral or otherwise, Pledgor agrees to accept the same as Secured Party's agent and to hold the same in trust for Secured Party and to deliver the same (to the extent in form capable of delivery) promptly to Secured Party in the exact form received, with the appropriate endorsement of Pledgor when necessary, to be held by Secured Party, as additional Collateral for the Obligations, subject to the terms hereof. Any sums paid upon or in respect of the Collateral upon the liquidation or dissolution of the issuer thereof in violation of the Credit Agreement shall be paid over to Secured Party to be held by it as additional Collateral for the Obligations subject to the terms hereof except as otherwise provided in the Credit Agreement; and in case any distribution shall be made on or in respect of the Collateral while a Default or an Event of Default shall be continuing or any property shall be distributed while a Default or an Event of Default shall be continuing upon or with respect to the Collateral pursuant to any recapitalization or reclassification of the capital of the issuer thereof or pursuant to any reorganization of the issuer thereof, the property so distributed shall be delivered to the Secured Party to be held by it, as additional Collateral for the Obligations, subject to the terms hereof. All sums of money and property so paid or distributed in respect of the Collateral that are received by Pledgor shall, until paid or delivered to Secured Party, be held by Pledgor in trust as additional security for the Obligations, provided that except to the extent that such sums of money or property have theretofore been applied against the Obligations in accordance with the Credit Agreement, such sums of money or property shall forthwith be delivered to Pledgor at such time as no Default or Event of Default shall be continuing under the Credit Agreement.

4.4. Further Assurances. At any time and from time to time, upon the request of Secured Party, and at the sole expense of Pledgor, Pledgor shall promptly execute and deliver all such further instruments and documents and take such further action as Secured Party may deem reasonably necessary or desirable to preserve and perfect its security interest in the Collateral and carry out the provisions and purposes of this Agreement, including, without limitation, the execution and filing of such financing statements as Secured Party may require. A carbon, photographic, or other reproduction of this Agreement or of any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement and may be filed as a financing statement to the extent provided by applicable law.

4.5. Inspection Rights. Upon reasonable notice from Secured Party, Pledgor shall permit Secured Party and its representatives to examine, inspect, and copy Pledgor's books and records

concerning ownership of the Collateral at any reasonable time during normal business hours and as often as Secured Party may desire.

4.6. Notification. Pledgor shall promptly after it has knowledge thereof, notify Secured Party of (i) any Lien upon or claim made or threatened against the Collateral, (ii) any change in the location of the office where records concerning the Collateral are kept and any additional places of business of Pledgor or the Borrower, and (iii) any change in its name, state of incorporation or its type of entity.

4.7. Books and Records. Pledgor shall mark its books and records to reflect the security interest of Secured Party under this Agreement.

4.8. Receipt after Default. If any Collateral is received by Pledgor during the continuance of an Event of Default, Pledgor shall pay over to Secured Party all such Collateral on the day received, including the cash and checks endorsed by Pledgor evidencing the Collateral. Pledgor shall not commingle the Collateral with any other funds, proceeds or monies of Pledgor, and shall keep such proceeds separate and apart from any other funds, proceeds or monies of Pledgor and shall hold the Collateral in trust for Secured Party until same shall be paid over to Secured Party as agreed to herein.

4.9 Pledge of Shares of Controlled Foreign Corporation.

(a) In the event that the Collateral hereunder would, but for this Section 4.9(a), represent more than sixty-five percent (65%) of the Voting Stock of a Company which is a controlled foreign corporation, then the number of shares of Voting Stock of such Company in excess of such sixty-five percent (65%) automatically shall be released from the Lien of, and the terms and provisions of, this Agreement.

(b) In the event that the Collateral hereunder represents less than sixty-five percent (65%) of the Voting Stock of any Company which is a controlled foreign corporation (or, if less, 100% of the Voting Stock

of such Company owned by Pledgor), then Pledgor will promptly pledge additional capital stock to increase the number of shares pledged hereunder to such sixty-five percent (65%) (or, if less, 100% of the Voting Stock of such Company owned by Pledgor).

