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

FORM 8-K / A

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

DATE OF REPORT (*October 1, 2009*): December 11, 2009

QUANTA SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-13831

(Commission File No.)

74-2851603

(IRS Employer Identification No.)

**1360 Post Oak Boulevard, Suite 2100
Houston, Texas 77056**

(Address of principal executive offices, including ZIP code)

(713) 629-7600

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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This Amendment No. 1 amends the Current Report on Form 8-K that Quanta Services, Inc. (" **Quanta**") filed with the Securities and Exchange Commission on October 7, 2009, concerning the completion of its acquisition of Price Gregory Services, Incorporated ("**Price Gregory**"), to include the financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K and to include exhibits under Item 9.01(d) of Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired. The condensed consolidated financial statements of Price Gregory as of June 30, 2009 and for the six months ended June 30, 2009 and five months ended June 30, 2008 are attached as Exhibit 99.1 to this Current Report on Form 8-K/A and are filed herewith. The consolidated financial statements of Price Gregory as of and for the eleven months ended December 31, 2008 are attached as Exhibit 99.2 to this Current Report on Form 8-K/A and are filed herewith. The combined consolidated financial statements of H.C. Price Company as of and for the one month ended January 31, 2008 are attached as Exhibit 99.3 to this Current Report on Form 8-K/A and are filed herewith. The combined consolidated financial statements of H.C. Price Company as of and for the years ended December 31, 2007 and 2006 are attached as Exhibit 99.4 to this Current Report on Form 8-K/A and are filed herewith.

(b) Unaudited Pro Forma Financial Information. The unaudited pro forma combined condensed financial statements and accompanying notes of Quanta as of and for the six month period ended June 30, 2009, and for the year ended December 31, 2008, relating to Quanta's acquisition of Price Gregory are attached to this Current Report on Form 8-K/A as Exhibit 99.5 and are filed herewith. The pro forma information was prepared using the historical consolidated financial statements of Quanta and Price Gregory.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Exhibit</u>
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
99.1	Unaudited condensed consolidated financial statements of Price Gregory Services, Incorporated as of and for the six months ended June 30, 2009 and five months ended June 30, 2008.
99.2	Consolidated financial statements of Price Gregory Services, Incorporated as of and for the eleven months ended December 31, 2008.
99.3	Combined consolidated financial statements of H.C. Price Company as of and for the one month ended January 31, 2008.
99.4	Combined consolidated financial statements of H.C. Price Company as of and for the years ended December 31, 2007 and 2006.
99.5	Unaudited pro forma combined condensed financial statements and accompanying notes of Quanta Services, Inc. as of and for the six month period ended June 30, 2009, and for the year ended December 31, 2008.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

QUANTA SERVICES, INC.

By /s/ DERRICK A. JENSEN

Derrick A. Jensen

Vice President and

Chief Accounting Officer

Dated: December 11, 2009

Exhibit Index

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99.5	Unaudited pro forma combined condensed financial statements and accompanying notes of Quanta Services, Inc. as of and for the six month period ended June 30, 2009, and for the year ended December 31, 2008.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-47069, 333-56849, 333-103570, 333-143923 and 333-142279) and Form S-3 (Nos. 333-81419, 333-90961, 333-39744, 333-111738, 333-114938, 333-119134 and 333-136819) of Quanta Services, Inc. of our report dated April 24, 2009 relating to the financial statements of Price Gregory Services, Incorporated which appears in the Current Report on Form 8-K/A of Quanta Services, Inc. dated December 11, 2009.

/s/ PricewaterhouseCoopers LLP

Houston, TX

December 11, 2009

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-47069, 333-56849, 333-103570, 333-143923 and 333-142279) and Form S-3 (Nos. 333-81419, 333-90961, 333-39744, 333-111738, 333-114938, 333-119134 and 333-136819) of Quanta Services, Inc. of our reports dated July 22, 2009 and June 30, 2008 relating to the financial statements of H.C. Price Company which appear in the Current Report on Form 8-K/A of Quanta Services, Inc. dated December 11, 2009.

/s/ PricewaterhouseCoopers LLP

Houston, TX

December 11, 2009

Price Gregory Services Incorporated

Condensed Consolidated Financial Statements

Six months ended June 30, 2009 and five months ended June 30, 2008

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Price Gregory Services Incorporated
Condensed Consolidated Balance Sheets *(unaudited)*

(In thousands except share amounts)

	June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 83,691	\$ 96,024
Accounts receivable	151,922	132,900
Costs and estimated earnings in excess of billings on uncompleted construction contracts	104,615	22,168
Deferred construction costs	17,626	10,845
Prepaid expenses and other current assets	11,690	11,518
Prepaid taxes	12,002	4,251
Inventories	1,427	1,448
Total current assets	382,973	279,154
Property and equipment, net	161,628	161,237
Intangible assets, net	37,363	40,092
Goodwill	144,745	144,745
Other assets	1,339	99
Total assets	<u>\$ 728,048</u>	<u>\$ 625,327</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	\$ 1,598	\$ 445
Current maturities of long-term debt	22,274	21,981
Accounts payable	65,935	49,095
Accrued liabilities	64,542	38,767
Current taxes payable	15,273	9,964
Billings in excess of costs and estimated earnings on uncompleted construction contracts	50,043	54,153
Total current liabilities	219,665	174,405
Long-term debt, less current maturities	104,169	115,491
Casualty insurance reserve, less current portion	4,907	5,184
Deferred income taxes	60,687	59,240
Total liabilities	<u>389,428</u>	<u>354,320</u>
Commitments and contingencies (Note 13)		
Mandatorily redeemable preferred	82,332	83,665
Equity		
Common stock, \$0.001 par value, 1,500,000 authorized, 712,997 issued and outstanding	1	1
Additional paid-in capital	73,221	72,675
Retained earnings	192,187	125,490
Accumulated other comprehensive loss	(9,234)	(11,599)
Total shareholders' equity	256,175	186,567
Noncontrolling interest (Note 1)	113	775
Total equity	<u>256,288</u>	<u>187,342</u>
Total liabilities and equity	<u>\$ 728,048</u>	<u>\$ 625,327</u>

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

Price Gregory Services Incorporated
Condensed Consolidated Statements of Operations *(unaudited)*

(In thousands)

	Six months ended June 30, 2009	Five months ended June 30, 2008
Revenue:		
Revenue from construction contracts	\$ 610,305	\$ 392,576
Revenue from service contracts	49,893	39,520
Interest and other income (expense)	(562)	694
	<u>659,636</u>	<u>432,790</u>
Expenses:		
Cost from construction contracts	472,822	322,450
Cost from service contracts	33,267	27,647
General and administrative expense	21,580	18,310
Depreciation and amortization	14,613	11,903
Interest expense	2,104	3,670
	<u>544,386</u>	<u>383,980</u>
Income before taxes	115,250	48,810
Income tax expense	45,674	19,898
Net income	69,576	28,912
Net income attributable to noncontrolling interest	212	24
Mandatorily redeemable preferred dividends	2,667	1,667
Net income attributable to shareholders	<u>\$ 66,697</u>	<u>\$ 27,221</u>

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

Price Gregory Services Incorporated
Condensed Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	Six months ended June 30, 2009	Five months ended June 30, 2008
Cash flows from operating activities:		
Net income	\$ 69,576	\$ 28,912
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,613	11,903
Deferred taxes	4,159	4,585
Stock compensation expense	546	443
Loss on sale of property and equipment	719	25
Mark to market on interest rate cap	(239)	—
Accretion of debt fair market value adjustment	(99)	(147)
Changes in operating assets and liabilities:		
Accounts receivable	(18,249)	(65,497)
Costs and estimated earnings in excess of billings on uncompleted construction contracts	(82,382)	6,630
Deferred construction costs	(6,780)	(4,857)
Inventories	105	155
Prepaid expenses and other	(149)	(4,422)
Prepaid taxes	(7,751)	(8,285)
Accounts payable	19,201	8,989
Accrued liabilities	22,685	45,136
Current taxes payable	5,440	—
Billings in excess of costs and estimated earnings on uncompleted construction contracts	(4,111)	65,831
Other changes	(547)	(54)
Net cash provided by operating activities	16,737	89,347
Cash flows from investing activities:		
Proceeds from sale of available-for-sale securities	—	94
Purchases of property and equipment	(15,723)	(10,457)
Proceeds from sale of property and equipment	2,385	724
Distribution to noncontrolling parties	(1,004)	—
Cash paid for business combination, net of cash received	—	(151,862)
Net cash used in investing activities	(14,342)	(161,501)
Cash flows from financing activities:		
Proceeds from revolving credit facility	38,000	60,950
Repayments of revolving credit facility	(38,000)	(60,950)
Proceeds from long-term debt, net of issuance cost	—	98,354
Repayments of long-term debt	(5,000)	(14,975)
Payments on capital lease obligations	(5,930)	(2,017)
Borrowings on short-term debt	2,640	5,253
Repayments of short-term debt	(1,487)	(27,478)
Purchase of interest rate cap derivative	(1,000)	—
Mandatorily redeemable preferred dividends	(4,000)	—
Contributions from shareholders	—	41,300
Net cash provided by (used in) financing activities	(14,777)	100,437
Effect of foreign currency exchange rate change on cash	49	(277)
Net increase (decrease) in cash and cash equivalents	(12,333)	28,006
Cash and cash equivalents:		
Beginning of period	96,024	—
End of period	\$ 83,691	\$ 28,006

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

1. Summary of Significant Accounting Policies

Nature of Organization and Operating Cycle

Price Gregory Services Incorporated (the "Company" or "PGSI") is a Delaware corporation which was incorporated on January 31, 2008. The Company is engaged in the construction and servicing of pipelines and related projects for the petroleum and natural gas industries. Work is performed primarily under fixed-unit price contracts and cost-reimbursable contracts with contract incentive provisions. The Company uses union labor on the majority of its contracts.

The length of the Company's contracts varies but is typically between three to six months. In accordance with the normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and liabilities even when these amounts are realizable or payable over a period in excess of one year.

Basis of Presentation

The condensed consolidated balance sheet of the Company at December 31, 2008 was derived from the Company's audited consolidated financial statements as of that date, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The condensed consolidated balance sheet at June 30, 2009, the condensed consolidated statements of operations for the six month period ended June 30, 2009 and the five month period ended June 30, 2008, respectively, and the condensed consolidated statements of cash flows for the six month period ended June 30, 2009 and the five month period ended June 30, 2008, respectively, were prepared by the Company.

In the opinion of Company management, all adjustments, consisting of normal recurring adjustments, necessary to state fairly the consolidated financial position, results of operations and cash flows were recorded. The results of operations for the six month period ended June 30, 2009 are not necessarily indicative of the operating results for a full year or of future operations.

Certain information and footnote disclosures normally included in financial statements presented in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's consolidated financial statements for the eleven month period ended December 31, 2008.

In December 2007, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 160, *Non-controlling Interests in Consolidated Financial statements — an amendment of Accounting Research Bulletin No. 51*, which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company adopted SFAS No. 160 in the first quarter of 2009 and have included the non-controlling interest as a component of equity on the consolidated balance sheets and have included net income attributable to non-controlling interest in our consolidated net income. Certain reclassifications have been made to prior period accounts to conform to the current period presentation in accordance with SFAS No. 160.

For a description of the Company's accounting policies, refer to Note 3 of the 2008 consolidated financial statements.

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements (unaudited)

Principles of Consolidation

The condensed consolidated financial statements include the Company, its wholly owned subsidiaries and ownership interests in Price Ahtna J.V., Price Ahtna LLC, and Tikigag Conam, LLC (the "Joint Ventures"). The Company's wholly owned subsidiaries include Price Gregory International ("PGI"), Conam Construction Co. ("Conam"), and Price Gregory Construction ("PGC"), all U.S. companies, H.C. Price Canada Company, a Nova Scotia unlimited liability company and O.J. Pipelines Canada Corporation ("OJ"), a corporation organized under the laws of New Brunswick, Canada (the "Subsidiaries"). All significant intercompany accounts and transactions have been eliminated.

PGI has a 49% interest in Price Ahtna, J.V., and a 65% interest in Price Ahtna, LLC. Conam has a 49% interest in Tikigag Conam, LLC. The Company's total ownership from its investment exceeds fifty percent of the earnings derived from the businesses as a result of equipment services and sponsorship fees. As a result, the Company is considered to have the ability to direct policies and management of these entities, and accordingly, the balance sheets and the related statements of operations, changes in equity and cash flows of the joint venture and partnerships are included in the condensed consolidated financial statements. The earnings and equity attributable to other parties to the joint venture and partnerships are reflected in the noncontrolling interest captions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The use of estimated costs to complete each contract under the percentage-of-completion method, as discussed in Revenue Recognition in Note 3 of the 2008 consolidated financial statements, is a significant variable in the process of determining income earned and is a significant factor in the accounting for contracts. Additional significant items subject to such estimates and assumptions include the useful lives of fixed assets, allowances for doubtful accounts, employee benefit obligations, warranties, environmental liabilities, and other contingencies. Actual results could differ from these estimates.

Fair Value of Financial Instruments

Our financial instruments include cash, receivables, payables and debt. At June 30, 2009 and December 31, 2008, the estimated fair value of such financial instruments, except for debt, approximated their carrying value as reflected in our condensed consolidated balance sheets. As a result of the current credit environment, we believe that the fair value of our floating rate and fixed rate long-term debt does not approximate its carrying value as of June 30, 2009 and December 31, 2008. A summary of the fair value and carrying value of our long-term debt as of June 30, 2009 and December 31, 2008 is shown in the table below:

	As of June 30, 2009		As of December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed rate long-term debt	\$ 41,443	\$ 39,704	\$ 47,472	\$ 47,816
Floating rate long-term debt	85,000	81,961	90,000	86,733
Total long-term debt	<u>\$ 126,443</u>	<u>\$ 121,665</u>	<u>\$ 137,472</u>	<u>\$ 134,549</u>

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements (unaudited)

2. Business Acquisitions

On January 31, 2008, Price Gregory Services Incorporated was formed, capitalized through contributions from the management team and a private investor, SCF-VI, LP. In conjunction with the merger, PGSI then borrowed money under the credit agreement (Note 8) and acquired all outstanding capital stock of H.C. Price Co. ("HCP") and Gregory & Cook Construction, Inc. ("GCC").

