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 March 31, 1999

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	74-2851603
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1360 Post Oak Blvd.
Suite 2100
Houston, Texas 77056
(Address of principal executive offices)

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 [_]

26,182,357 shares of Common Stock were outstanding as of May 13, 1999. As of the same date, 3,341,451 shares of Limited Vote Common Stock were outstanding.

QUANTA SERVICES, INC. AND SUBSIDIARIES

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QUANTA SERVICES, INC. AND SUBSIDIARIES

PART I, ITEM 1--FINANCIAL INFORMATION

SUPPLEMENTAL 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 contracting and maintenance services primarily related to electric, utility 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"). Quanta acquired twelve additional businesses in 1998 and nine additional businesses through March 31, 1999. Of these additional acquired businesses, two were accounted for as poolings-of-interests and are referred to herein as the "Pooled Companies". 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.

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 acquisitions of the Pooled Companies. 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, and the Purchased Companies from their respective dates of acquisition.

The accompanying pro forma combined statement of operations of the Company for the three months ended March 31, 1998, include the combined operations of the Pooled Companies and the Founding Companies from January 1, 1998, and the Purchased Companies from the date of their respective acquisition.

The unaudited pro forma combined statement of operations for the three months ended March 31, 1998 assumes that the Offering and related transactions were closed on January 1, 1998 and presents 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 for the Founding Companies based on pro forma operating results.

The unaudited pro forma combined statement of operations for the three months ended March 31, 1998 is 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 and the Pooled Companies were not under common control or management for a portion of the period presented, historical pro forma 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 Annual Report on Form 10-K which was filed with the Securities and Exchange Commission on March 31, 1999.

QUANTA SERVICES, INC. AND SUBSIDIARIES

SUPPLEMENTAL COMBINED STATEMENTS OF OPERATIONS
(In thousands, except per share information)
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31 ,

	1998	1999	
	(Pro Forma)		
<S>	<C>	<C>	
Revenues	$ 46,766	$127,779	
Cost of services (including depreciation)	39,169	104,871	
Gross profit	7,597	22,908	
Selling, general and administrative expenses	4,478	11,982	
Merger expenses--pooling	--	137	
Goodwill amortization	414	1,498	
Income from operations	2,705	9,291	
Other income (expense):			
Interest expense	(379)	(2,224)	
Other income (expense), net	119	320	
Income before income tax provision	2,445	7,387	
Provision for income taxes	933	3,964	(a)
Net income	$ 1,512	$ 3,423	
Basic earnings per share	$ 0.09	$ 0.13	
Diluted earnings per share	$ 0.09	$ 0.13	
Diluted earnings per share before merger expenses	$ 0.09	$ 0.16	(b)
Shares used in computing earnings per share--			
Basic	17,428	26,024	
Diluted	17,490	30,139	

</TABLE>

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(a) Includes a non-cash, non-recurring deferred tax charge of $677,000 as a result of a change in the tax status from an S corporation to a C corporation of a company acquired in a pooling transaction during the first quarter of 1999.

(b) Excludes a non-cash, non-recurring deferred tax charge of $677,000 as a result of a change in the tax status from an S corporation to a C corporation of a company acquired in a pooling transaction during the first quarter of 1999. In addition, it excludes non-recurring merger expenses of $137,000 related to this transaction.

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

(1) Shares Used in Computing Earnings Per Share

The pro forma basic earnings per share calculation for the three months ended March 31, 1998 include the pro forma effect of the shares issued to the Founding Companies, the Pooled Companies, the Limited Vote Common Stock and the Offering as though they were outstanding the entire period. Pro forma diluted earnings per share include the shares described previously and the dilution of 61,817 shares attributable to outstanding options to purchase common stock, using the treasury stock method.

Basic earnings per share for the three months ended March 31, 1999 are based on the weighted average shares of common stock and Limited Vote Common Stock outstanding. Diluted earnings per share is based on the weighted average shares of common stock and Limited Vote Common Stock outstanding and the dilution of 525,992 attributable to outstanding options to purchase common stock, using the treasury stock method. In addition, it includes the dilution attributable to the assumed conversion of the Convertible Subordinated Notes. Included in net income used in computing diluted earnings per share is approximately $542,000 in reduced interest expense, net of tax, attributable to the assumed conversion of the Convertible Subordinated Notes.