Section 5. Rights of Secured Party and Pledgor.

5.1. Power of Attorney. Pledgor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead and in the name of Pledgor or in its own name, from time to time in Secured Party's discretion during the continuance of an Event of Default and prior to the Collateral Termination Date, to take any and all action and to execute any and all documents and instruments which may be necessary or desirable to accomplish

the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives Secured Party the power and right on behalf of Pledgor and in its own name to do any of the following after the occurrence and during the continuance of an Event of Default and to the extent permitted by applicable laws, without notice to or the consent of Pledgor:

(a) to demand, sue for, collect, or receive in the name of Pledgor or in its own name, any money or property at any time payable or receivable on account of or in exchange for any of the Collateral and, in connection therewith, endorse checks, notes, drafts, acceptances, money orders, or any other instruments for the payment of money under the Collateral;

(b) to pay or discharge taxes, liens, security interests, or other encumbrances (other than Permitted Liens) levied or placed on or threatened against the Collateral;

(c) (i) to direct any parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Secured Party or as Secured Party shall direct; (ii) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral; (iii) to sign and endorse any drafts, assignments, proxies, stock powers, verifications, notices, and other documents relating to the Collateral; (iv) to commence and prosecute any suit, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (v) to defend any suit, action, or proceeding brought against Pledgor with respect to any Collateral; (vi) to settle, compromise, or adjust any suit, action, or proceeding described in clause (v) above and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; (vii) to exchange any of the Collateral for other property upon any merger, consolidation, reorganization, recapitalization, or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depositary, transfer agent, registrar, or other designated agency upon such terms as Secured Party may determine; (viii) to add or release any guarantor, endorser, surety, or other party to any of the Collateral or the Obligations; and (ix) to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Pledgor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve, or realize upon the Collateral and Secured Party's security interest.

This power of attorney is a power coupled with an interest and shall be irrevocable. Secured Party shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Secured Party in this Agreement, and shall not be liable for any failure to do so or any delay in doing so. Secured Party shall not be liable for any act

or omission or for any error of judgment or any mistake of fact or law in its individual capacity or in its capacity as attorney-in-fact except acts or omissions constituting or resulting from its willful misconduct or gross negligence. This power of attorney is conferred on Secured Party solely to protect, preserve, and realize upon its security interest in the Collateral.

5.2. Voting Rights. Until written notice shall be given to Pledgor in accordance with Section 5.02(d) that Secured Party has exercised its rights under Section 5.02(d) to vote the Collateral (provided, however, if Secured Party is prevented from providing such notice as a result of Section 362 of the

United States Bankruptcy Code or similar law Pledgor shall be entitled to exercise such rights so long as no Event of Default shall have occurred and be continuing), Pledgor shall be entitled to exercise any and all voting and other rights relating or pertaining to the Collateral or any part thereof (and the Secured Party shall execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies and other instruments as Pledgor may reasonably request for the purpose of enabling Pledgor to exercise the voting and other rights which it is entitled to exercise pursuant to this sentence).

5.3. Collateral Proceeds. Until written notice shall be given to Pledgor in accordance with Section 5.02(d) that Secured Party has exercised its rights under Section 5.02(d) to vote the Collateral, Pledgor shall be entitled to receive and collect for its own use all Collateral Proceeds.

5.4. Performance by Secured Party of Pledgor's Obligations. If an Event of Default has occurred and is continuing or if Pledgor fails to perform or comply with any of its agreements contained herein and Secured Party itself shall cause performance of or compliance with such agreement, the reasonable expenses of Secured Party, together with interest thereon at the rate of interest provided in the Credit Agreement, shall be payable by Pledgor to Secured Party on demand and shall constitute Obligations secured by this Agreement.