As a result, all shares of HCP and GCC were replaced with shares of PGSI. The total purchase price of HCP and GCC was \$271.6 million paid with a combination of cash, equity and debt (in thousands):

Cash	\$ 161,622
Issuance of mandatorily redeemable preferred debt	79,999
Issuance of common stock	30,000
	<u>\$ 271,621</u>

Purchase price allocation to assets and liabilities at fair value is as follows (in thousands):

Cash	\$ 9,760
Current assets	126,981
Property and equipment	123,976
Intangible and other assets	49,966
Goodwill	144,745
Current liabilities, excluding debt	(75,096)
Debt	(52,943)
Other liabilities	(6,132)
Deferred taxes	(49,636)
Total purchase price allocated	<u>\$ 271,621</u>

The amount of goodwill of \$144.7 million resulting from the merger is considered to have an indefinite life and will not be amortized. Instead, goodwill will be reviewed annually for impairment or more frequently if indications of impairment exist.

The amount of finite life intangible assets (Note 6) includes \$34.1 million and \$15.7 million associated with trade names and contractual customer relationships, respectively. The intangible asset for trade names will be amortized on a straight line basis over thirty years. The intangible asset for contractual relationships will be amortized through 2010 based on the present value of expected income from these assets.

3. Accounts Receivable

Accounts receivable consists of the following (in thousands):

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Contract receivables	\$ 101,582	\$ 66,145
Retainage	49,335	63,722
Other	1,005	3,033
	<u>\$ 151,922</u>	<u>\$ 132,900</u>

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements (unaudited)

The Company believes no allowance for doubtful accounts is necessary at June 30, 2009.

4. Contracts in Progress

Revenues from construction contracts are recognized on a percentage-of-completion method, measured by the percentage of contract costs incurred to date to the total estimated costs for each contract, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Revenues from service and maintenance contracts are recognized when earned, as expenditures are incurred.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as payroll taxes and insurance. General and administrative costs are charged to expense as incurred. Total estimated costs, and thus contract income, are impacted by changes in productivity, scheduling, unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, customer needs, customer delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project's completion and thus the timing of revenue recognition. Such changes may result in revisions to cost and income and are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. An amount equal to contract costs attributable to claims is included in contract revenue when realization is probable and the amount can be reliably estimated.

Revenues recognized in excess of amounts billed are recorded as a current asset under the caption "costs and estimated earnings in excess of billings on uncompleted contracts." Billings in excess of revenues recognized are recorded as a current liability under the caption "billings in excess of costs and estimated earnings on uncompleted contracts."

Costs and estimated earnings on uncompleted construction contracts are as follows (in thousands):

	June 30, 2009	December 31, 2008
Costs incurred on uncompleted construction contracts	\$ 1,293,634	\$ 1,384,281
Estimated earnings	<u>328,752</u>	<u>358,497</u>
	1,622,386	1,742,778
Less: Billings to Date	<u>1,567,814</u>	<u>1,774,763</u>
	<u>\$ 54,572</u>	<u>\$ (31,985)</u>
Included in the accompanying balance sheet under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted construction contracts	\$ 104,615	\$ 22,168
Billings in excess of costs and estimated earnings on uncompleted construction contracts	<u>(50,043)</u>	<u>(54,153)</u>
	<u>\$ 54,572</u>	<u>\$ (31,985)</u>

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements (unaudited)

5. Property and Equipment

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

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Land	\$ 2,256	\$ 2,133
Construction equipment	135,115	135,872
Trucks and autos	42,819	33,113
Buildings, improvements and hardware	<u>6,852</u>	<u>6,057</u>
	187,042	177,175
Less: Accumulated depreciation	<u>25,414</u>	<u>15,938</u>
Net property and equipment	<u>\$ 161,628</u>	<u>\$ 161,237</u>

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, net of salvage value. The estimated useful life of new construction machinery and equipment ranges from three to 25 years, while the estimated useful life of office furniture and equipment is three to five years.

6. Goodwill and Other Intangibles

Statement of Financial Accounting Standard ("SFAS") No. 141(R), *Business Combinations*, requires that all assets acquired, including goodwill and other intangible assets, should be stated on the financial statements at fair value and requires that all intangible assets be recognized as assets apart from goodwill if they meet one of two criteria: (1) the contractual-legal criterion or (2) the separability criterion. Goodwill represents the excess of consideration over the fair value of tangible and identifiable intangible net assets acquired. Goodwill reflected in our balance sheet is associated with the value of the assembled and trained workforce and market share which does not qualify as a recognizable intangible asset. Certain assumptions and estimates are used in determining the fair value of assets acquired and liabilities assumed.

We perform an impairment test of goodwill assets annually or more often if indications of potential impairment exist. Our goodwill impairment test involves a comparison of the fair value of our company with the carrying value. Certain estimates and judgments are required in the application of the fair value models. If the carrying amount of the Company exceeds the implied fair value of the Company, we would recognize a goodwill impairment loss. If for any reason the fair value of our goodwill or that of our reporting units declines below the carrying value in the future, we may incur charges for the impairment.

Intangible assets consisted of the following at June 30, 2009 (in thousands):

	<u>Gross</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Balance</u>
Deferred debt issuance costs (5 year life)	\$ 1,646	\$ (462)	\$ 1,184
Trade names (30 year life)	34,105	(1,671)	32,434
Contractual customer relationships (3 year life)	15,740	(12,042)	3,698
Non-compete agreements (5 year life)	<u>65</u>	<u>(18)</u>	<u>47</u>
Intangible assets	<u>\$ 51,556</u>	<u>\$ (14,193)</u>	<u>\$ 37,363</u>

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements *(unaudited)*

Amortization expense for the five months ended June 30, 2008 and the six months ended June 30, 2009 was \$5.2 million and \$2.7 million, respectively. The weighted average amortization period for the identifiable intangibles is 21.1 years. The intangible asset for Contractual customer relationships acquired in connection with the merger are being amortized upon the expected cash flows over a three year period.

Estimated future intangible and deferred debt issuance cost amortization expense is as follows (in thousands):

Remainder of 2009	\$ 2,729
2010	3,255
2011	1,523
2012	1,523
2013	1,335
Thereafter	26,998
	<u>\$ 37,363</u>

7. Accrued Liabilities

Accrued liabilities consists of the following (in thousands):

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Payroll related liabilities	\$ 30,407	\$ 9,383
Bonuses/Benefit plan	11,991	6,983
State, property, sales and withholding taxes	3,304	6,081
Insurance premiums	3,687	4,202
Current deferred taxes	7,000	4,289
Short-term casualty insurance reserve	3,731	4,170
Other	4,422	3,659
	<u>\$ 64,542</u>	<u>\$ 38,767</u>

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements (unaudited)

8. Long-Term Debt

Long-term debt consists of the following (in thousands):

	June 30, 2009	December 31, 2008
Note payable to a financial services corporation in monthly payments of \$110,000 including interest at 6.09%, maturing in August 2010, collateralized by equipment	\$ 1,500	\$ 2,097
Note payable to a financial services corporation in monthly payments of \$247,000 including interest at 5.95%, maturing in March 2011, collateralized by equipment	4,919	6,232
Note payable to a financial services corporation in monthly payments of \$586,000 including interest at 4.22%-4.35%, maturing in May 2013, with a balloon of \$7,171,000 due June 2013, collateralized by equipment	31,306	34,237
Note payable to a financial services corporation in monthly payments of \$214,000 including interest at 4.21%, maturing in December 2010, collateralized by equipment	3,718	4,906
Term loan with financial institutions within our credit facility, payable in quarterly principal installments of \$2,500,000 and a balloon of \$50 million payable on December 31, 2012 and bearing interest at prime or at LIBOR plus 1.75%	85,000	90,000
	126,443	137,472
Less: Current maturities	(22,274)	(21,981)
Long-term debt	<u>\$ 104,169</u>	<u>\$ 115,491</u>

In conjunction with the formation of the Company, PGSI entered into a five-year \$225 million credit agreement, which consists of a \$125 million revolving credit facility and a \$100 million term loan with certain financial institutions. We had no borrowings and had outstanding letters of credit of \$19,711,000 and \$21,942,000 under the revolving credit facility as of December 31, 2008 and June 30, 2009, respectively.

The credit agreement contains covenants restricting among other things, the Company's ability to make distributions, enter into mergers, acquisitions or other investments or to sell assets other than in the ordinary course of business, and restricts the ability to incur indebtedness, liens or changes in the business as well as affiliate transactions. It also requires us to maintain compliance with specified financial covenants, including (a) maintaining a minimum fixed-charge coverage ratio of 1.1 and 1.0, and (b) maintaining a maximum leverage ratio of 3.0 to 1.0 through December 30, 2009 and then a maximum leverage ratio of 2.75 to 1.0 as of December 30, 2009 and for all periods thereafter. Both ratios are calculated on a rolling 4-quarters basis. The credit agreement also provides that specified change of control events would constitute an event of default. We were in compliance with our financial debt covenants as of December 31, 2008 and June 30, 2009. See subsequent events Note 18.

Additionally, any "material adverse effect" on the Company could restrict our ability to borrow under the credit agreement. A material adverse effect is defined as a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, (b) the ability of the Company to pay the obligations or the ability of the Company or any guarantor to perform its respective obligations under their credit agreement or any of their other loan documents, or (c) the validity or enforceability of the credit agreement or any of their other loan documents, or the rights or remedies of each lender.

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements (unaudited)

Contractual maturities of long-term debt (excluding interest) at June 30, 2009 are as follows (in thousands):

Remainder of 2009	\$ 10,952
2010	22,285
2011	16,892
2012	16,428
2013	59,886
Thereafter	—
	<u>\$ 126,443</u>

In February 2009, we purchased an interest rate cap at a price of \$1 million. The interest rate cap was for a notional amount of \$50 million and matures on January 31, 2013, matching terms of the balloon amount due on our term loan. The instrument provides for a ceiling on one-month LIBOR interest rate at 2.75%. We recognize interest expense or income relative to this cap through marking the asset to market value at each month end. As of June 30, 2009, this instrument was valued at \$1,239,000. On September 24, 2009, this instrument was liquidated for \$900,000. The reduction in value from June 30 to September 24 will be recognized as expense during third quarter 2009.

9. Mandatorily Redeemable Preferred

In conjunction with the merger, PGSI issued 266,662 shares of Series A convertible preferred stock to the shareholders of PGC and PGI. These preferred shares earn dividends on an annual basis equivalent to 5% for the first year, 7% for the second year, 8% for the third year and 9% thereafter. The dividend is payable-in-kind or payable in cash at the end of each year at the discretion of the Board of Directors. The preferred stock has a stipulated value of \$300 per share and is to be mandatorily redeemed on January 31, 2014. Because of the contingent conversion feature available to the shareholders, this preferred stock is reflected in the mezzanine section between liabilities and equity. The preferred stock has voting rights like common stock. For the five months ended June 30, 2008, the Company declared dividends on their mandatorily redeemable preferred stock of \$1,667,000. During the eleven months ended December 31, 2008 and the six months ended June 30, 2009, the Company declared dividends on their mandatorily redeemable preferred stock of approximately \$3,666,000 and \$2,667,000, respectively, of which \$4,000,000 was paid during 2009.

10. Comprehensive Income (Loss)

Our comprehensive income (loss), net of related tax effects, was as follows (in thousands):

	Six months ended June 30, 2009	Five months ended June 30, 2008
Net income	\$ 69,576	\$ 28,912
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment, net of tax	2,365	(697)
Comprehensive income	<u>\$ 71,941</u>	<u>\$ 28,215</u>

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements (unaudited)

11. Leases

A summary of future minimum lease payments under operating leases at June 30, 2009 is as follows (in thousands):

Remainder of 2009	\$ 4,645
2010	5,813
2011	2,193
2012	873
2013	454
Thereafter	845
	<u>\$ 14,823</u>

The Company conducts its operations in leased facilities and also leases storage space and construction equipment. Rental expense under operating leases inclusive of month to month equipment rentals was approximately \$54,329,000 for the five month period ended June 30, 2008 and \$40,816,000 for the six month period ended June 30, 2009.

12. Income Taxes

The Company's subsidiaries operated under Subchapter S of the federal income tax code until January 31, 2008, and substantially all income and expense was passed through directly to the owners with no tax effect to the subsidiaries. Subsequent to January 31, 2008, the Company and its subsidiaries are taxed as C corporations and accordingly the Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Income taxes are recognized using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax effects of temporary differences between amounts reported for federal, state and foreign income taxes and the respective amounts reported in the Company's financial statements. The Company reduces deferred tax assets by a valuation allowance when it is more likely than not that a portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are measured using tax rates expected to be in effect when the temporary difference is settled. Deferred tax assets or liabilities have been recognized for differences in income tax reporting and financial reporting that arose prior to February 1, 2008. The provision for income taxes consists of the following current and deferred components based on pre-tax income adjusted for permanent and temporary differences:

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements *(unaudited)*

The components of income tax expense (benefit) are as follows (in thousands):

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current income tax expense:		
U.S.	\$ 33,672	\$ 8,655
State	4,935	1,736
Canada	4,485	4,922
Total	43,092	15,313
Deferred income tax expense (benefit):		
U.S.	2,454	4,318
State	319	553
Canada	(191)	(286)
Total	2,582	4,585
Total income tax expense	<u>\$ 45,674</u>	<u>\$ 19,898</u>

A reconciliation of the federal statutory income tax rate to the Company's effective tax rate is as follows:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Federal statutory income tax rate	35.00%	35.00%
State income taxes, net of federal benefit	4.56	4.69
Other	0.07	1.08
Total	<u>39.63%</u>	<u>40.77%</u>

	<u>June 30, 2009</u>		
	<u>Gross Current</u>	<u>Accumulated Noncurrent</u>	<u>Total</u>
Deferred tax assets			
Self insurance reserves	\$ 3,700	\$ —	\$ 3,700
Expected future foreign tax credits	—	8,251	8,251
Total deferred tax assets	3,700	8,251	11,951
Deferred tax liabilities			
Depreciation	—	(51,361)	(51,361)
Deferred construction cost	(7,000)	—	(7,000)
Stock compensation	—	(910)	(910)
Amortization of intangibles	—	(15,090)	(15,090)
Unrealized foreign currency translation	—	(1,577)	(1,577)
Total deferred tax liabilities	(7,000)	(68,938)	(75,938)
Total	<u>\$ (3,300)</u>	<u>\$ (60,687)</u>	<u>\$ (63,987)</u>

The Company operates in Canada under a branch format; therefore, its profits within that branch are subject to both Canadian and U.S. tax. Currently, the Company anticipates its ability to utilize foreign tax credits is not limited. Management will continue to evaluate whether it is more likely than not to realize the utilization of those credits.