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
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	DECEMBER 31, 1998	MARCH 31, 1999
CURRENT ASSETS:		(UNAUDITED)

Cash	$ 3,246	$ 5,257
Accounts receivable, net of allowance of $1,405 and $1,889	76,040	114,085
Costs and estimated earnings in excess of billings on uncompleted contracts	22,620	41,662
Inventories	2,534	6,141
Prepaid expenses and other current assets	4,352	5,214
Total current assets	108,792	172,359
PROPERTY AND EQUIPMENT, net	74,212	93,219
OTHER ASSETS, net	5,190	5,543
GOODWILL, net	150,887	283,083
Total assets	$339,081	$554,204

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 4,357	$ 3,392
Accounts payable and accrued expenses	40,298	68,778
Billings in excess of costs and estimated earnings on uncompleted contracts	7,031	9,980
Total current liabilities	51,686	82,150
LONG-TERM DEBT, net of current maturities	60,281	85,434
CONVERTIBLE SUBORDINATED NOTES	49,350	49,350
DEFERRED INCOME TAXES AND OTHER NON-CURRENT LIABILITIES	6,261	7,500
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.00001 par value, 10,000,000 shares authorized, none issued and outstanding	--	--
Common Stock, $.00001 par value, 36,654,667 shares authorized, 18,557,949 and 25,677,410 shares issued and outstanding, respectively	--	--
Limited Vote Common Stock, $.00001 par value, 3,345,333 shares authorized, 3,345,333 and 3,341,451 shares issued and outstanding, respectively	--	--
Unearned ESOP shares	(1,831)	(1,831)
Additional paid-in capital	145,194	300,038
Retained earnings	28,140	31,563
Total stockholders' equity	171,503	329,770
Total liabilities and stockholders' equity	$339,081	$554,204

</TABLE>

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)

<TABLE>

	THREE MONTHS ENDED MARCH 31,	
	1998	1999
Revenues	$ 32,230	$127,779
Cost of services (including depreciation)	26,996	104,871
Gross profit	5,234	22,908
Selling, general and administrative expenses	3,522	11,982
Merger expenses--pooling	--	137
Goodwill amortization	196	1,498
Income from operations	1,516	9,291
Other income (expense):		
Interest expense	(416)	(2,224)
Other income (expense), net	73	320
Income before income tax provision	1,173	7,387
Provision for income taxes	356	3,964 (a)

Net income	$ 817	$ 3,423
Basic earnings per share	$ 0.08	$ 0.13
Diluted earnings per share	$ 0.08	$ 0.13
Diluted earnings per share before merger expenses	$ 0.08	$ 0.16 (b)
Shares used in computing earnings per share--		
Basic	10,518	26,024
Diluted	10,580	30,139

</TABLE>
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(a) Includes a non-cash, non-recurring deferred tax charge of $677,000 as a result of a change in the tax status from an S corporation to a C corporation of a company acquired in a pooling transaction during the first quarter of 1999.
(b) Excludes a non-cash, non-recurring deferred tax charge of $677,000 as a result of a change in the tax status from an S corporation to a C corporation of a company acquired in a pooling transaction during the first quarter of 1999. In addition, it excludes non-recurring merger expenses of $137,000 related to this transaction.