5.5. Secured Party's Duty of Care. Other than the exercise of reasonable care in the physical custody of the Collateral while held by Secured Party hereunder, Secured Party shall have no responsibility for or obligation or duty with respect to all or any part of the Collateral or any matter or proceeding arising out of or relating thereto, including, without limitation, any obligation or duty to collect any sums due in respect thereof or to protect or preserve any rights against prior parties or any other rights pertaining thereto, it being understood and agreed that Pledgor shall be responsible for preservation of all rights in the Collateral. Without limiting the generality of the foregoing, Secured Party shall be conclusively deemed to have exercised reasonable care in the custody of the Collateral if Secured Party takes such action, for purposes of preserving rights in the Collateral, as Pledgor may reasonably request in writing, but no failure or omission or delay by Secured Party in complying with any such request by Pledgor, and no refusal by Secured Party to comply with any such request by Pledgor, shall of itself be deemed to be a failure to exercise reasonable care.

Section 6. Events of Default and Remedies.

6.1. Events of Default. Pledgor shall be in default under this Agreement upon the occurrence of and during the continuation of any of the events or conditions defined as Events of Default in the Credit Agreement (an "Event of Default").

6.2. Rights and Remedies. Prior to the Collateral Termination Date, upon the occurrence of an Event of Default and so long as the same shall be continuing, Secured Party shall have the following rights and remedies to the extent not prohibited by applicable laws:

(a) In addition to all other rights and remedies granted to Secured Party in this Agreement and in any other instrument or agreement securing, evidencing, or relating to the Obligations, Secured Party shall have all of the rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Secured Party may (i) without demand or notice to Pledgor, collect, receive, or take possession of the Collateral or any part thereof, (ii) sell or otherwise dispose of the Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at Secured Party's offices or elsewhere, for cash, on credit, or for future delivery without assumption of any credit risk, and/or (iii) bid and become a purchaser at any such sale free of any right or equity of redemption in Pledgor, which right or equity is hereby expressly waived and released by Pledgor. Upon the request of Secured Party, Pledgor shall assemble the Collateral and make it available to Secured Party at any place designated by Secured Party that is reasonably convenient to Pledgor and Secured Party. Pledgor agrees that Secured Party shall not be obligated to give more than ten (10) days' prior written notice of the time and place of any public sale or of the time after which any private sale may take place and that such notice shall constitute reasonable notice of such matters. Pledgor shall be liable for all reasonable expenses of retaking, holding, preparing for sale, or the like, and all reasonable attorneys' fees and other reasonable expenses incurred by Secured Party in connection with the collection of the Obligations and the enforcement of Secured Party's rights under this Agreement, in each case during the continuance of an Event of Default, all of which expenses and fees shall constitute additional Obligations secured by this Agreement. Secured Party may apply the Collateral against the Obligations then due and payable in such order and manner as it shall elect in its sole discretion. Pledgor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay the Obligations. Pledgor waives

all rights of marshaling in respect of the Collateral.

(b) Secured Party may cause any or all of the Collateral held by it to be transferred into the name of Secured Party or the name or names of Secured Party's nominee or nominees (in each case as pledgee hereunder).

(c) Secured Party shall be entitled to receive all cash distributions payable in respect of the Collateral. Pledgor shall execute notice letters, in form and substance satisfactory to Secured Party (as and when requested by Secured Party), notifying the Borrower of the fact of this Security Agreement and directing the Borrower to make payment directly to Secured Party of all of the distributions which are due and owing to Pledgor by the Borrower, and directing the Borrower to accompany each transmission of such distributions to Secured Party with a report in such form as Secured Party may reasonably require in order to identify (i) the type of distribution being made, and (ii) the calculations made by the Borrower to determine the amount of the distribution distributed to Secured Party.