The Company has elected to defer the provisions of Financial Accounting Standards Board Interpretation No. 48 ("FIN 48"), *Accounting for Income Taxes*, under the provisions of FIN 48-3 until the annual period ended December 31, 2009. The Company uses a SFAS 5, *Loss Contingencies*, approach for evaluating uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Currently, the Company does not anticipate the adoption of FIN 48 will have a material impact to its financial statements.

13. Commitments and Contingencies

The Company participates in certain deductible insurance programs. In the opinion of management, the Company has adequately accrued for all liabilities arising from these agreements.

The Company and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of their business. Also, certain post-contract completion audits and reviews are periodically conducted by customers and/or government entities. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not materially adversely affect the financial position, results of operations or cash flows of the Company. The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is typically responsible for the performance of the construction portion of the project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying condensed consolidated financial statements.

14. Employee Benefit Plan

The Company has defined contribution plans for all eligible employees.

PGI has a U.S. savings plan in the form of a qualified defined contribution plan (the "PGI Plan") for all eligible full-time U.S. employees of PGI. The PGI Plan provides for company contributions at the discretion of the board of directors subject to limits set forth by the Internal Revenue Code (IRC). No participant contributions to the PGI Plan are allowed other than direct rollovers from another qualified retirement plan. Vesting in the Company's contributions is based on years of vesting service. A PGI Plan participant is 100 percent vested after four years of credited service. Full and immediate vesting will also occur upon attainment of normal retirement age, death or disability. Participants who leave the Company before they are fully vested in the Company's contributions forfeit their nonvested portion. No contributions were made to the plan in the five month period ended June 30, 2008 and the six month period ended June 30, 2009, respectively.

PGI's subsidiary, OJ, has a defined contribution plan (the "OJ Plan") for eligible employees of OJ. The OJ Plan provides for annual company contributions in an amount no less than 6%, 7% or 8% (based on job level) and no more than 10%. The plan also allows employee contributions. All contributions are immediately vested. Cash contributions to the plan were \$52,000 in the five month period ended June 30, 2008 and \$81,000 in the six month period ended June 30, 2009.

PGC has a qualified defined contribution plan (the "PGC Plan") for all eligible employees and, at the discretion of the board of directors, makes annual contributions to the plan. Employees are not

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements *(unaudited)*

allowed to make contributions to the plan. Company contributions vest ratably on the first through fifth anniversary dates of each participant's employment, with participants fully vested after five years of service. The Company made no contributions to the PGC Plan during the five month period ended June 30, 2008 and contributed \$1,000,000 in the six month period ended June 30, 2009.

15. Stock-Based Compensation

Stock-based compensation expense for the five months ended June 30, 2008 and the six months ended June 30, 2009 included (in thousands):

	Six months ended June 30, 2009	Five months ended June 30, 2008
Restricted stock	\$ 458	\$ 375
Stock options	88	68
Total stock-based compensation expense	<u>\$ 546</u>	<u>\$ 443</u>

On January 31, 2008, the Price Gregory Services Incorporated 2008 Stock Incentive Plan (the "2008 Plan") was adopted by the Board of Directors and provides for the granting of stock-based awards in the form of options, restricted stock and phantom stock to employees and directors. Under the 2008 Plan, the maximum number of shares of common stock that may be issued is 80,000 shares.

Stock Options

Under the 2008 Plan, stock options may be granted by the Board at an exercise price, option period and vesting terms as determined by the Board but exercise price cannot be below the fair market value of a share of common stock on the date of the grant.

Using the Black-Scholes option valuation model, the weighted average fair value at date of grant for options granted during 2008 was \$46.94. No options were granted during 2009. The following weighted average assumptions were used:

Expected life in years	5
Risk-free interest rate	1.50% - 3.30%
Volatility	40.59% - 42.32%
Dividend yield	0.0%

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements *(unaudited)*

The following table presents stock option activity for the six months ended June 30, 2009:

	<u>Stock Options</u>	<u>Weighted Average Price</u>	<u>Weighted Average Years</u>	<u>Aggregate Intrinsic Value</u> <i>(in 000's)</i>
Options outstanding at December 31, 2008	23,950	\$ 133.61	4.2	3,200
Granted	—	—		
Exercised/cancelled	—	—		
Options outstanding, June 30, 2009	<u>23,950</u>	<u>\$ 133.61</u>	<u>4.2</u>	<u>\$ 3,200</u>
Options exercisable, June 30, 2009	<u>9,513</u>	<u>\$ 184.63</u>	<u>3.7</u>	<u>\$ 1,756</u>

As of June 30, 2009, \$477,000 of unrecognized compensation expense related to nonvested options is expected to be recognized over the weighted average period of 3.6 years.

Restricted Stock

For grants of restricted stock, compensation expense is recognized over the vesting period equal to the fair value of common stock at the date of grant. Outstanding restricted stock grants vest 25% or 33-1/3% on each of the anniversaries of the grant date.

The following table presents restricted stock activity during the six months ended June 30, 2009.

	<u>Shares</u>	<u>Weighted Average Grant- Date Fair Value per Share</u>
Nonvested restricted stock at December 31, 2008	36,200	\$ 100.72
Granted	—	—
Vested	<u>9,000</u>	
Nonvested restricted stock at June 30, 2009	<u>27,200</u>	<u>\$ 100.96</u>

As of June 30, 2009, \$2,357,000 of unrecognized compensation expense related to nonvested restricted stock is expected to be recognized over the weighted average period of 2.6 years.

16. Related Party Transactions

Reflected in Accounts Receivable at December 31, 2008, is \$2.1 million due from the former shareholders of Gregory & Cook Construction, Inc. for state taxes paid in their behalf. The amount has been collected subsequent to year end.

The Company rents heavy construction equipment and shares office space from a company controlled by a family member of some of the Company's shareholders. Related party equipment rental expense for the five months ended June 30, 2008 and the six months ended June 30, 2009 was \$419,000 and \$365,000, respectively. In addition, the Company also had an agreement, which ended in May 2009, to share common rental and other office-related expenses with the same party pro rata based on usage by the two parties. The Company charged the related party \$30,000 and \$34,000 for these expenses for the five months ended June 30, 2008 and the six

Price Gregory Services Incorporated
Notes to Condensed Consolidated Financial Statements (unaudited)

months ended June 30, 2009, respectively. The Company has related party payables of \$179,000 and \$100,000 at June 30, 2009 and at December 31, 2008, respectively.

The Company has a financial advisory services agreement with L. E. Simmons & Associates ("LESA"), an affiliate of SCF-VI, LP, whereby LESA provides advisory and consulting services to PGSI for a quarterly fee of \$62,500 and a one-time fee of \$250,000 payable at the merger date. The Company paid and expensed \$354,000 in the five months ended June 30, 2008 and \$125,000 in the six months ended June 30, 2009 for these advisory fees.

17. Concentrated Market and Credit Risks

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. The Company places its cash and cash equivalents and temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of FDIC insurance limits.

Accounts receivable at any given time are primarily concentrated in a small number of customer accounts. The Company grants credit, generally without collateral, to its customers. Management believes that its contract acceptance, billing, and collection policies are adequate to minimize potential credit risk. To enforce collection of potential past-due balances, the Company can resort to mechanics' and materialmen's liens.

The Company's customers are primarily engaged in oil and natural gas production and transportation industries in Canada and the United States. The financial well being of these companies is affected by the price of these commodities. A concentrated number of the Company's customers generate more than 10% of contract revenues each year. Three customers exceeded 10% of contract revenues and in aggregate contributed \$508.0 million in revenues for the six months ended June 30, 2009. At June 30, 2009, three customers had balances greater than 10% of contracts receivable, comprising 35%, 30% and 12% of total contract receivables, respectively. There were no foreign customers who exceeded 10% of contract revenues or contracts receivable for the six months ended June 30, 2009.

18. Supplemental Cash Flow Information (in thousands):

	Six months ended June 30, 2009	Five months ended June 30, 2008
Cash paid for interest	\$ 2,023	\$ 2,627
Cash paid for taxes	45,605	19,866
Noncash transactions		
Property and equipment acquired under long-term debt	—	35,823
Issuance of common stock for businesses acquired	—	30,000
Issuance of mandatorily redeemable preferred for businesses acquired	—	79,999
Dividend on mandatorily redeemable preferred	2,667	1,667

19. Subsequent Event

Events occurring after June 30, 2009, were evaluated as of October 20, 2009, the date this Quarterly Report was issued, in compliance with SFAS No. 165, *Subsequent Events*, which establishes general standards of accounting for disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued, to ensure that any subsequent events that met the criteria for recognition and/or disclosure in this report have been included.

On September 3, 2009, we announced a plan to sell all shares of the Company to Quanta Services, Inc. for \$250 million in stock and \$100 million cash. On September 24, 2009, the Board of Directors approved (1) a preferred stock dividend of \$3.7 million, and (2) a common stock dividend of \$40 million, both to be paid on October 1, 2009, before the closing of the sale to Quanta Services, Inc.

On October 1, 2009, all outstanding debt was paid, the common and preferred dividends were paid, and the sale of all preferred and common stock of the Company to Quanta Services, Inc. was completed.

Price Gregory Services Incorporated

Consolidated Financial Statements

As of and for the Eleven months ended December 31, 2008

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Report of Independent Auditors

To the Board of Directors and Shareholders of Price Gregory Services Incorporated

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Price Gregory Services Incorporated at December 31, 2008, and the results of their operations and their cash flows for the eleven months then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board and in accordance with generally accepted standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Houston, TX

April 24, 2009

Price Gregory Services Incorporated
Consolidated Balance Sheet

(In thousands except share amounts)

	December 31, 2008
Assets	
Current assets	
Cash and cash equivalents	\$ 96,024
Accounts receivable	132,900
Costs and estimated earnings in excess of billings on uncompleted contracts	22,168
Deferred construction costs	10,845
Prepaid expenses and other current assets	15,769
Inventories	1,448
Total current assets	279,154
Property and equipment, net	161,237
Intangible assets, net	40,092
Goodwill	144,745
Other assets	99
Total assets	<u>\$ 625,327</u>
Liabilities and Shareholders' Equity	
Current liabilities	
Short-term debt	\$ 445
Current maturities of long-term debt	21,981
Accounts payable	49,095
Accrued liabilities	38,767
Current taxes payable	9,964
Billings in excess of costs and estimated earnings on uncompleted construction contracts	54,153
Total current liabilities	174,405
Long-term debt, less current maturities	115,491
Casualty insurance reserve, less current portion	5,184
Deferred income taxes	59,240
Total liabilities	<u>354,320</u>
Commitments and contingencies (Note 12)	
Minority interest	775
Mandatorily redeemable preferred	83,665
Shareholders' equity	
Common stock, \$0.001 par value, 1,500,000 authorized, 712,997 issued and outstanding	1
Additional paid-in capital	72,675
Retained earnings	125,490
Accumulated other comprehensive loss	(11,599)
Total shareholders' equity	186,567
Total liabilities and shareholders' equity	<u>\$ 625,327</u>

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

Price Gregory Services Incorporated
Consolidated Statement of Operations

(In thousands)

	Eleven months ended December 31, 2008
Revenue:	
Revenue from construction contracts	\$ 1,227,697
Revenue from service contracts	108,835
Interest and other income	2,048
	<u>1,338,580</u>
Expenses:	
Cost of contract revenue	1,044,751
General and administrative expense	42,131
Depreciation and amortization	28,038
Interest expense	7,729
	<u>1,122,649</u>
Income before taxes and minority interest	215,931
Income tax expense	86,587
Minority interest, net of tax	188
Net income	<u>\$ 129,156</u>

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

Price Gregory Services Incorporated
Consolidated Statement of Shareholders' Equity

(In thousands)

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-in	Earnings	Other	Shareholders'
			Capital		Comprehensive	Equity
					Loss	
Initial capital contributions	412	\$ 1	\$ 41,199	\$ —	\$ —	\$ 41,200
Shares issued in conjunction with business acquisition	300	—	30,000	—	—	30,000
Shares issued	1	—	100	—	—	100
Employee stock-based compensation	—	—	1,376	—	—	1,376
Mandatorily redeemable preferred dividends	—	—	—	(3,666)	—	(3,666)
Net income	—	—	—	129,156	—	129,156
Other comprehensive income -						
Foreign currency translation adjustment	—	—	—	—	(11,599)	(11,599)
Total comprehensive income						117,557
Balances at December 31, 2008	<u>713</u>	<u>\$ 1</u>	<u>\$ 72,675</u>	<u>\$ 125,490</u>	<u>\$ (11,599)</u>	<u>\$ 186,567</u>

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

Price Gregory Services Incorporated
Consolidated Statement of Cash Flows

(In thousands)

	Eleven months ended December 31, 2008
Cash flows from operating activities:	
Net income	\$ 129,156
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	28,038
Deferred taxes	8,717
Stock compensation expense	1,376
Loss on sale of property and equipment	276
Minority interest in net income of subsidiaries	188
Accretion of debt fair market value adjustment	(362)
Changes in operating assets and liabilities	
Accounts receivable	(47,976)
Costs and estimated earnings in excess of billings on uncompleted construction contracts	2,574
Deferred construction costs	(4,816)
Inventories	(57)
Prepaid expenses and other	(4,756)
Accounts payable	9,673
Accrued liabilities	14,622
Current taxes payable	9,964
Billings in excess of costs and estimated earnings on uncompleted construction contracts	39,410
Long-term casualty insurance reserve	(489)
Other assets	(43)
Net cash provided by operating activities	<u>185,495</u>
Cash flows from investing activities:	
Proceeds from sale of available-for-sale securities	94
Purchases of property and equipment	(20,637)
Proceeds from sale of property and equipment	1,588
Cash paid for business combination, net of cash received	(151,862)
Net cash used in investing activities	<u>(170,817)</u>
Cash flows from financing activities:	
Proceeds from revolving credit facility	77,150
Repayments of revolving credit facility	(77,150)
Proceeds from long-term debt, net of issuance cost	98,354
Repayments of long-term debt	(28,703)
Payments on capital lease obligations	(2,667)
Borrowings on short-term debt	5,253
Repayments of short-term debt	(30,356)
Contributions from shareholders	41,300
Net cash provided by financing activities	<u>83,181</u>
Effect of foreign currency exchange rate change on cash	(1,835)
Net increase in cash and cash equivalents	96,024
Cash and cash equivalents:	
Beginning of period	<u>—</u>
End of period	<u>\$ 96,024</u>

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

1. Summary of Significant Accounting Policies

Nature of Organization and Operating Cycle

Price Gregory Services Incorporated (the “Company” or “PGSI”) is a Delaware corporation which was incorporated on January 31, 2008. The Company is engaged in the construction and servicing of pipelines and related projects for the petroleum and natural gas industries. Work is performed primarily under fixed-unit price contracts and cost-reimbursable contracts with contract incentive provisions. The Company uses union labor on the majority of its contracts.