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>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1998	1999
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 817	$ 3,423
Adjustments to reconcile net income to net cash provided by (used in) operating activities--		
Depreciation and amortization	1,159	5,350
Gain on sale of property and equipment	(49)	(34)
Deferred income taxes	105	690
Changes in operating assets and liabilities, net of non-cash transactions--		
(Increase) decrease in--		
Accounts receivable	(3,910)	(11,998)
Inventories	(606)	(822)
Costs and estimated earnings in excess of billings on uncompleted contracts	(949)	(10,875)
Prepaid expenses and other current assets	6	(676)
Increase (decrease) in--		
Accounts payable and accrued expenses	5,117	7,905
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,585)	2,476
Other, net	32	154
Net cash provided by (used in) operating activities	137	(4,407)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	816	287
Additions of property and equipment	(2,951)	(8,580)
Cash paid for acquisitions, net of cash acquired	(12,057)	(97,584)
Net cash used in investing activities	(14,192)	(105,877)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	2,579	2,428
Payments on long-term debt	(18,157)	(15,657)
Issuances of common stock, net of offering costs	45,109	101,119
Net borrowings under bank lines of credit	--	24,405
Distributions to accounting acquiror	(8,370)	--
Other, net	(2,526)	--
Net cash provided by financing activities	18,635	112,295

NET INCREASE IN CASH	4,580	2,011
CASH, beginning of period	489	3,246
CASH, end of period	$ 5,069	$ 5,257
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for--		
Interest	$ 380	$ 1,940
Income taxes	263	5,438

</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 contracting and maintenance services primarily related to electric, utility 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"). Quanta acquired twelve additional businesses in 1998 and nine additional businesses through March 31, 1999. Of the additional acquired businesses, two were accounted for as poolings-of-interests and are referred to herein as the "Pooled Companies". The remaining acquired businesses were accounted for as purchases and are referred to herein as the "Purchased Companies" (together with the Founding Companies and the Pooled Companies, the "Acquired Businesses"). Quanta intends to continue to acquire through merger or purchase similar companies to expand its national and regional operations.

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 acquisitions of the Pooled Companies. 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, and the Purchased Companies beginning on their respective dates of acquisition. References herein to the "Company" include Quanta and its subsidiaries.

Interim Condensed Consolidated Financial Information

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and 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 Services, Inc. and subsidiaries included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 31, 1999.

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. PER SHARE INFORMATION:

Basic earnings per share calculations are based on the weighted average shares of common stock and Limited Vote Common Stock outstanding. Diluted earnings per share calculations are based on the weighted average shares of common stock and Limited Vote Common Stock outstanding and the dilution of 61,817 and 525,992 shares in 1998 and 1999, respectively, attributable to outstanding options to purchase common stock, using the treasury stock method. In addition, for the three months ended March 31, 1999, diluted earnings per share includes the dilution attributable to the assumed conversion of the Convertible Subordinated Notes. Included in net income used in computing diluted earnings per share for the three months ended March 31, 1999 is approximately $542,000 in reduced interest expense, net of tax, attributable to the assumed conversion of the Convertible Subordinated Notes.

3. BUSINESS COMBINATIONS:

Poolings

During 1998 and the quarter ended March 31, 1999, the Company acquired all of the outstanding stock of two companies in exchange for 1,162,572 shares of common stock. These companies provide specialty contracting services to the cable television and telecommunications industries. These acquisitions have been accounted for as poolings-of-interests and the results of their operations are included for all periods presented herein.

Purchases

During the first quarter of 1999, the Company has completed eight acquisitions accounted for as purchases. The aggregate consideration paid in these transactions consisted of approximately $100.0 million in cash and notes and 2.5 million shares of common stock. The accompanying balance sheet as of March 31, 1999 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 Company's results of operations for the year ended December 31, 1998 and the three months ended March 31, 1999. The unaudited data presented below consists of statements of operations data as presented in these condensed consolidated financial statements plus (i) statements of operations data of the Founding Companies for the periods prior to February 19, 1998, (ii) the effects of the Pooled Companies and (iii) all Purchased Companies as if the acquisitions were effective on the first day of the period being reported. The unaudited revenue and net income data are in thousands.