(d) Secured Party shall have the right, but shall not be obligated to, exercise or cause to be exercised all voting rights and powers in respect of the Collateral, and Pledgor shall deliver to Secured Party, if requested by Secured Party, irrevocable proxies with respect to the Collateral in form satisfactory to Secured Party. Pledgor shall execute notice letters, in form and substance satisfactory to Secured Party (as and when requested by Secured Party), notifying the Borrower of the fact of this Security Agreement and directing the Borrower to make payment directly to Secured Party of all of the distributions which are due and owing to Pledgor by the Borrower, and directing the Borrower to accompany each transmission of such distributions to Secured Party with a report in such form as Secured Party may reasonably require in order to identify (a) the type of distribution being made, and (b) the calculations made by the Borrower to determine the amount of the distribution distributed to Secured Party.

Because of applicable securities laws, including without limitation, the Securities Act of 1933, as amended, the securities laws of Texas and other applicable state securities laws, there may be legal restrictions or limitations affecting attempts of Secured Party to dispose of the Collateral in the enforcement of its rights and remedies hereunder. Secured Party is hereby authorized by Pledgor, but not obligated, upon the occurrence and during the continuance of an Event of Default, to the extent permitted by applicable law, to sell all or any part of the Collateral at private sale, subject to investment letters or in any other manner which will not require the Collateral or any part thereof, to be registered in accordance with the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder, or any other applicable securities law or regulation. Pledgor specifically agrees that under these circumstances, such a sale is a commercially reasonable method of disposition of the Collateral. Secured Party is also hereby authorized by Pledgor, but not obligated, to take such actions, give such notices, obtain such rulings and consents, and do such other things as Secured Party may deem appropriate in the event of such a sale or disposition of any of the Collateral. Pledgor acknowledges that Secured Party may, in its reasonable discretion, approach a restricted number of potential purchasers and that a sale under such circumstances may yield a lower price for the Collateral or any part or parts thereof than would otherwise be obtainable if the same were registered and sold in the open market. Pledgor agrees that such private sale shall constitute a commercially reasonable method of disposing of the Collateral in view of the time, expense, and

potential liability to the parties of such transactions of registration of the Collateral in accordance with applicable securities laws.

6.3. PLEDGOR AGREES TO INDEMNIFY AND SAVE AND HOLD SECURED PARTY HARMLESS FROM AND AGAINST ANY CLAIM OF ANY THIRD PERSON TO ANY COLLATERAL AND ANY CLAIM BY ANY OTHER PARTY OR ENTITY ARISING (INCLUDING, WITHOUT LIMITATION, A BANKRUPTCY TRUSTEE OR THE ISSUER OF THE OPTION SHARES), DIRECTLY OR INDIRECTLY, AS A RESULT OF SECURED PARTY'S ENTERING INTO THIS AGREEMENT AND/OR PURSUING ANY OF ITS RIGHTS AND REMEDIES HEREUNDER, PROVIDED THAT PLEDGOR SHALL HAVE NO OBLIGATION UNDER THIS PROVISION TO SECURED PARTY WITH RESPECT TO LIABILITIES OF OR CLAIMS AGAINST SECURED PARTY THAT ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NON-APPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SECURED PARTY.

Section 7. Miscellaneous.

7.1. No Waiver; Cumulative Remedies. No failure on the part of Secured Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power,

or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. To the fullest extent permitted by applicable laws, the rights and remedies provided for in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

7.2. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Pledgor and Secured Party and their respective heirs, successors, and assigns, except that Pledgor may not assign any of its rights or obligations under this Agreement without the prior written consent of Secured Party except to the extent permitted by the Credit Agreement.

7.3. Notices. Any notice, consent, or other communication required or permitted to be given under this Agreement to Secured Party or Pledgor must be in writing and delivered in person or by facsimile or by registered or certified mail, return receipt requested, postage prepaid, as follows:

To Secured Party: Bank One, Texas, N.A.
Attention: Mr. John Elam, Jr.
910 Travis
Houston, Texas 77002
Telephone: (713) 751-3806
Fax No.: (713) 751-6199

with a copy to: Gardere Wynne Sewell & Riggs, L.L.P.
Attention: Ms. Lisa J. Mellencamp
333 Clay Ave., Suite 800
Houston, Texas 77002
Telephone: (713) 308-5576
Fax No.: (713) 308-5555