The length of the Company’s contracts varies but is typically between three to six months. In accordance with the normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and liabilities even when these amounts are realizable or payable over a period in excess of one year.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the Company, its wholly owned subsidiaries and ownership interests in Price Ahtna J.V. and Price Ahtna LLC (the “Joint Ventures”). The Company’s wholly owned subsidiaries include Price Gregory International (“PGI”), Conam Construction Co. (“Conam”), and Price Gregory Construction (“PGC”), all U.S. companies, H.C. Price Canada Company, a Nova Scotia unlimited liability company and O.J. Pipelines Canada Corporation (“OJ”), a corporation organized under the laws of New Brunswick, Canada (the “Subsidiaries”). All significant intercompany accounts and transactions have been eliminated.

The Company has a 49% interest in Price Ahtna, J.V., and a 65% interest in Price Ahtna, LLC. Conam has a 49% interest in Tikigaq Conam, LLC. The Company’s total ownership from its investment exceeds fifty percent of the earnings derived from the businesses as a result of equipment services and sponsorship fees. As a result, the Company is considered to have the ability to direct policies and management of these entities, and accordingly, the balance sheets and the related statements of operations, changes in shareholders’ equity and cash flows of the joint venture and partnerships are included in the consolidated financial statements. The earnings and equity attributable to other parties to the joint venture and partnerships are reflected in the minority interest captions.

Revenue Recognition

Revenues from construction contracts are recognized on a percentage-of-completion method, measured by the percentage of contract costs incurred to date to the total estimated costs for each contract, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Revenues from service and maintenance contracts are recognized when earned, as expenditures are incurred.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as payroll taxes and insurance. General and administrative costs are charged to expense as incurred. Total estimated costs, and thus contract income, are impacted by changes in productivity, scheduling, unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, customer needs, customer delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project’s completion and thus the timing of revenue recognition. Such changes may result in revisions to cost and income and are recognized in the period in which the revisions are

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. An amount equal to contract costs attributable to claims is included in contract revenue when realization is probable and the amount can be reliably estimated.

Revenues recognized in excess of amounts billed are recorded as a current asset under the caption "costs and estimated earnings in excess of billings on uncompleted contracts." Billings in excess of revenues recognized are recorded as a current liability under the caption "billings in excess of costs and estimated earnings on uncompleted contracts."

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include all time deposits, certificates of deposit, and all highly liquid investments with original maturity dates of three months or less.

Account Receivables

Contract receivables from performing construction are based on contracted prices. Contract receivables are recorded when invoices can be issued under the terms of the contract and are presented in the balance sheet net of the allowance for doubtful accounts. Contract receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the Company's historical losses, the existing economic conditions in the construction industry, and the financial stability of its customers. The Company believes no allowance for doubtful accounts is necessary at December 31, 2008.

Inventories

Inventories of supplies and spare parts are recorded at the lower of cost, determined using average costs, and net realizable value. No excess or obsolescence allowances existed at December 31, 2008.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment under capital leases are stated at the present value of minimum lease payments. Improvements or betterments that extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property and equipment disposals are recorded in other income.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, net of salvage value. The estimated useful life of new construction machinery and equipment ranges from 3 to 25 years, while the estimated useful life of office furniture and equipment is 3 to 5 years.

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There was no triggering event during 2008 and therefore, no impairment was recorded in 2008.

Goodwill and Other Intangibles

Goodwill is reviewed for impairment annually or whenever events indicate impairment may have occurred. Identifiable intangibles are amortized over the assets' estimated useful lives.

Foreign Currency Translation

The local currency of the Company's Canadian subsidiaries is considered to be the functional currency. Assets and liabilities of these foreign subsidiaries are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rate prevailing throughout the period. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the cumulative translation adjustment included in accumulated other comprehensive income in shareholders' equity. Realized gains and losses on foreign currency transactions, if any, are included in operating results for the period.

Comprehensive Income

Comprehensive income has been disclosed on the consolidated statement of shareholders' equity. The accumulated other comprehensive loss balances as of December 31, 2008 represent the cumulative translation adjustments.

Income Taxes

We use the liability method of accounting for income taxes. Under this method, we record deferred income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities and use enacted tax rates and laws that we expect will be in effect when we recover those assets or settle those liabilities, as the case may be, to measure those taxes. We record a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized. There was no valuation allowance recorded as of December 31, 2008.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combined consolidated financial statements and accompanying notes. The use of estimated costs to complete each contract under the percentage-of-completion method, as discussed in Revenue Recognition above, is a significant variable in the process of determining income earned and is a significant factor in the accounting for contracts. Additional significant items subject to such estimates and assumptions include the useful lives of fixed assets, allowances for doubtful accounts, employee benefit obligations, warranties, environmental liabilities, and other contingencies. Actual results could differ from these estimates.

Fair Value of Financial Instruments

Our financial instruments include cash, receivables, payables and debt. At December 31, 2008, the estimated fair value of such financial instruments, except for debt, approximated their carrying value as reflected in our consolidated balance sheets. As a result of the current credit environment, we believe that the fair value of our floating rate and fixed rate long-term debt does not approximate its carrying value as of December 31, 2008. A summary of the fair value and carrying value of our long-term debt as of December 31, 2008 is shown in the table below:

	As of December 31, 2008	
	Carrying Amount	Fair Value
Fixed rate long-term debt	\$ 47,472	\$ 47,816
Floating rate long-term debt	90,000	86,733
Total long-term debt	<u>\$ 137,472</u>	<u>\$ 134,549</u>

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

2. Business Acquisitions

On January 31, 2008, Price Gregory Services Incorporated was formed, capitalized through contributions from the management team and a private investor, SCF-VI, LP. On the same date, PGSI then borrowed money under the credit agreement (Note 8) and acquired the outstanding capital stock of H.C. Price Co. and Gregory & Cook Construction, Inc.

As a result, all shares of HC Price and Gregory & Cook Construction were replaced with shares of PGSI. The total purchase price of HCP and GCC was \$271.6 million paid with a combination of cash, equity and debt (in thousands):

Cash	\$ 161,622
Issuance of mandatorily redeemable preferred debt	79,999
Issuance of common stock	30,000
	<u>\$ 271,621</u>

Purchase price allocation to assets and liabilities at fair value is as follows (in thousands):

Cash	\$ 9,760
Current assets	126,981
Property and equipment	123,976
Intangible and other assets	49,966
Goodwill	144,745
Current liabilities, excluding debt	(75,096)
Debt	(52,943)
Other liabilities	(6,132)
Deferred taxes	(49,636)
Total purchase price allocated	<u>\$ 271,621</u>

The amount of goodwill of \$144.7 million resulting from the merger is considered to have an indefinite life and will not be amortized. Instead, goodwill will be reviewed annually for impairment or more frequently if indications of impairment exist.

The amount of finite life intangible assets (Note 6) includes \$34.1 million and \$15.7 million associated with trade names and contractual customer relationships, respectively. The intangible asset for trade names will be amortized on a straight line basis over thirty years. The intangible asset for contractual relationships will be amortized through 2010 based on the present value of expected income from these assets.

3. Accounts Receivable

Accounts receivable at December 31, 2008 consist of the following (in thousands):

	2008
Contract receivables	\$ 66,145
Retainage	63,722
Other	3,033
	<u>\$ 132,900</u>

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

4. Contracts in Progress

Costs and estimated earnings on uncompleted construction contracts at December 31, 2008 are as follows (in thousands):

	2008
Costs incurred on uncompleted construction contracts	\$ 1,384,281
Estimated earnings	358,497
	<u>1,742,778</u>
Less: Billings to Date	<u>1,774,763</u>
	<u>\$ (31,985)</u>
Included in the accompanying balance sheet under the following captions:	
Costs and estimated earnings in excess of billings on uncompleted construction contracts	\$ 22,168
Billings in excess of costs and estimated earnings on uncompleted construction contracts	(54,153)
	<u>\$ (31,985)</u>

5. Property and Equipment

Property and equipment at December 31, 2008 consist of the following (in thousands):

	2008
Land	\$ 2,133
Construction equipment	135,872
Trucks and autos	33,113
Buildings, improvements and hardware	<u>6,057</u>
	<u>177,175</u>
Less: Accumulated depreciation	<u>15,938</u>
Net property and equipment	<u>\$ 161,237</u>

6. Goodwill and Other Intangibles

Statement of Financial Accounting Standard ("SFAS") No. 141, *Business Combinations*, requires that all assets acquired, including goodwill and other intangible assets, should be stated on the financial statements at fair value and requires that all intangible assets be recognized as assets apart from goodwill if they meet one of two criteria: (1) the contractual-legal criterion or (2) the separability criterion. Goodwill represents the excess of consideration over the fair value of tangible and identifiable intangible net assets acquired. Goodwill reflected in our balance sheet is associated with the value of the assembled and trained workforce and market share which does not qualify as a recognizable intangible asset. Certain assumptions and estimates are used in determining the fair value of assets acquired and liabilities assumed.

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

We perform an impairment test of goodwill assets annually or more often if indications of potential impairment exist. Our goodwill impairment test involves a comparison of the fair value of our company with the carrying value. The fair value is determined using the expected present value of future cash flows and a market approach. Certain estimates and judgments are required in the application of the fair value models. If the carrying amount of the Company exceeds the implied fair value of the Company, we would recognize a goodwill impairment loss. In the fourth quarter of 2008, we performed our annual impairment analysis in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, and determined that no impairment had occurred. If for any reason the fair value of our goodwill or that of our reporting units declines below the carrying value in the future, we may incur charges for the impairment.

Intangible assets consisted of the following at December 31, 2008 (in thousands):

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Deferred debt issuance costs (5 year life)	\$ 1,646	\$ (297)	\$ 1,349
Trade names (30 year life)	34,105	(1,081)	33,024
Contractual customer relationships (3 year life)	15,740	(10,074)	5,666
Non-compete agreements (5 year life)	65	(12)	53
Intangible assets	<u>\$ 51,556</u>	<u>\$ (11,464)</u>	<u>\$ 40,092</u>

Amortization expense for eleven months ended December 31, 2008 is equal to the accumulated amortization in the table above. The weighted average amortization period for the identifiable intangibles is 21.1 years. The intangible asset for Contractual customer relationships acquired in connection with the merger are being amortized upon the expected cash flows over a three year period. This methodology will result in a substantial amount of the amortization occurring in the first year.

Estimated future intangible and deferred debt issuance cost amortization expense is as follows (in thousands):

2009	\$ 5,458
2010	3,255
2011	1,523
2012	1,523
2013	1,335
Thereafter	26,998
	<u>\$ 40,092</u>

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

7. Accrued Liabilities

Accrued liabilities at December 31, 2008 consist of the following (in thousands):

Payroll related liabilities	\$ 9,383
Bonuses/Benefit plan	6,983
State sales and withholding taxes	6,081
Insurance premiums	4,202
Current deferred taxes	4,289
Short-term casualty insurance reserve	4,170
Other	3,659
	<u>\$ 38,767</u>

8. Long-Term Debt

Long-term debt at December 31, 2008 consists of the following (in thousands):

Note payable to a financial services corporation in monthly payments of \$110,000 including interest at 6.09%, maturing in August 2010, collateralized by equipment	\$ 2,097
Note payable to a financial services corporation in monthly payments of \$247,000 including interest at 5.95%, maturing in March 2011, collateralized by equipment	6,232
Note payable to a financial services corporation in monthly payments of \$586,000 including interest at 4.22%-4.35%, maturing in May 2013, with a balloon of \$7,171,000 due June 2013, collateralized by equipment	34,237
Note payable to a financial services corporation in monthly payments of \$214,000 including interest at 4.21%, maturing in December 2010, collateralized by equipment	4,906
Term loan with financial institutions within our credit facility, payable in quarterly principal installments of \$2,500,000 and a balloon of \$50 million payable on December 31, 2012 and bearing interest at prime or at LIBOR plus 1.75%	90,000
	137,472
Less: Current maturities	<u>(21,981)</u>
Long-term debt at December 31, 2008	<u>\$ 115,491</u>

On January 31, 2008, we entered into a five-year \$225 million credit agreement, which consists of a \$125 million revolving credit facility and a \$100 million term loan with certain financial institutions. We have no borrowings and had outstanding letters of credit of \$19,711,000 under the revolving credit facility as of December 31, 2008.

The credit agreement contains covenants restricting among other things, PGSI's ability to make distributions, enter into mergers, acquisitions or other investments or to sell assets other than in the ordinary course of business, and restricts the ability to incur indebtedness, liens or changes in the business as well as affiliate transactions. It also requires us to maintain compliance with specified financial covenants, including (a) maintaining a minimum fixed-charge coverage ratio of 1.1 and 1.0, and (b) maintaining a maximum leverage ratio of 3.0 to 1.0 through December 30, 2009 and then a maximum leverage ratio of 2.75 to 1.0 as of December 30, 2009 and for all periods

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

thereafter. Both ratios are calculated on a rolling 4-quarters basis. The credit agreement also provides that specified change of control events would constitute an event of default. We are in compliance with our financial debt covenants as of December 31, 2008.

Additionally, any "material adverse effect" on the Company could restrict our ability to borrow under the credit agreement. A material adverse effect is defined as a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, (b) the ability of the Company to pay the obligations or the ability of the Company or any guarantor to perform its respective obligations under their credit agreement or any of their other loan documents, or (c) the validity or enforceability of the credit agreement or any of their other loan documents, or the rights or remedies of each lender.