<TABLE>
<CAPTION>

	Year Ended December 31, 1998	Three Months Ended March 31, 1999
<S>	<C>	<C>
Revenues	$627,469	$147,705
Net income	$ 37,853	$ 4,006
Basic earnings per share	$ 1.30	$ 0.14
Diluted earnings per share	$ 1.23	$ 0.14

</TABLE>

Pro forma adjustments included in the amounts above primarily relate to: (a) contractually agreed reductions in salaries and benefits for former owners, and certain key employees; (b) adjustment to depreciation and amortization expense due to the purchase price allocations; (c) the assumed reductions in interest expense due to

unassumed debt and the refinancing of the outstanding indebtedness in conjunction with the acquisition of the Founding Companies and Purchased Companies, offset by an assumed increase in interest expense incurred in connection with financing the acquisitions; (d) elimination of non-recurring acquisition costs associated with the Pooled Companies; (e) the incremental interest expense and amortization of deferred financing costs incurred as a result of the issuance of the Convertible Subordinated Notes (as defined in Note 7), net of the repayment of outstanding indebtedness of the Company; (f) the reduction in interest expense related to the repayment of debt from

proceeds of the secondary offering of common stock completed in January 1999, as if the offering had been completed at the beginning of all periods presented and (g) 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.

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. In addition, during the first quarter of 1999, a non-cash, non-recurring tax charge of $677,000 was recorded as a result of a change in the tax status from an S Corporation to a C Corporation of a company acquired in a pooling transaction.

5. COMMITMENTS AND CONTINGENCIES:

The Company issued shares of common stock to an Employee Stock Ownership Plan (the "ESOP") in connection with the acquisition of one of the Pooled Companies. 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. Upon distribution from the ESOP, the Company will owe an excise tax equal to 10 percent 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. 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. However, based on the closing price of the Company's common stock on March 31, 1999, the amount of such charges would be approximately $772,000 and $3,209,000, respectively.

6. NEW PRONOUNCEMENT:

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.

7. DEBT:

Credit Facility

The Company has a $175.0 million revolving credit facility (the "Credit Facility") with a group of nine banks. The Credit Facility is secured by a pledge of all of the capital stock of the Company's material operating subsidiaries and the majority of the Company's assets 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" which was 4.94% at March 31, 1999) plus 1.00% to 2.00%, 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 (which was 7.75% at March 31, 1999) 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 Credit Facility matures August 2, 2003. 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 March 31, 1999, $81.0 million was borrowed under the Credit Facility, and the Company had $3.5 million of letters of credit outstanding, resulting in a borrowing availability of $90.5 million under the Credit Facility.

Strategic Investment

In October 1998, the Company entered into a strategic investment agreement with Enron Capital & Trade Resources Corp. ("Enron Capital"), a subsidiary of Enron Corp., pursuant to which Enron Capital and an affiliate made an investment of $49.4 million in Quanta. The investment is in the form of Convertible Subordinated Notes bearing interest at 6 7/8 percent and convertible into Quanta common stock at a price of $13.75 per share. Additionally, Quanta and Enron Capital entered into a strategic alliance under which Enron Capital and Quanta will exchange information regarding the design, construction and maintenance of electric power transmission and distribution systems and fiber optic communications systems. The Convertible Subordinated Notes require quarterly interest payments and equal semi-annual principal payments beginning in 2006 until the notes are paid in full in 2010. The Company has the option to redeem the notes at a premium beginning in 2002.

8. SEGMENT INFORMATION:

The Company operates in one reportable segment as a specialty contractor. The Company provides contracting and maintenance services including services for electric utility infrastructure, telecommunications, transportation control and lighting systems and commercial and industrial services. Each of these services is provided by various of the Company's subsidiaries and discrete financial information is not provided to management at the service level. The following table presents information regarding revenues derived from the services noted above.

<TABLE>
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	Three Months Ended March 31,	
	1998	1999
	(In thousands)	
<S>	<C>	<C>
Electric utility infrastructure	$ 18,430	$ 68,502
Telecommunications	9,639	39,615
Transportation control and lighting systems	2,156	4,690
Commercial and industrial	2,005	14,972
	$ 32,230	$127,779

</TABLE>

The Company does not have significant operations or long-lived assets in countries outside of the United States.

9. SUBSEQUENT EVENTS:

Business Combinations

Subsequent to March 31, 1999 and through May 13, 1999, the Company acquired two additional companies for an aggregate consideration of approximately $13.8 million in cash and 485,029 shares of common stock. The cash portion of such consideration was provided by borrowings under the Company's credit facility.