To Pledgor: Quanta Services, Inc.
1360 Post Oak Blvd., Suite 2100
Houston, Texas 77056
Attention: Mr. James Haddox
Telephone: (713) 629-7600
Fax No.: (713) 629-7676

with a copy to

Quanta Services, Inc.
1360 Post Oak Blvd., Suite 2100
Houston, Texas 77056
Attention: General Counsel
Telephone: (713) 629-7600
Fax No.: (713) 629-7676

Any such notice, consent, or other communication shall be deemed given when delivered in person, sent by confirmed fax or, if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested.

7.4. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial; Arbitration.

(a) This Agreement and the other Credit Documents, and the rights and duties of the parties thereto, shall be construed in accordance with and governed by the internal laws of the State of Texas.

(b) PLEDGOR AND SECURED PARTY EACH HEREBY WAIVES ITS RIGHT TO RESOLVE DISPUTES, CLAIMS, AND CONTROVERSIES ARISING FROM THIS AGREEMENT, ANY OTHER CREDIT DOCUMENT OR ANY MATTER IN CONNECTION THEREWITH, INCLUDING, WITHOUT LIMITATION, CONTRACT DISPUTES AND TORT CLAIMS, THROUGH ANY COURT PROCEEDING OR LITIGATION AND ACKNOWLEDGES THAT ALL SUCH DISPUTES, CLAIMS AND CONTROVERSIES SHALL BE RESOLVED PURSUANT TO THIS SECTION, EXCEPT THAT EQUITABLE RELIEF AND CERTAIN OTHER RIGHTS AND REMEDIES SET

FORTH BELOW MAY BE SOUGHT FROM ANY COURT OF COMPETENT JURISDICTION. PLEDGOR REPRESENTS TO SECURED PARTY AND SECURED PARTY REPRESENTS TO PLEDGOR THAT THIS WAIVER IS MADE KNOWINGLY AND VOLUNTARILY AFTER CONSULTATION WITH AND UPON ADVICE OF ITS COUNSEL AND IS A MATERIAL PART OF THIS AGREEMENT. ALL SUCH DISPUTES, CLAIMS AND CONTROVERSIES SHALL BE RESOLVED BY BINDING ARBITRATION PURSUANT TO THE COMMERCIAL RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("AAA"). Any arbitration proceeding held pursuant to this arbitration provision shall be conducted in Houston, Texas or at any other place selected by mutual agreement of Secured Party and Pledgor. No act to take or dispose of any collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This arbitration provision shall not limit the right of either party during any dispute, claim or controversy to seek, use, and employ

ancillary, or preliminary rights and/or remedies, judicial or otherwise, for the purposes of realizing upon, preserving, protecting, foreclosing upon or proceeding under forcible entry and detainer for possession of, any real or personal property, and any such action shall not be deemed an election of remedies. Such remedies include, without limitation, obtaining injunctive relief or a temporary restraining order, invoking a power of sale under any deed of trust or mortgage, obtaining a writ of attachment or imposition of a receivership, or exercising any rights relating to personal property, including exercising the right of set-off, or taking or disposing of such property with or without judicial process pursuant to the Uniform Commercial Code. Any disputes, claims or controversies concerning the lawfulness or reasonableness of an act, or exercise of any right or remedy concerning any collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the collateral, shall also be arbitrated; provided, however that no arbitrator shall have the right or the power to enjoin or restrain any act of either party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. The statute of limitations, estoppel, waiver, laches and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of any action for these purposes. The federal arbitration act (Title 9 of the United States Code) shall apply to the construction, interpretation, and enforcement of this arbitration provision.