Contractual maturities of long-term debt (excluding interest) at December 31, 2008 are as follows (in thousands):

2009	\$ 21,981
2010	22,285
2011	16,892
2012	16,428
2013	59,886
Thereafter	—
	<u>\$ 137,472</u>

9. Mandatorily Redeemable Preferred

On January 31, 2008, in conjunction with the merger, PGSI issued 266,662 shares of Series A convertible preferred stock to the shareholders of PGC and PGI. These preferred shares earn dividends on an annual basis equivalent to 5% for the first year, 7% for the second year, 8% for the third year and 9% thereafter. The dividend is payable-in-kind or payable in cash at the end of each year at the discretion of the Board of Directors. The preferred stock has a stipulated value of \$300 per share and is to be mandatorily redeemed on January 31, 2014. Because of the contingent conversion feature available to the shareholders, this preferred stock is reflected in the mezzanine section between liabilities and equity. The preferred stock has voting rights like common stock. For the year ended December 31, 2008 the Company declared dividends on their mandatorily redeemable preferred stock of approximately \$3,666,000.

10. Leases

A summary of future minimum lease payments under operating leases at December 31, 2008 is as follows (in thousands):

2009	\$ 7,388
2010	3,858
2011	994
2012	805
2013	433
Thereafter	845
	<u>\$ 14,323</u>

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

The Company conducts its operations in leased facilities and also leases storage space and construction equipment. Rental expense under operating leases inclusive of month to month equipment rentals was approximately \$112,613,000 for the eleven month period ended December 31, 2008.

11. Income Taxes

The Company's subsidiaries operated under Subchapter S of the federal income tax code until January 31, 2008, and substantially all income and expense was passed through directly to the owners with no tax effect to the subsidiaries. Subsequent to January 31, 2008, the Company and its subsidiaries are taxed as C corporations and accordingly the Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Income taxes are recognized using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax effects of temporary differences between amounts reported for federal, state and foreign income taxes and the respective amounts reported in the Company's financial statements. The Company reduces deferred tax assets by a valuation allowance when it is more likely than not that a portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are measured using tax rates expected to be in effect when the temporary difference is settled. Deferred tax assets or liabilities have been recognized for differences in income tax reporting and financial reporting that arose prior to February 1, 2008. The provision for income taxes consists of the following current and deferred components based on pre-tax income adjusted for permanent and temporary differences:

The components of income tax expense (benefit) are as follows (in thousands):

Current income tax expense:	
U.S.	\$ 59,051
State	8,855
Canada	9,964
Total	77,870
Deferred income tax expense (benefit):	
U.S.	8,183
State	1,107
Canada	(573)
Total	8,717
Total income tax expense	<u>\$ 86,587</u>

A reconciliation of the federal statutory income tax rate to the Company's effective tax rate is as follows:

Federal statutory income tax rate	35.0%
Non-deductible expenses	0.5%
State income taxes, net of federal benefit	4.6%
Total	<u>40.1%</u>

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

	Gross Current	Accumulated Noncurrent	Total
Deferred tax assets			
Self insurance reserves	\$ 3,700	\$ —	\$ 3,700
Expected future foreign tax credits	—	8,403	8,403
Total deferred tax assets	<u>3,700</u>	<u>8,403</u>	<u>12,103</u>
Deferred tax liabilities			
Depreciation	—	(51,358)	(51,358)
Deferred construction cost	(4,289)	—	(4,289)
Stock compensation	—	(962)	(962)
Amortization of intangibles	—	(15,323)	(15,323)
Total deferred tax liabilities	<u>(4,289)</u>	<u>(67,643)</u>	<u>(71,932)</u>
Total	<u>\$ (589)</u>	<u>\$ (59,240)</u>	<u>\$ (59,829)</u>

The Company operates in Canada under a branch format; therefore, its profits within that branch are subject to both Canadian and U.S. tax. Currently, the Company anticipates its ability to utilize foreign tax credits is not limited. Management will continue to evaluate whether it is more likely than not to realize the utilization of those credits.

The Company has elected to defer the provisions of Financial Accounting Standards Board Interpretation No. 48 (“FIN 48”), *Accounting for Income Taxes*, under the provisions of FIN 48-3. The Company uses a SFAS 5, *Loss Contingencies*, approach for evaluating uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Currently, the Company does not anticipate the adoption of FIN 48 will have a material impact to its financial statements.

12. Commitments and Contingencies

The Company participates in certain deductible insurance programs. In the opinion of management, the Company has adequately accrued for all liabilities arising from these agreements.

The Company and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of their business. Also, certain post-contract completion audits and reviews are periodically conducted by customers and/or government entities. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not materially adversely affect the financial position, results of operations or cash flows of the Company. The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is typically responsible for the performance of the construction portion of the project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying consolidated financial statements.

13. Employee Benefit Plan

The Company has defined contribution plans for all eligible employees.

PGI has a U.S. savings plan in the form of a qualified defined contribution plan (the “PGI Plan”) for all eligible full-time U.S. employees of PGI. The PGI Plan provides for company contributions at the discretion of the board of directors subject to limits set forth by the Internal Revenue Code

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

(IRC). No participant contributions to the PGI Plan are allowed other than direct rollovers from another qualified retirement plan. Vesting in the Company's contributions is based on years of vesting service. A PGI Plan participant is 100 percent vested after four years of credited service. Full and immediate vesting will also occur upon attainment of normal retirement age, death or disability. Participants who leave the Company before they are fully vested in the Company's contributions forfeit their nonvested portion. Contributions of \$2,883,000 were made to the plan in the eleven month period ended December 31, 2008.

PGI's subsidiary, OJ, has a defined benefit plan (the "OJ Plan") for eligible employees of OJ. The OJ Plan provides for annual company contributions in an amount no less than 6%, 7% or 8% (based on job level) and no more than 10%. The plan also allows employee contributions. All contributions are immediately vested. Cash contributions to the plan were \$143,000 in the eleven month period ended December 31, 2008.

PGC has a qualified defined contribution plan (the "PGC Plan") for all eligible employees and, at the discretion of the board of directors, makes annual contributions to the plan. Employees are not allowed to make contributions to the plan. Company contributions vest ratably on the first through fifth anniversary dates of each participant's employment, with participants fully vested after five years of service. The Company made no contributions to the PGC Plan in the eleven months ended December 31, 2008.

14. Stock-Based Compensation

Stock-based compensation expense for the eleven months ended December 31, 2008 included (in thousands):

Restricted stock	\$ 831
Stock options	545
Total stock-based compensation expense	<u>\$ 1,376</u>

On January 31, 2008, the Price Gregory Services Incorporated 2008 Stock Incentive Plan (the "2008 Plan") was adopted by the Board of Directors and provides for the granting of stock-based awards in the form of options, restricted stock and phantom stock to employees and directors. Under the 2008 Plan, the maximum number of shares of common stock that may be issued is 80,000 shares.

Stock Options

Under the 2008 Plan, stock options may be granted by the Board at an exercise price, option period and vesting terms as determined by the Board but exercise price cannot be below the fair market value of a share of common stock on the date of the grant.

Using the Black-Scholes option valuation model, the weighted average fair value at date of grant for options granted during the eleven months ended December 31, 2008 was \$46.94. The following weighted average assumptions were used:

Expected life in years	5
Risk-free interest rate	1.50% - 3.30%
Volatility	40.59% - 42.32%
Dividend yield	0.0%

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

The following table presents stock option activity for the eleven months ended December 31, 2008:

	<u>Stock Options</u>	<u>Weighted Average Price</u>	<u>Weighted Average Years</u>	<u>Aggregate Intrinsic Value</u> <i>(in 000's)</i>
Options issued at merger	19,250	\$ 100.00		
Granted	4,700	271.28		
Exercised/cancelled	—	—		
Options outstanding, December 31, 2008	<u>23,950</u>	<u>\$ 133.61</u>	<u>4.2</u>	<u>\$ 3,200</u>
Options exercisable, December 31, 2008	<u>4,700</u>	<u>\$ 271.28</u>	<u>4.6</u>	<u>\$ 1,275</u>

As of December 31, 2008, \$580,000 of unrecognized compensation expense related to nonvested options is expected to be recognized over the weighted average period of 4.1 years.

Restricted Stock

For grants of restricted stock, compensation expense is recognized over the vesting period equal to the fair value of common stock at the date of grant. Outstanding restricted stock grants vest 25% or 33-1/3% on each of the anniversaries of the grant date.

The following table presents restricted stock activity during the eleven months ended December 31, 2008.

	<u>Shares</u>	<u>Weighted Average Grant- Date Fair Value per Share</u>
Restricted stock granted at merger	36,000	\$ 100.00
Granted	200	230.00
Vested	—	—
Nonvested restricted stock	<u>36,200</u>	<u>\$ 100.72</u>

As of December 31, 2008, \$2.8 million of unrecognized compensation expense related to nonvested restricted stock is expected to be recognized over the weighted average period of 3.1 years.

15. Related Party Transactions

Reflected in Accounts Receivable at December 31, 2008, is \$2.1 million due from the former shareholders of Gregory & Cook Construction, Inc. for state taxes paid in their behalf. The amount of \$1.8 million has been collected subsequent to year end.

The Company rents heavy construction equipment and shares office space from a company controlled by a family member of some of the Company's shareholders. Related party equipment rental expense for the eleven months ended December 31, 2008 was \$1,146,000. In addition, the Company also has an agreement to share common rental and other office-related expenses with the same party pro rata based on usage by the two parties. The Company charged the related party \$30,000 for these expenses for the eleven months ended December 31, 2008. The Company has related party payable of \$100,000 at December 31, 2008.

Price Gregory Services Incorporated
Notes to Consolidated Financial Statements

16. Concentrated Market and Credit Risks

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. The Company places its cash and cash equivalents and temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of FDIC insurance limits.

Accounts receivable at any given time are primarily concentrated in a small number of customer accounts. The Company grants credit, generally without collateral, to its customers. Management believes that its contract acceptance, billing, and collection policies are adequate to minimize potential credit risk. To enforce collection of potential past-due balances, the Company can resort to mechanics' and materialmen's liens.

The Company's customers are primarily engaged in oil and natural gas production and transportation industries in Canada and the United States. The financial well being of these companies is affected by the price of these commodities. A concentrated number of the Company's customers generate more than 10% of contract revenues each year. Three customers exceeded 10% of contract revenues and in aggregate had \$900.4 million in revenues for the eleven months ended December 31, 2008. At December 31, 2008, three customers had balances greater than 10% of contracts receivable, comprising 33%, 16% and 12% of total contract receivables, respectively. There were no foreign customers who exceeded 10% of contract revenues or contracts receivable for the eleven months ended December 31, 2008.

17. Supplemental Cash Flow Information for the eleven-month period ended December 31 (in thousands):

	<u>2008</u>
Cash paid for interest	\$ 7,266
Cash paid for taxes	70,553
Noncash transactions	
Property and equipment acquired under long-term debt	\$41,826
Issuance of common stock for businesses acquired	30,000
Issuance of mandatorily redeemable preferred for businesses acquired	79,999
Dividend on mandatorily redeemable preferred	3,666

H.C. Price Co.

Combined Consolidated Financial Statements

As of and for the month ended
January 31, 2008

H.C. Price Co.
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As of and for the month ended January 31, 2008

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Report of Independent Auditors

To the Board of Directors and Shareholders of H.C. Price Co.

In our opinion, the accompanying combined consolidated balance sheet and the related statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of H.C. Price Co. and its subsidiaries and affiliates (the "Company") at January 31, 2008, and the results of their operations and their cash flows for the month then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards as established by the Auditing Standards Board and in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Houston, TX

July 22, 2009

H.C. Price Co.
Combined Consolidated Balance Sheet
As of and for the month ended January 31, 2008

(In thousands except share amounts)

Assets	
Current assets	
Cash and cash equivalents	\$ 9,760
Marketable securities	248
Accounts receivable	53,961
Costs and estimated earnings in excess of billings on uncompleted construction contracts	19,126
Deferred construction costs	3,800
Prepaid expenses and other	5,894
Inventories	1,706
Total current assets	94,495
Property and equipment, net	48,438
Other assets	46
Total assets	<u>\$ 142,979</u>
Liabilities and Shareholders' Equity	
Current liabilities	
Current maturities of long-term debt	\$ 27,980
Current maturities of capital leases	2,788
Accounts payable	26,396
Accrued liabilities	12,519
Current portion of casualty insurance reserve	3,055
Billings in excess of costs and estimated earnings on uncompleted construction contracts	12,243
Total current liabilities	84,981
Long-term debt, less current maturities	7,678
Capital leases, less current maturities	2,031
Casualty insurance reserve, less current portion	5,673
Total liabilities	<u>100,363</u>
Commitments and contingencies (Note 9)	
Minority interest	1,280
Shareholders' equity	
Common stock, \$100 par value, 35,000 authorized, 32,000 issued and outstanding	3,200
Common stock, \$0.10 par value, 50,000 authorized, 10,000 issued and outstanding	1
Additional paid-in capital	9
Retained earnings	34,738
Accumulated other comprehensive income	3,388
Total shareholders' equity	<u>41,336</u>
Total liabilities and shareholders' equity	<u>\$ 142,979</u>

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

H.C. Price Co.
Combined Consolidated Statement of Operations
As of and for the month ended January 31, 2008

(In thousands)

Revenue:	
Revenue from construction contracts	\$ 43,787
Revenue from service contracts	4,368
Interest and other income	373
	<u>48,528</u>
Expenses:	
Cost of contract revenue	40,481
General and administrative expenses	4,248
Depreciation	584
Interest expense	260
Minority interest	(15)
	<u>45,558</u>
Net income	<u>\$ 2,970</u>

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

H.C. Price Co.
Combined Consolidated Statement of Shareholders' Equity
As of and for the month ended January 31, 2008

(In thousands)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>				
Balances at December 31, 2007	42	\$ 3,201	\$ 9	\$ 102,904	\$ 2,689	\$ 108,803
Net income	—	—	—	2,970	—	2,970
Other comprehensive income:						
Net change in unrealized gain on available- for-sale securities	—	—	—	—	(17)	(17)
Foreign currency translation adjustment	—	—	—	—	716	716
Total comprehensive income						3,669
Distributions to shareholders	—	—	—	(71,136)	—	(71,136)
Balances at January 31, 2008	<u>42</u>	<u>\$ 3,201</u>	<u>\$ 9</u>	<u>\$ 34,738</u>	<u>\$ 3,388</u>	<u>\$ 41,336</u>

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

H.C. Price Co.
Combined Consolidated Statement of Cash Flows
As of and for the month ended January 31, 2008

(In thousands)

Cash flows from operating activities:	
Net income	\$ 2,970
Adjustments to reconcile net earnings to net cash used in operating activities	
Depreciation	584
Gain on sale of property and equipment	(20)
Minority interest in net income of subsidiaries	(15)
Changes in operating assets and liabilities	
Accounts receivable	9,068
Costs and estimated earnings in excess of billings on uncompleted construction contracts	(15,611)
Deferred construction costs	(1,899)
Inventories	63
Prepaid expenses and other	258
Accounts payable	(4,116)
Accrued liabilities	4,945
Billings in excess of costs and estimated earnings on uncompleted construction contracts	175
Casualty insurance reserve	337
Net cash used in operating activities	(3,261)
Cash flows from investing activities:	
Proceeds from sale of available-for-sale securities	35,250
Restricted cash	3,750
Purchases of property and equipment	(256)
Proceeds from sale of property and equipment	48
Net cash provided by investing activities	38,792
Cash flows from financing activities:	
Repayments of long-term debt	(395)
Proceeds from long-term debt	18,000
Payments on capital lease obligations	(112)
Distributions to shareholders	(71,136)
Net cash used in financing activities	(53,643)
Effect of foreign currency exchange rate changes	990
Decrease in cash and cash equivalents	(17,122)
Cash and cash equivalents:	
Beginning of period	26,882
End of period	\$ 9,760
Supplemental cash flows information	
Cash paid for interest	\$ 260
Supplemental disclosure of noncash investing and financing activities	
Net change in unrealized gain on available-for-sale securities	\$ (17)

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

1. Summary of Significant Accounting Policies

Nature of Organization and Operating Cycle

H.C. Price Co. (the "Company") is a Delaware corporation which was incorporated on September 12, 1980. The Company is engaged in the construction of pipelines and related projects for the petroleum and natural gas industries. Work is performed primarily under fixed-unit price contracts and cost-reimbursable contracts with contract incentive provisions. The Company uses union labor on some of its contracts.