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 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 31, 1999, and which is available at the SEC's Web site at www.sec.gov.

Quanta derives its revenues from one reportable segment by providing specialty contracting and maintenance services related to electric and telecommunications infrastructure, installing transportation control and lighting systems, and providing specialty contracting services to the commercial and industrial markets. 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. Quanta'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, we seek to maintain higher margins on our labor-intensive projects. Certain of our subsidiaries were previously subject to deductibles ranging from $100,000 to $1,000,000 for workers' compensation insurance. Fluctuations in insurance accruals related to this deductible could have an 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 management, administrative salaries and benefits, marketing, office rent and utilities, communications and professional fees.

Results of Operations--Historical

The unaudited historical combined statements of operations for the three months ended March 31, 1998 and 1999 reflect the historical operations of PAR and the Pooled Companies. 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 March 31,			
	1998		1999	
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Revenues	$32,230	100.0%	$127,779	100.0%
Cost of services	26,996	83.8	104,871	82.1
Gross profit	5,234	16.2	22,908	17.9
Selling, general and administrative expenses	3,522	10.9	11,982	9.4
Merger expenses--pooling	--	--	137	0.1
Goodwill amortization	196	0.6	1,498	1.2
Income from operations	1,516	4.7	9,291	7.2
Interest expense	416	1.3	2,224	1.7
Other income (expense), net	73	0.2	320	0.3
Income before income tax provision	1,173	3.6	7,387	5.8
Provision for income taxes	356	1.1	3,964	3.1
Net income	$ 817	2.5%	$ 3,423	2.7%

</TABLE>

Combined Results For The Three Months Ended March 31, 1998 Compared To The Three Months Ended March 31, 1999

Revenues. Revenues increased $95.5 million, or 296.5 percent, to $127.8 million for the three months ended March 31, 1999. This increase in revenues was primarily attributable to the contribution of $72.1 million of revenues in

1999 from companies purchased subsequent to March 31, 1998, inclusion of revenues of the Founding Companies for the full quarter and increased demand for the Company's services in 1999.

Gross profit. Gross profit increased $17.7 million, or 337.7 percent, to $22.9 million for the three months ended March 31, 1999. Gross margin increased from 16.2 percent for the three months ended March 31, 1998 to 17.9 percent for the three months ended March 31, 1999. This increase was due to a higher mix of higher margin telecommunications contracts in 1999 compared to 1998 and slightly improved margins from electric utility infrastructure services.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $8.5 million, or 240.2 percent, to $12.0 million for the three months ended March 31, 1999. This increase was due to the acquisition of the Purchased Companies, increases in selling and administrative salaries required to support the higher level of revenues generated from an increased volume of projects, and the increased costs related to the Company's corporate infrastructure.

Interest expense. Interest expense increased $1.8 million, or 434.6%, to $2.2 million for the three months ended March 31, 1999. This increase in interest expense is attributable to higher levels of debt resulting from cash paid and debt assumed with the acquisition of certain Purchased Companies. In addition, the Company borrowed funds under the Credit Facility for equipment purchases and other operating activities in connection with the addition of the Purchased Companies through the first quarter of 1999. Also, interest expense increased due to the issuance of the Convertible Subordinated Notes, partially offset by lower overall effective borrowing rates in 1999 versus 1998.

Liquidity and Capital Resources

In February 1999, the Company completed a follow-on public offering of common stock, which included the issuance of 4,600,000 shares of common stock (including 600,000 shares pursuant to the underwriters' over-allotment option) at a price of $23.25 per share (before deducting underwriting discounts and commissions). The Company realized proceeds from this transaction, net of the discounts and after deducting the expenses of the offering, of approximately $101.1 million. Of this amount, the Company used $57.8 million to repay outstanding indebtedness under the Credit Facility and the remainder to acquire additional businesses.

As of March 31, 1999, Quanta had cash of $5.3 million, working capital of $90.2 million and long-term debt of $85.4 million, net of current maturities, including borrowings of $81.0 million under the Credit Facility. The Company also had $3.5 million of letters of credit outstanding under the Credit Facility. In addition, the Company had $49.4 million of Convertible Subordinated Notes.