(c) To the fullest extent permitted by applicable law, each party hereto agrees that any court proceeding or litigation permitted by Section 7.4(b) may be brought and maintained in the courts of the State of Texas sitting in Harris County or the United States District Court for the Southern District of Texas. To the fullest extent permitted by applicable law, the Pledgor hereby expressly and irrevocably submits to the jurisdiction of the courts of the State of Texas and the United States District Court for the Southern District of Texas for the purpose of any such litigation as set forth above and irrevocably agrees to be bound by any judgment rendered thereby in connection with such litigation. To the fullest extent permitted by applicable law, the Pledgor further irrevocably consents to the service of process, by registered mail, postage prepaid, or by personal service within or without the state of Texas. To the fullest extent permitted by applicable law, the Pledgor hereby expressly and irrevocably waives any objection which it may have or hereafter may have to the laying of venue of any such litigation brought in any such court referred to above and any

claim that any such litigation has been brought in an inconvenient forum. To the extent that the Pledgor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution or otherwise) with respect to itself or its property, the Borrower hereby irrevocably waives to the fullest extent permitted by applicable law, such immunity in respect of its obligations under this Agreement and the other Credit Documents.

(D) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY (BY THEIR ACCEPTANCE HEREOF) WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING PERMITTED BY SECTION 7.4(B) AND WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF THIS AGREEMENT, ANY OTHER CREDIT DOCUMENT, ANY OTHER RELATED DOCUMENT OR ANY RELATIONSHIP BETWEEN THE LENDER, THE BORROWER AND/OR ANY GUARANTOR, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR DISPUTE SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE LENDER TO PROVIDE THE LOANS AND THE LETTERS OF CREDIT.

7.5. Headings. The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

7.6. Survival of Representations and Warranties. All representations and warranties made in this Agreement or in any certificate delivered pursuant hereto shall survive the execution and delivery of this Agreement, and no investigation by Secured Party shall affect the representations and warranties or the right of Secured Party to rely upon them.

7.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.8. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.9. Construction. Pledgor and Secured Party acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an

opportunity to review this Agreement with its legal counsel and that this Agreement shall be construed as if jointly drafted by Pledgor and Secured Party.

7.10. Obligations Absolute. The obligations of Pledgor under this Agreement shall be absolute and unconditional and shall not be released, discharged, reduced, or in any way impaired by any circumstance whatsoever, including, without limitation, any amendment, modification, extension, or renewal of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any release, subordination, or impairment of collateral, or any waiver, consent, extension, indulgence, compromise, settlement, or other action or inaction in respect of this Agreement, the Obligations, or any document or instrument evidencing, securing, or otherwise relating to the Obligations, or any exercise or failure to exercise any right, remedy, power, or privilege in respect of the Obligations.

7.11. Termination. On the Collateral Termination Date, the Liens created hereby shall terminate, and Secured Party, at the request and expense of Pledgor, forthwith will execute and deliver to Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of the Liens created hereby and will duly assign, transfer and deliver to Pledgor (without recourse and without any representation or warranty), such of the Collateral as may be in the possession of the Lender and as has not theretofore been sold or otherwise applied pursuant to this Agreement or the Credit Agreement. Upon such release and redelivery, this Agreement shall terminate. The term "Collateral Termination Date" shall mean the first date on which no Note or Letter of Credit is outstanding under the Credit Agreement, the Commitments have been permanently terminated and no other Obligation is due and payable thereunder or under any other Credit Document.

7.12. AMENDMENT; ENTIRE AGREEMENT. THIS AGREEMENT, TOGETHER WITH THE OTHER CREDIT DOCUMENTS, EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF. THE PROVISIONS OF THIS AGREEMENT MAY BE AMENDED OR WAIVED ONLY BY AN INSTRUMENT IN WRITING SIGNED BY THE PARTIES HERETO.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

SECURED PARTY:

BANK ONE, TEXAS, NATIONAL ASSOCIATION

By: -----------------------------------

Name: ---------------------------------

Title: --------------------------------

PLEDGOR:

---------------------, a --------- corporation

By: -----------------------------------

Name: ---------------------------------

Title: --------------------------------

SCHEDULE 1

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