The length of the Company's contracts varies but is typically between three to six months. In accordance with the normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and liabilities even when these amounts are realizable or payable over a period in excess of one year.

Basis of Presentation

The accompanying combined consolidated financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The combined consolidated financial statements include the Company, its wholly owned subsidiaries and ownership interests in Price Ahtna J.V. and Price Ahtna LLC (the "Joint Ventures") and Conam Construction Co. ("Conam"), an affiliated entity under common control. The Company's wholly owned subsidiaries include H.C. Price Canada Company, a Nova Scotia unlimited liability company and O.J. Pipelines Canada Corporation, a corporation organized under the laws of New Brunswick, Canada (the "Subsidiaries"). Conam was incorporated in Texas on October 1, 1984. All significant intercompany accounts and transactions have been eliminated.

The Company's two foreign subsidiaries, H.C. Price Canada Company and O.J. Pipelines Canada Corporation acquired O.J. Pipelines Canada, Limited Partnership ("OJPC") in September 1998. Effective January 1, 2005, the subsidiaries owned and controlled 90.0% of OJPC operations with a 10.0% interest held by a limited partner.

The Company has a 49% interest in Price Ahtna, J.V., and a 65% interest in Price Ahtna, LLC. Conam has a 49% interest in Tikigaq Conam, LLC. The Company's total ownership from its investment exceeds fifty percent of the earnings derived from the businesses as a result of equipment services and sponsorship fees. As a result, the Company is considered to have the ability to direct policies and management of these entities, and accordingly, the balance sheets and the related statements of operations, changes in stockholders' equity and cash flows of the joint venture and partnerships are included in the combined consolidated financial statements. The earnings and equity attributable to other parties to the joint venture and partnerships are reflected in the minority interest captions.

Revenue Recognition

Revenues from construction contracts are recognized on a percentage-of-completion method, measured by the percentage of contract costs incurred to date to the total estimated costs for each contract, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Revenues from service and maintenance contracts are recognized when earned, as expenditures are incurred.

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the month ended January 31, 2008

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as payroll taxes and insurance. General and administrative costs are charged to expense as incurred. Total estimated costs, and thus contract income, are impacted by changes in productivity, scheduling, unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, customer needs, customer delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project's completion and thus the timing of revenue recognition. Such changes may result in revisions to cost and income and are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. An amount equal to contract costs attributable to claims is included in contract revenue when realization is probable and the amount can be reliably estimated.

Revenues recognized in excess of amounts billed are recorded as a current asset under the caption "Costs and estimated earnings in excess of billings on uncompleted contracts." Billings in excess of revenues recognized are recorded as a current liability under the caption "Billings in excess of costs and estimated earnings on uncompleted contracts."

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include all time deposits, certificates of deposit, and all highly liquid investments with original maturity dates of three months or less. The Company released \$3,750,000 in restricted cash related to their demand revolving note payable to Comerica Bank in January 2008.

Marketable Securities

The Company accounts for investments in accordance with the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ("SFAS 115"). Marketable securities are classified based on management's intention at the time of purchase and reevaluated at each balance sheet date. Securities are classified as available-for-sale and carried at fair value (quoted market value) with net unrealized gains and losses included in other comprehensive income in the combined consolidated statements of stockholders' equity. Realized gains and losses from the sales of securities and declines in value determined to be other than temporary are determined using the specific identification method and are included in the statements of combined consolidated operations under other income.

During January 2008, our marketable securities consisted of auction rate securities and equity securities, which represented funds available for current operations. In accordance with SFAS 115, these short-term investments were classified as available-for-sale. The auction rate securities were carried at cost or par value, while the equity securities were recorded at fair value based on quoted market prices. Typically, the carrying value of auction rate securities approximates fair value due to the frequent resetting of their interest rates through the auction process. These securities had stated maturities beyond three months but were priced and traded as short-term instruments. The Company sold all of their auction rate securities in January 2008 at par value.

Account Receivables

Contract receivables from performing construction are based on contracted prices. Contract receivables are recorded when invoices can be issued under the terms of the contract and are presented in the balance sheet net of the allowance for doubtful accounts. Contract receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the Company's historical losses, the existing economic conditions in the

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the month ended January 31, 2008

construction industry, and the financial stability of its customers. The Company believes no allowance for doubtful accounts is necessary at January 31, 2008.

Inventories

Inventories of supplies and spare parts are recorded at the lower of cost, determined using average costs, and net realizable value. No excess or obsolescence allowances existed at January 31, 2008.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment under capital leases are stated at the present value of minimum lease payments. Improvements or betterments that extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property and equipment disposals are recorded in other income.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, net of salvage value. The estimated useful life of construction machinery and equipment ranges from 4 to 20 years, while the estimated useful life of office furniture and equipment is 4 to 5 years.

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There was no triggering event during January 2008 and therefore no impairment was recorded in January 2008.

Deferred Construction Costs

We defer material costs incurred at the beginning of a construction project when these materials benefit the entire construction period of a project, and we recognize these costs (net of estimated salvage) to the project costs based on utilization over the life of the project, generally three to six months. These material costs consist primarily of hardwood construction mats used under heavy equipment throughout the project. The amount included in Deferred Construction Costs represents amounts not yet charged to the construction projects in progress at the balance sheet date.

Foreign Currency Translation

The local currency of the Company's Canadian subsidiaries is considered to be the functional currency. Assets and liabilities of these foreign subsidiaries are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rate prevailing throughout the month. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the cumulative translation adjustment included in accumulated other comprehensive income in stockholders' equity. Realized gains and losses on foreign currency transactions, if any, are included in operating results for the period.

Comprehensive Income

Comprehensive income has been disclosed on the combined consolidated statement of stockholders' equity. The accumulated other comprehensive income balance as of January 31, 2008 represents the cumulative translation adjustments and the net unrealized gain on available-for-sale securities.

Income Taxes

The Company has elected, under applicable provisions of the Internal Revenue Code, to be taxed as a S Corporation. Under these provisions, all income, losses, credits, and deductions of the Company are passed through to the stockholders' individual income tax returns. Accordingly, no provision for federal income taxes is included in the combined consolidated financial statements.

In May 2006, the State of Texas enacted legislation for a Texas margin tax which restructured the state business tax by replacing the taxable capital and earned surplus components of the current franchise tax with a new "taxable margin" component. As the tax base for computing Texas margin tax is derived from an income-based measure, management determined the margin tax is an income tax and the effect on deferred tax assets and liabilities should be included in the deferred tax calculation. Although the law states that the margin tax is not an income tax, it has the characteristics of an income tax since it is determined by applying a tax rate to a base that considers both revenues and expenses. For the month ended January 31, 2008, we determined the Texas margin tax to be de minimus.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combined consolidated financial statements and accompanying notes. The use of estimated costs to complete each contract under the percentage-of-completion method, as discussed in Revenue Recognition above, is a significant variable in the process of determining income earned and is a significant factor in the accounting for contracts. Additional significant items subject to such estimates and assumptions include the useful lives of fixed assets, allowances for doubtful accounts, employee benefit obligations, warranties, environmental liabilities, and other contingencies. Actual results could differ from these estimates.

Fair Value Measurements

Our financial instruments include cash, receivables, payables and debt. At January 31, 2008, the estimated fair value of such financial instruments approximated their carrying value as reflected in our balance sheet. See Note 2 for further discussion of the Company's fair value measurement of marketable securities.

2. Marketable Securities

The Company implemented SFAS No. 157, *Fair Value Measurements* effective January 1, 2008 for its financial assets and liabilities measured on a recurring basis. SFAS No. 157 applies to all financial assets and liabilities that are being measured and reported on a fair value basis. This position was effective upon issuance, including prior periods for which financial statements have not been issued. The adoption had no impact on the Company's combined consolidated financial statements.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurements be classified and disclosed in one of the following categories:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the month ended January 31, 2008

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Measured based on prices or valuation models that required inputs that are both significant to the fair value measurement and less observable for objective sources (i.e., supported by little or no market activity).

As required by SFAS No. 157, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. Per SFAS No. 157, the Company has classified its marketable securities into one of the three levels based upon the data relied upon to determine the fair value.

In the absence of a secondary market, fair value was estimated based on a number of factors including the credit quality of the obligor and current available financial data of the investment. Based on this analysis, an unrecognized gain of \$0.2 million is reflected at January 31, 2008 as accumulated other comprehensive income on the accompanying combined consolidated balance sheet.

The following table summarizes the valuation of the Company's marketable securities by SFAS No. 157 pricing levels as of January 31, 2008 (in thousands):

	Fair Value Measurement Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Asset at Fair Value
Marketable securities	\$ 248	\$ —	\$ —	\$ 248
	<u>\$ 248</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 248</u>

The table below sets forth a reconciliation for assets measured at fair value on a recurring basis using quoted market prices (Level 1) during the month ended January 31, 2008:

Marketable securities at cost	\$ 94,000
Total unrealized gain	154,000
Marketable securities as of January 31, 2008	<u>\$ 248,000</u>

3. Accounts Receivable

Accounts receivable at January 31, 2008 consist of the following (in thousands):

Contract receivables	\$ 35,190
Retainage	18,771
	<u>\$ 53,961</u>

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the month ended January 31, 2008

4. Contracts in Progress

Costs and estimated earnings on uncompleted construction contracts at January 31, 2008 are as follows (in thousands):

Costs incurred on uncompleted construction contracts	\$ 207,273
Estimated earnings	<u>40,791</u>
	248,064
Less: Billings to date	<u>(241,181)</u>
	<u>\$ 6,883</u>
Included in the accompanying balance sheet under the following captions:	
Costs and estimated earnings in excess of billings on uncompleted construction contracts	\$ 19,126
Billings in excess of costs and estimated earnings on uncompleted construction contracts	<u>(12,243)</u>
	<u>\$ 6,883</u>

5. Property and Equipment

Property and equipment at January 31, 2008 consists of the following (in thousands):

Buildings and leasehold improvements	\$ 2,659
Construction and office equipment	<u>99,620</u>
	102,279
Less: Accumulated depreciation	<u>(53,841)</u>
Net property and equipment	<u>\$ 48,438</u>

6. Accrued Liabilities

Accrued liabilities at January 31, 2008, consist of the following (in thousands):

Profit sharing and benefits	\$ 3,937
Payroll and related	3,612
Contractual claims liability	2,077
Other	<u>2,893</u>
	<u>\$ 12,519</u>

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the month ended January 31, 2008

7. Long-Term Debt

Long-term debt at January 31, 2008, consists of the following (in thousands):

Promissory note payable to Caterpillar Financial Services, Ltd.	\$ 12,641
Demand revolving note payable to Comerica Bank, Canada	5,017
Line of credit — Comerica Bank, Texas	18,000
	35,658
Less: Current maturities	(27,980)
	<u>\$ 7,678</u>

The promissory note payable to Caterpillar Financial Services, Ltd. is payable in blended monthly installments of \$468,000 with interest at TD Canada Trust prime rate plus 1.25%, compounded monthly (5.75% at January 31, 2008), maturing November 21, 2010. Collateral includes a general security agreement, providing for security interest in and lien over all existing and after acquired personal and real property of OJPC and a guarantee by the Company. The promissory note was paid effective June 28, 2008.

The demand revolving note payable to Comerica Bank, Canadian branch has a maximum amount of \$12,125,000 and is repayable the earlier of (a) June 30, 2009 or (b) a demand by the bank for payment in full, with interest at the greater of (i) US Prime Rate (6.0% at January 31, 2008) or (ii) Canadian Prime rate plus 1.25% (5.75% at January 31, 2008). Collateral includes a guarantee by the Company and restricted cash deposited with Comerica Bank totaling \$3,750,000 at January 31, 2008, equipment pledged by the Company, and a pledge of 65% of the capital stock of the subsidiaries. The demand revolving note was paid effective February 1, 2008.

The Company has a credit relationship with Comerica Bank — Texas providing up to \$20 million working capital and \$6 million letter of credit availability for which \$18,000,000 was outstanding at January 31, 2008. The credit arrangement is secured by a first priority interest in the Company's construction equipment and a secondary pledge of 65% of the capital stock of the Company holds in its subsidiaries and bears interest at prime rate (6.0% at January 31, 2008). At January 31, 2008, there were issued and outstanding letters of credit totaling approximately \$5,890,000. The line of credit was paid effective February 1, 2008.