During the three months ended March 31, 1999, operating activities utilized net cash flow of $4.4 million. Changes in working capital accounts are driven predominantly by the acquisitions throughout the quarter and as such are not comparable to prior periods. We used net cash in investing activities of $105.9 million, including $97.6 million used for the purchase of businesses, net of cash acquired. Financing activities provided a net cash flow of $112.3 million, resulting primarily from $101.1 million of net proceeds from the follow-on offering, and $24.4 million from net borrowings under our Credit Facility, partially offset by $15.7 million in repayments of debt assumed in connection with acquisitions.

The Company has a $175.0 million revolving Credit Facility (the "Credit Facility") with a group of nine banks. The Credit Facility is secured by a pledge of all of the capital stock of the Company's material operating subsidiaries and the majority of the Company's assets 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 1.00 percent to 2.00 percent, 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 percent, as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.175 percent to 0.30 percent (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 Credit Facility, and the Credit 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 ratios and indebtedness covenants and a requirement to obtain the consent of the lenders for acquisitions exceeding a certain level of cash consideration. As of May 13, 1999 the Company had approximately $105.6 million in outstanding borrowings under the Credit Facility and $4.1 million of letters of credit outstanding, resulting in a

borrowing availability of $65.3 million under the revolving Credit Facility.

Additionally, on October 5, 1998, we issued and sold $49.4 million of Convertible Subordinated Notes bearing interest at 6 7/8% to Enron Capital and one of its affiliates. We used the proceeds of the Convertible Subordinated Notes to reduce outstanding borrowings under the Credit Facility. The Convertible Subordinated Notes include restrictive covenants substantially similar to those included in the Credit Facility. The Convertible Subordinated Notes are convertible into common stock at any time at the option of the holder at a conversion price of $13.75 per share, subject to adjustment. The Convertible Subordinated Notes are nonredeemable for four years and are redeemable thereafter at our option at a redemption price which is initially $103.50 per $100.00 principal amount, with such premium declining ratably over the succeeding four years. The Convertible Subordinated Notes are mandatorily redeemable in nine semi-annual installments beginning in June 2006. Upon a change in control, the Convertible Subordinated Notes are mandatorily redeemable at a redemption price which is initially $107.00 per $100.00 principal amount, with such premium declining ratably over eight years following the date of issuance.

The Company issued shares of common stock to an Employee Stock Ownership Plan (the "ESOP") in connection with the acquisition of one of the Pooled Companies. 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. Upon distribution from the ESOP, the Company will owe an excise tax equal to 10 percent 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. 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. However, based on the closing price of the Company's common stock on March 31, 1999, the amount of such charges would be approximately $772,000 and $3,209,000, respectively.

Through May 12, 1999 the Company has acquired 23 companies in addition to the Founding Companies for an aggregate consideration of 8.2 million shares of Common Stock and $198.4 million in cash and notes. The cash portion of such consideration was provided by borrowings under the Company's Credit Facility and proceeds from the Offering and our second public offering of common stock. The timing size or success of any acquisition effort and the associated potential capital commitments cannot be predicted.

The Company expects to continue its aggressive acquisition program. The Company intends to continue to use a combination of cash, notes 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. The Company anticipates that its cash flow from operations and the Credit Facility will provide sufficient cash to enable the Company to meet its working capital needs, debt service requirements and planned capital expenditures for property and equipment for at least the next 12 months.

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. Typically, the Company experiences lower gross margins and operating margins during the winter months. 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

Impact of Year 2000. Many currently installed computer systems and software products are coded to accept only two-digit entries in the date code field. Beginning in the year 2000, these date code fields will need to accept four-digit entries to distinguish 21st century dates from 20th century dates. As a result, computer systems and

software used by many companies may need to be upgraded to comply with such "Year 2000" requirements. Significant uncertainty exists concerning the potential effects associated with such compliance, but systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

State of Readiness. We have assessed our Year 2000 issues and have developed a plan to address both the information technology ("IT") and non-IT systems issues. We have not developed any of the systems we use in our business; consequently, we believe our Year 2000 issues relate to systems that different vendors have developed and sold to us. We assess Year 2000 issues relating to the operating and other systems of all business we may acquire. Since our acquisition program is ongoing, our assessment of potential Year 2000 issues is not complete.

We have circulated a formal questionnaire to all of our significant suppliers, customers and service providers to determine the extent to which Quanta is vulnerable to those third parties' failure to remediate the Year 2000 problem. We have received assurances of Year 2000 compliance from many of our suppliers, customers and service providers, including the providers of most of our computer systems and the providers of financial services to us. In addition, we have hired a consultant to assist us in evaluating the responses we receive from our suppliers, customers and service providers. Because of the nature of our business and the number of vendors available to us, we believe that our operations will not be significantly disrupted even if third parties with whom we have relationships are not Year 2000 compliant.

Costs to Address the Year 2000 Issue. We have not identified any material systems which are not Year 2000 compliant, although seven of our Acquired Businesses have systems which are not Year 2000 compliant. Three of the systems require only minor software upgrades to a current version. For the remaining four companies, we plan to have replacements for these systems operational by December 31, 1999, at an estimated cost of $350,000, as part of our previously planned systems integration program which will be funded from cash flows from operations. To date, costs incurred to address Year 2000 compliance have been internal in nature and have been charged to income as incurred. We have not delayed any IT projects due to our Year 2000 compliance program.

Risks to the Company and Contingency Plan. In the worst case scenario, if the replacements and modifications are not completed, our operating subsidiaries may experience temporary problems with certain computer systems that contain date critical functions. We believe that any temporary disruptions from the failures of our own systems would not be material to our overall business or results of operations. However, should our customers experience a sustained period of unanticipated disruption because of Year 2000 problems, our customers may delay the award of new contracts or payment for work already completed, and our business, results of operations and financial condition may be materially and adversely affected. As a contingency plan, immediately prior to January 1, 2000, we intend to maintain an adequate supply of fuel and spare parts so that we can continue to operate normally until such time as any temporary Year 2000 problems related to our operations are remedied. The Company will continue throughout 1999 to consider the likelihood of a material business interruption due to the Year 2000 issue.

While we have made a careful assessment of both our own internal operating systems and the Year 2000 compliance of our suppliers, customer and service providers, because of the complexity of the problem, we cannot be certain that all of our own systems and those of third parties with whom we operate will be made Year 2000 compliant in a timely manner or that any such failure to be Year 2000 compliant will not materially and adversely affect our business, results of operations or financial condition.

PART II--OTHER INFORMATION

Item 2. Changes in Securities.

(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 March 31, 1999 that were not

registered under the Securities Act of 1933, as amended (the "Securities Act").

Between January 1, 1999 and March 31, 1999, the Company issued 2,713,021 shares of common stock as part of the consideration for certain acquisitions. 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.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

<TABLE>
<C> <S>
10.1* --Quanta Services, Inc. Management Incentive Bonus Plan for Fiscal Year Ending December 31, 1999
27.1 --Financial data schedule
</TABLE>

- --------

* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission for confidential treatment.

(b) Reports on Form 8-K:

On February 26, 1999, the Company filed a Current Report on Form 8-K to report the Company's acquisition of The Ryan Company, Inc. and Northern Line Layers, Inc. on February 12, 1999 and February 16, 1999, respectively. These acquisitions were accounted for as purchases.

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: May 14, 1999

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

INDEX TO EXHIBITS

<TABLE>
<CAPTION>
Exhibit No. | Description
<C> <S>
10.1* --Quanta Services, Inc. Management Incentive Bonus Plan for Fiscal Year Ending December 31, 1999
27.1 --Financial data schedule
</TABLE>

- --------

* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission for confidential treatment.

EXHIBIT 10.1

PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION FOR CONFIDENTIAL TREATMENT. OMISSIONS ARE DENOTED BY OPENING AND CLOSING BRACKETS AS FOLLOWS: [ ].

QUANTA SERVICES, INC.