Future maturities of long-term debt for each of the five years subsequent to January 31, 2008 are as follows (in thousands):

Remainder of 2008	\$ 27,555
2009	5,243
2010	2,860
2011	—
2012	—
Thereafter	—
Total future minimum lease payments	<u>\$ 35,658</u>

The Company also maintains a subordinated, floating rate working capital line of credit guaranteed by Tie-in-Equipment Corp., an entity related to the Company through common ownership. Collateral for this commitment is a security interest in and a lien over all existing personal and real property of the Company. At January 31, 2008 there were no outstanding borrowings.

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the month ended January 31, 2008

The Company has a revolving credit facility to a maximum of CAD\$6.0 million collateralized by certain accounts receivable. The revolving credit facility bears interest at the Royal Bank of Canada 30 day bankers acceptance rate plus 2.75% (4.03% at January 31, 2008) payable monthly in arrears. Successive extensions of the revolving credit facility are permitted in accordance with agreed terms. No amounts were outstanding at January 31, 2008.

8. Leases

The Company is obligated under capital leases covering certain machinery and equipment that expire at various dates through 2008. At January 31, 2008, the gross amount of property and equipment and related accumulated depreciation held under capital leases were as follows (in thousands):

Equipment	\$ 4,571
Less: Accumulated depreciation	(781)
	<u>\$ 3,790</u>

Amortization of assets held under capital leases is included with depreciation expense.

A summary of future minimum lease and interest payments under capital and operating leases at January 31, 2008 is as follows (in thousands):

	<u>Capital</u>	<u>Operating</u>
Remainder of 2008	\$ 2,921	\$ 5,439
2009	785	5,735
2010	785	3,173
2011	718	718
2012	—	439
Thereafter	—	168
Total future minimum lease payments	\$ 5,209	\$ 15,672
Less: Amount representing interest	(390)	
Present value of future minimum capital lease payments	4,819	
Less: Current portion	(2,788)	
Long-term portion	<u>\$ 2,031</u>	

The Company conducts its operations in leased facilities and also leases storage space and construction equipment. Rental expense inclusive of month to month rentals under operating leases was approximately \$3,140,000 for January 2008.

9. Commitments and Contingencies

The Company participates in certain deductible insurance programs. In the opinion of management, the Company has adequately accrued for all liabilities arising from these agreements.

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the month ended January 31, 2008

The Company and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of their business. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not materially adversely affect the financial position, results of operations or cash flows of the Company. The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is typically responsible for the performance of the construction portion of the project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying combined consolidated financial statements.

Certain post-contract completion audits and reviews are periodically conducted by customers and/or government entities. One of our customers recently completed a review allowed under the contract terms and has notified the Company of claims for billing adjustments. Management has assessed this claim and believes it has adequately provided for its best estimate of exposure based on currently available information. While there can be no assurance that other claims will not be received as a result of such audits and reviews, management does not believe a legitimate basis exists for any material claims. At present, it is not possible for management to estimate the likelihood of such other claims being asserted or, if asserted, the amount or nature or ultimate disposition thereof.

10. Employee Benefit Plan

The Company has a defined contribution plan for all eligible employees and, at the discretion of the board of directors, makes annual contributions to the plan.

The Company has a savings plan in the form of a defined contribution plan (the "401(k) Plan") for substantially all U.S. based full-time employees of the Company. Employees of the company who have completed one or more years of active service, are eligible to participate, provided they are not covered by a collective bargaining agreement in which retirement benefits were the subject of good faith bargaining between the employee's representative and the Company and the agreement does not require the Company to include such employees in the Plan. The 401(k) Plan provides for Company contributions in an amount equal to 15% of participants' defined compensation subject to limits set forth by the Internal Revenue Code (IRC). No participant contributions to the 401(k) Plan are allowed other than direct rollovers from another qualified retirement plan. The Company made contributions of \$555,000 to the plan in the month ended January 31, 2008, respectively.

Vesting in the Company's contributions is based on years of vesting service. A participant is 100 percent vested after four years of credited service. Full and immediate vesting will also occur upon attainment of normal retirement age, death or disability. Participants who leave the Company before they are fully vested in the Company's contributions forfeit their nonvested portion.

11. Related Party Transactions

The Company also maintains a subordinated, floating rate working capital line of credit guaranteed by Tie-in-Equipment Corp., an entity related to the Company through common ownership. Collateral for this commitment is a security interest in and a lien over all existing personal and real property of the Company. No commitment fee was paid for the month ended January 31, 2008.

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the month ended January 31, 2008

12. Concentrated Market and Credit Risks

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. The Company places its cash and cash equivalents and temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of FDIC insurance limits.

Accounts receivable at any given time are primarily concentrated in a small number of customer accounts. The Company grants credit, generally without collateral, to its customers. Management believes that its contract acceptance, billing, and collection policies are adequate to minimize potential credit risk. To enforce collection of potential past-due balances, the Company can resort to mechanics' and materialmens' liens.

The Company's customers are primarily engaged in the business of exploring for and producing oil and natural gas in Canada and the United States. The financial well being of these companies is affected by the price of these commodities. A concentrated number of the Company's customers generated more than 10% of contract revenues and receivables. For the month ended January 31, 2008, one domestic customer and one foreign customer exceeded 10% of contract revenues, with revenues of \$15.6 million and \$24.4 million, respectively. Two domestic customers and one foreign customer had balances greater than 10% of contract receivables comprising of 75% and 15% of the total contract receivables balance, respectively.

13. Subsequent Events

On January 31, 2008, Price Gregory Services, Incorporated acquired all of the issued and outstanding common stock of H.C. Price Co.

H.C. Price Co.

Combined Consolidated Financial Statements

As of and for the years ended
December 31, 2007 and 2006

H.C. Price Co.

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As of and for the years ended December 31, 2007 and 2006

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Report of Independent Auditors

To the Board of Directors and Shareholders of H.C. Price Co.

In our opinion, the accompanying combined consolidated balance sheets and the related statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of H.C. Price Co. and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards as established by the auditing standards board and in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Houston, TX

June 30, 2008

H.C. Price Co.
Combined Consolidated Balance Sheets
As of and for the years ended December 31, 2007 and 2006

(In thousands except share amounts)

	<u>2007</u>	<u>2006</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 26,882	\$ 19,008
Restricted cash	3,750	3,750
Marketable securities	35,515	254
Accounts receivable	57,548	57,529
Costs and estimated earnings in excess of billings on uncompleted construction contracts	3,369	6,193
Deferred construction costs	1,901	2,363
Prepaid expenses and other	6,153	5,819
Inventories	1,780	1,097
Current assets held for sale	—	526
Total current assets	136,898	96,539
Property and equipment, net	48,180	38,350
Other assets	46	43
Noncurrent assets held for sale	—	344
Total assets	<u>\$ 185,124</u>	<u>\$ 135,276</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 18,971	\$ 24,584
Accrued liabilities	13,004	8,693
Current portion of casualty insurance reserve	2,596	2,592
Billings in excess of costs and estimated earnings on uncompleted construction contracts	11,548	2,907
Revolving credit facility	—	7,574
Current maturities of long-term debt	10,009	14,957
Current maturities of capital leases	2,861	802
Current liabilities held for sale	—	605
Total current liabilities	58,989	62,714
Long-term debt, less current maturities	8,146	12,934
Capital leases, less current maturities	2,097	3,303
Casualty insurance reserve, less current portion	5,794	5,455
Total liabilities	<u>75,026</u>	<u>84,406</u>
Commitments and contingencies (Note 9)		
Minority interest	1,295	222
Shareholders' Equity		
Common stock, \$100 par value; 35,000 shares authorized; 32,000 shares issued and outstanding	3,200	3,200
Common stock, \$0.10 par value, 50,000 shares authorized; 10,000 shares issued and outstanding	1	1
Additional paid-in capital	9	9
Retained earnings	102,904	46,612
Accumulated other comprehensive income	2,689	826
Total shareholders' equity	<u>108,803</u>	<u>50,648</u>
Total liabilities and shareholders' equity	<u>\$ 185,124</u>	<u>\$ 135,276</u>

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

H.C. Price Co.
Combined Consolidated Statements of Operations
As of and for the years ended December 31, 2007 and 2006

(In thousands)

	<u>2007</u>	<u>2006</u>
Revenue:		
Revenue from construction contracts	\$ 296,706	\$ 185,519
Revenue from service contracts	84,910	110,648
Interest and other income	3,685	1,077
	<u>385,301</u>	<u>297,244</u>
Expenses:		
Cost of contract revenue	282,604	266,043
General and administrative expense	20,430	11,033
Depreciation	5,516	3,531
Interest expense	2,460	2,545
Minority interest	1,181	113
	<u>312,191</u>	<u>283,265</u>
Net income from continuing operations	<u>73,110</u>	<u>13,979</u>
Discontinued operations:		
Gain on sale of Core Pipelines	453	—
Loss from operations of Core Pipelines	—	(576)
Net income (loss) from discontinued operations	<u>453</u>	<u>(576)</u>
Net income	<u>\$ 73,563</u>	<u>\$ 13,403</u>

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

H.C. Price Co.
Combined Consolidated Statements of Stockholders' Equity
As of and for the years ended December 31, 2007 and 2006

(In thousands)

	Common Stock		Additional	Retained	Accumulated	
	Shares	Par Value	Paid-in	Earnings	Other	Total
			Capital		Comprehensive	
					Income	
Balances at December 31, 2005	42	\$ 3,201	\$ 9	\$ 40,007	\$ 768	\$ 43,985
Net income	—	—	—	13,403	—	13,403
Other comprehensive income:						
Net change in unrealized gain on available-						
for-sale securities	—	—	—	—	59	59
Foreign currency translation adjustment	—	—	—	—	(1)	(1)
Total comprehensive income						13,461
Distributions to shareholders	—	—	—	(6,798)	—	(6,798)
Balances at January 31, 2006	42	3,201	9	46,612	826	50,648
Net income	—	—	—	73,563	—	73,563
Other comprehensive income:						
Net change in unrealized gain on available-						
for-sale securities	—	—	—	—	11	11
Foreign currency translation adjustment	—	—	—	—	1,852	1,852
Total comprehensive income						75,426
Distributions to shareholders	—	—	—	(17,271)	—	(17,271)
Balances at December 31, 2007	<u>42</u>	<u>\$ 3,201</u>	<u>\$ 9</u>	<u>\$ 102,904</u>	<u>\$ 2,689</u>	<u>\$ 108,803</u>

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

H.C. Price Co.
Combined Consolidated Statements of Cash Flows
As of and for the years ended December 31, 2007 and 2006

(In thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities of continuing operations		
Net income	\$ 73,563	\$ 13,403
Discontinued operations	(453)	576
Adjustments to reconcile net earnings to net cash provided by operating activities from continuing operations		
Depreciation	5,516	3,531
(Gain) loss on sale of property and equipment	(2,076)	(40)
Minority interest in net income of subsidiaries	1,181	113
Changes in operating assets and liabilities		
Accounts receivable	(3,743)	(25,779)
Costs and estimated earnings in excess of billings on uncompleted construction contracts	3,519	(829)
Deferred construction costs	462	(1,789)
Inventories	(453)	(46)
Prepaid expenses and other	(312)	(2,252)
Accounts payable	1,277	16,124
Accrued liabilities	695	2,665
Billings in excess of costs and estimated earnings on uncompleted construction contracts	9,129	276
Casualty insurance reserve	344	197
Net cash provided by operating activities from continuing operations	<u>88,649</u>	<u>6,150</u>
Cash flows from investing activities of continuing operations		
Purchases of property and equipment	(10,457)	(7,442)
Proceeds from sale of property and equipment	3,384	429
Purchase of marketable securities	(35,250)	—
Increase (decrease) in other assets	(3)	71
Net cash used in investing activities from continuing operations	<u>(42,326)</u>	<u>(6,942)</u>
Cash flows from financing activities of continuing operations		
Repayments of revolving credit facility	(7,793)	—
Proceeds from revolving credit facility	—	7,645
Repayments of long-term debt	(13,507)	(4,475)
Payments on capital lease obligations	(1,075)	(340)
Distributions to minority stockholders	(247)	(26)
Contributions from minority stockholders	139	—
Distributions to shareholders	(17,271)	(6,798)
Net cash (used in) financing activities from continuing operations	<u>(39,754)</u>	<u>(3,994)</u>
Effect of foreign currency exchange rate changes	431	(17)
Discontinued operations		
Net cash provided by (used in) operating activities	(86)	2,303
Net cash provided by (used in) investing activities	960	(201)
Net cash provided by (used in) discontinued operations	874	2,102
Increase (decrease) in cash and cash equivalents	<u>7,874</u>	<u>(2,701)</u>
Cash and cash equivalents		
Beginning of year	19,008	21,709
End of year	<u>\$ 26,882</u>	<u>\$ 19,008</u>

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

1. Summary of Significant Accounting Policies

Nature of Organization and Operating Cycle

H.C. Price Co. (the "Company") is a Delaware corporation which was incorporated on September 12, 1980. The Company is engaged in the construction of pipelines and related projects for the petroleum and natural gas industries. Work is performed primarily under fixed-unit price contracts and cost-reimbursable contracts with contract incentive provisions. The Company uses union labor on some of its contracts.

The length of the Company's contracts varies but is typically between three to six months. In accordance with the normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and liabilities even when these amounts are realizable or payable over a period in excess of one year.

Basis of Presentation

The accompanying combined consolidated financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The combined consolidated financial statements include the Company, its wholly owned subsidiaries and ownership interests in Price Ahtna J.V. and Price Ahtna LLC (the "Joint Ventures") and Conam Construction Co. ("Conam"), an affiliated entity under common control. The Company's wholly owned subsidiaries include H.C. Price Canada Company, a Nova Scotia unlimited liability company and O.J. Pipelines Canada Corporation, a corporation organized under the laws of New Brunswick, Canada (the "Subsidiaries"). Conam was incorporated in Texas on October 1, 1984. All significant intercompany accounts and transactions have been eliminated.

The Company's two foreign subsidiaries, H.C. Price Canada Company and O.J. Pipelines Canada Corporation acquired O.J. Pipelines Canada, Limited Partnership ("OJPC") in September 1998. Effective January 1, 2005, the subsidiaries owned and controlled 90.0% of OJPC operations with a 10.0% interest held by a limited partner. OJPC has entered into certain agreements with Core Pipelines, Ltd. ("Core"), consisting of a demand revolving operating credit facility, a services agreement, and an equipment lease agreement. OJPC exerts significant influence over Core through the operation of these agreements and is subject to a majority of the risk of gain or loss from Core's operating activities. Accordingly, the balance sheets and the related statements of operations, changes in stockholders' equity and cash flows of Core are included in the combined consolidated financial statements.