MANAGEMENT INCENTIVE BONUS PLAN
FISCAL YEAR ENDING DECEMBER 31, 1999

I. DEFINITIONS

A. "Bonus Pool" the aggregate amount of bonuses to be paid. The Bonus Pool will be calculated as the lower of (a) 10% of the Profits of the Business Unit, (b) 30% of the Profits in excess of the Budget of the Business Unit, or (c) the aggregate of the Maximum Bonuses of the Business Unit.

B. "Budget" anticipated operating performance, as developed at the beginning of the year and approved by the Board of Directors of Quanta.

C. "Business Unit" - location, district, area, region or other defined profit center of the Company for purposes of a bonus calculation.

D. "PWR" - Quanta Services, Inc., a Delaware corporation.

E. "Company" - Quanta Services, Inc., a Delaware corporation, and its subsidiary and affiliated companies.

F. "Committee" - the Compensation Committee of the Board of Directors of PWR.

G. "Overall Corporate EPS Target" - the budget for fully diluted Earnings Per Share as approved by the Board of Directors of PWR at the beginning of the fiscal year, prior to adjustment for any management incentive bonus accruals/payments under the Plan.

H. "Participant" - a full-time management employee of the Company who is deemed eligible to participate in the Plan.

I. "Profits" - Earnings before income taxes, goodwill amortization, gains/losses on disposal of assets and other unusual non-recurring items.

J. "Maximum Bonus" - calculated based upon a percentage to be applied to the base annual salary of each individual Participant in the Plan at a given Business Unit.

II. PROCEDURES

A. At the beginning of each fiscal year, the CEO of PWR will approve the Participants to be included in the Plan and the applicable Maximum Bonus percentage for each Participant. He also will determine their applicable Business Units for purposes of applying this Plan. Upon approval by the CEO of PWR, additional Participants may be added during the year on a pro-rata basis, but no additions may be made during the final five months of the fiscal year.

B. As soon as practicable after release of the annual earnings of PWR to the public and in no event later than May 31st, calculations of the actual bonus amounts due to each Participant shall be made and bonuses paid in cash.

C. Only those Participants who are employed by the Company on the last day of the fiscal year shall be eligible to receive a bonus. In addition, any Participants who voluntarily resign from the Company prior to the annual earnings announcement shall forfeit any bonus.

D. Any discretionary bonuses for Participants with responsibility for a specific Business Unit(s) will be determined based upon the discretion of the CEO of PWR, subject to approval by the Committee. The CEO of PWR will recommend any discretionary bonuses for Participants with Corporate responsibilities, subject to approval by the Committee. The Committee will determine if the CEO and any other officers of PWR who are subject to Section 16 of the Securities Act are entitled to any discretionary bonus.

E. Acquisitions - if tuck-in or other such acquisitions are made during

the course of the year, a Budget will be developed for such acquisition for the remainder of the year and added to the existing Budget of the Business Unit having ongoing responsibility for such acquisition. Comparisons to prior years amounts will be based as close as practicable on pro-forma prior year results of the acquired entity,

F. Administration of this Plan, consistent with its terms, has been delegated to the CEO of PWR by the Committee, which retains the right to decide all matters of interpretation and decision(s) of the Committee shall be final and binding. The Committee also retains the right to change, prospectively or retroactively, any and all terms of this Plan by a majority vote of its members.

III. PERFORMANCE CRITERIA AND MEASUREMENT

A. For those Participants with direct responsibilities for the operations of a specific Business Unit(s), there will be three elements of performance on which bonuses can be earned, two of which are quantitative and one qualitative. These criteria and the percentage of the total Bonus Pool allocable to each are as follows:

1. [ ]

2. [ ]

3. [ ]

B. For those Participants who are PWR corporate employees and have broad responsibilities covering all Business Units, the criteria and percentage of Maximum Bonus will be based upon:

1. [ ]

2. [ ]

IV. CALCULATION OF BONUS AMOUNT

A. For those Participants with responsibility for a specific Business Unit(s):

1. [ ]

2. [ ]

3. [ ]

4. [ ]

B. For Participants with Quanta corporate responsibilities-.

1. [ ]

2. [ ]

3. [ ]

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