The Company has a 49% interest in Price Ahtna, J.V., and a 65% interest in Price Ahtna, LLC. Conam has a 49% interest in Tikigaq Conam, LLC. The Company's total ownership from its investment exceeds fifty percent of the earnings derived from the businesses as a result of equipment services and sponsorship fees. As a result, the Company is considered to have the ability to direct policies and management of these entities, and accordingly, the balance sheets and the related statements of operations, changes in stockholders' equity and cash flows of the joint venture and partnerships are included in the combined consolidated financial statements. The earnings and equity attributable to other parties to the joint venture and partnerships are reflected in the minority interest captions.

Revenue Recognition

Revenues from construction contracts are recognized on a percentage-of-completion method, measured by the percentage of contract costs incurred to date to the total estimated costs for each contract, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Revenues from service and maintenance contracts are recognized when earned, as expenditures are incurred.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as payroll taxes and insurance. General and administrative costs are charged to expense as incurred. Total estimated costs, and thus contract income, are impacted by changes in productivity, scheduling, unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, customer needs, customer delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project's completion and thus the timing of revenue recognition. Such changes may result in revisions to cost and income and are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. An amount equal to contract costs attributable to claims is included in contract revenue when realization is probable and the amount can be reliably estimated.

Revenues recognized in excess of amounts billed are recorded as a current asset under the caption "costs and estimated earnings in excess of billings on uncompleted contracts." Billings in excess of revenues recognized are recorded as a current liability under the caption "billings in excess of costs and estimated earnings on uncompleted contracts."

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include all time deposits, certificates of deposit, and all highly liquid investments with original maturity dates of three months or less. The Company has restricted cash deposited with Comerica Bank totaling \$3,750,000 at December 31, 2007 and 2006, securing a demand revolving note payable to Comerica Bank.

Marketable Securities

The Company accounts for investments in accordance with the provisions of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ("SFAS 115"). Marketable securities are classified based on management's intention at the time of purchase and reevaluated at each balance sheet date. Securities are classified as available-for-sale and carried at fair value (quoted market value) with net unrealized gains and losses included in other comprehensive income in the combined consolidated statements of stockholders' equity. Realized gains and losses from the sales of securities and declines in value determined to be other than temporary are determined using the specific identification method and are included in the statements of combined consolidated operations under other income.

As of December 31, 2007, our marketable securities consisted of auction rate securities and equity securities, which represented funds available for current operations. In accordance with SFAS 115, these short-term investments were classified as available-for-sale. The auction rate securities were carried at cost or par value, while the equity securities were recorded at fair value based on quoted market prices. Typically, the carrying value of auction rate securities approximates fair value due to the frequent resetting of their interest rates through the auction process. These securities had stated maturities beyond three months but were priced and traded as short-term instruments. The Company sold all of their auction rate securities in January 2008 at par value. As of December 31,

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
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2006, our marketable securities consisted of equity securities recorded at fair value based on quoted market prices.

Account Receivables

Contract receivables from performing construction are based on contracted prices. Contract receivables are recorded when invoices can be issued under the terms of the contract and are presented in the balance sheet net of the allowance for doubtful accounts. Contract receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the Company's historical losses, the existing economic conditions in the construction industry, and the financial stability of its customers. The Company believes no allowance for doubtful accounts is necessary at December 31, 2007 and 2006.

Inventories

Inventories of supplies and spare parts are recorded at the lower of cost, determined using average costs, and net realizable value. No excess or obsolescence allowances existed at December 31, 2007 or 2006.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment under capital leases are stated at the present value of minimum lease payments. Improvements or betterments that extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property and equipment disposals are recorded in other income.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, net of salvage value. The estimated useful life of construction machinery and equipment ranges from 4 to 20 years, while the estimated useful life of office furniture and equipment is 4 to 5 years.

The Company reviews its property for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment was recorded in 2007 or 2006.

Deferred Construction Costs

We defer material costs incurred at the beginning of a construction project when these materials benefit the entire construction period of a project, and we recognize these costs (net of estimated salvage) to the project costs based on utilization over the life of the project, generally three to six months. These material costs consist primarily of hardwood construction mats used under heavy equipment throughout the project. The amount included in Deferred Construction Costs represents amounts not yet charged to the construction projects in progress at the balance sheet date.

Foreign Currency Translation

The local currency of the Company's Canadian subsidiaries is considered to be the functional currency. Assets and liabilities of these foreign subsidiaries are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rate prevailing throughout the year. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as the cumulative translation adjustment included in accumulated other comprehensive income in stockholders' equity. Realized gains and losses on foreign currency transactions, if any, are included in operating results for the period.

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the years ended December 31, 2007 and 2006

Comprehensive Income

Comprehensive income has been disclosed on the combined consolidated statement of stockholders' equity. The accumulated other comprehensive income balances as of December 31, 2007 and 2006, represent the cumulative translation adjustments and the net unrealized gain on available-for-sale securities.

Income Taxes

The Company has elected, under applicable provisions of the Internal Revenue Code, to be taxed as an S Corporation. Under these provisions, all income, losses, credits, and deductions of the Company are passed through to the stockholders' individual income tax returns. Accordingly, no provision for federal income taxes is included in the combined consolidated financial statements.

In May 2006, the State of Texas enacted legislation for a Texas margin tax which restructured the state business tax by replacing the taxable capital and earned surplus components of the current franchise tax with a new "taxable margin" component. As the tax base for computing Texas margin tax is derived from an income-based measure, management determined the margin tax is an income tax and the effect on deferred tax assets and liabilities should be included in the deferred tax calculation. Although the law states that the margin tax is not an income tax, it has the characteristics of an income tax since it is determined by applying a tax rate to a base that considers both revenues and expenses. For the year ended December 31, 2007, we determined the Texas margin tax to be de minimus.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combined consolidated financial statements and accompanying notes. The use of estimated costs to complete each contract under the percentage-of-completion method, as discussed in Revenue Recognition above, is a significant variable in the process of determining income earned and is a significant factor in the accounting for contracts. Additional significant items subject to such estimates and assumptions include the useful lives of fixed assets, allowances for doubtful accounts, employee benefit obligations, warranties, environmental liabilities, and other contingencies. Actual results could differ from these estimates.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated to approximate the related book values, unless otherwise noted, based on market information available to the Company. Letters of credit have no fair value because performance is not expected to be required.

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Notes to Combined Consolidated Financial Statements
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2. Marketable Securities

The fair values of available-for-sale investments by type as of and for the year ended December 31, 2007 and 2006 are as follows (in thousands):

	2007		
	Amortized Cost	Gross Unrealized Gains	Estimated Fair Value
Type of security:			
Auction rate securities	\$ 35,250	\$ —	\$ 35,250
Equity securities	94	171	265
Total	<u>\$ 35,344</u>	<u>\$ 171</u>	<u>\$ 35,515</u>
	2006		
	Amortized Cost	Gross Unrealized Gains	Estimated Fair Value
Type of security:			
Equity securities	\$ 94	\$ 160	\$ 254
Total	<u>\$ 94</u>	<u>\$ 160</u>	<u>\$ 254</u>

The Company sold all of their auction rate securities in January 2008 at amortized cost.

3. Accounts Receivable

Accounts receivable at December 31, 2007 and 2006 consist of the following (in thousands):

	2007	2006
Contract receivables	\$ 39,379	\$ 49,132
Retainage	17,295	8,371
Other	874	26
	<u>\$ 57,548</u>	<u>\$ 57,529</u>

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Notes to Combined Consolidated Financial Statements
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4. Contracts in Progress

Costs and estimated earnings on uncompleted construction contracts at December 31, 2007 and 2006 are as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Costs incurred on uncompleted construction contracts	\$ 151,993	\$ 118,333
Estimated earnings	44,870	5,210
	196,863	123,543
Less: Billings to date	(205,042)	(120,257)
	<u>\$ (8,179)</u>	<u>\$ 3,286</u>
Included in the accompanying balance sheet under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted construction contracts	\$ 3,369	\$ 6,193
Billings in excess of costs and estimated earnings on uncompleted construction contracts	(11,548)	(2,907)
	<u>\$ (8,179)</u>	<u>\$ 3,286</u>

5. Property and Equipment

Property and equipment at December 31, 2007 and 2006 consists of the following (in thousands):

	<u>2007</u>	<u>2006</u>
Buildings and leasehold improvements	\$ 2,630	\$ 1,158
Construction and office equipment	99,222	83,415
	101,852	84,573
Less: Accumulated depreciation	(53,672)	(46,223)
Net property and equipment	<u>\$ 48,180</u>	<u>\$ 38,350</u>

6. Accrued Liabilities

Accrued liabilities at December 31, 2007 and 2006, consist of the following (in thousands):

	<u>2007</u>	<u>2006</u>
Bonuses	\$ 7,102	\$ 3,325
Other	5,902	5,368
	<u>\$ 13,004</u>	<u>\$ 8,693</u>

H.C. Price Co.
Notes to Combined Consolidated Financial Statements
As of and for the years ended December 31, 2007 and 2006

7. Long-Term Debt

Long-term debt at December 31, 2007 and 2006, consists of the following (in thousands):

	<u>2007</u>	<u>2006</u>
Promissory note payable to Caterpillar Financial Services, Ltd.	\$ 13,111	\$ 16,735
Demand revolving note payable to Comerica Bank, Canada	5,044	11,156
	18,155	27,891
Less: Current maturities	(10,009)	(14,957)
	<u>\$ 8,146</u>	<u>\$ 12,934</u>

The promissory note payable to Caterpillar Financial Services, Ltd. is payable in blended monthly installments of \$468,000 with interest at TD Canada Trust prime rate plus 1.25%, compounded monthly (7.25% at December 31, 2007), maturing November 21, 2010. Collateral includes a general security agreement, providing for security interest in and lien over all existing and after acquired personal and real property of OJPC and a guarantee by the Company.

The demand revolving note payable to Comerica Bank, Canadian branch with a maximum amount of \$12,125,000 is repayable the earlier of (a) June 30, 2009 or (b) a demand by the bank for payment in full, with interest at the greater of (i) US Prime Rate (7.25% at December 31, 2007) or (ii) Canadian Prime rate plus 1.25% (7.25% at December 31, 2007). Collateral includes a guarantee by the Company and restricted cash deposited with Comerica Bank totaling \$3,750,000 at December 31, 2007 and 2006, equipment pledged by the Company, and a pledge of 65% of the capital stock of the subsidiaries.

Future maturities of long-term debt for each of the five years subsequent to December 31, 2007 are as follows (in thousands):

2008	\$ 10,009
2009	5,271
2010	2,875
2011	—
2012	—
Thereafter	<u>\$ 18,155</u>

The Company has a credit relationship with Comerica Bank — Texas providing up to \$20 million working capital and \$4 million letter of credit availability. Outstanding borrowings on the line of credit at December 31, 2006 were \$5 million. No amounts were outstanding at December 31, 2007. The credit arrangement is secured by a first priority interest in the Company's construction equipment and a secondary pledge of 65% of the capital stock of the Company holds in its subsidiaries and bears interest at prime rate (7.25% at December 31, 2007). At December 31, 2007 and 2006, there were issued and outstanding letters of credit totaling approximately \$5,890,000 and \$4,671,000, respectively.

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The Company also maintains a subordinated, floating rate working capital line of credit guaranteed by Tie-in-Equipment Corp., an entity related to the Company through common ownership. Collateral for this commitment is a security interest in and a lien over all existing personal and real property of the Company. At December 31, 2007 and 2006 there were no outstanding borrowings.

The Company has a revolving credit facility to a maximum of CAD\$6.0 million collateralized by certain accounts receivable. The revolving credit facility bears interest at the Royal Bank of Canada 30 day bankers acceptance rate plus 2.75% (7.31% and 7.05% at December 31, 2007 and 2006, respectively) payable monthly in arrears. Successive extensions of the revolving credit facility are permitted in accordance with agreed terms. The balance outstanding under the revolving credit facility at December 31, 2006 was US\$2.6 million. No amounts were outstanding at December 31, 2007.

8. Leases

The Company is obligated under capital leases covering certain machinery and equipment that expire at various dates through 2008. At December 31, 2007 and 2006, the gross amount of property and equipment and related accumulated depreciation held under capital leases were as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Equipment	\$ 4,571	\$ 4,518
Less: Accumulated depreciation	(727)	(152)
	<u>\$ 3,844</u>	<u>\$ 4,366</u>

Amortization of assets held under capital leases is included with depreciation expense.

A summary of future minimum lease and interest payments under capital and operating leases at December 31, 2007 is as follows (in thousands):

	<u>Capital Leases</u>	<u>Operating Leases</u>
2008	\$ 3,048	\$ 5,933
2009	789	5,745
2010	789	3,173
2011	724	718
2012	—	439
Thereafter	—	168
Total future minimum lease payments	5,350	<u>\$ 16,176</u>
Less: Amount representing interest	(392)	
Present value of future minimum capital lease payments	4,958	
Less: Current portion	(2,861)	
Long-term portion	<u>\$ 2,097</u>	

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Notes to Combined Consolidated Financial Statements
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The Company conducts its operations in leased facilities and also leases storage space and construction equipment. Rental expense under operating leases was approximately \$3,150,000 and \$784,000 for 2007 and 2006, respectively.

9. Commitments and Contingencies

The Company participates in certain deductible insurance programs. In the opinion of management, the Company has adequately accrued for all liabilities arising from these agreements.

The Company and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of their business. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not materially adversely affect our financial position, results of operations or cash flows. The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is typically responsible for the performance of the construction portion of the project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying combined consolidated financial statements.

Certain post-contract completion audits and reviews are periodically conducted by customers and/or government entities. One of our customers recently completed a review allowed under the contract terms and has notified the Company of claims for billing adjustments. Management has assessed this claim and believes it has adequately provided for its best estimate of exposure based on currently available information. While there can be no assurance that other claims will not be received as a result of such audits and reviews, management does not believe a legitimate basis exists for any material claims. At present, it is not possible for management to estimate the likelihood of such other claims being asserted or, if asserted, the amount or nature or ultimate disposition thereof.

10. Employee Benefit Plan

The Company has a defined contribution plan for all eligible employees and, at the discretion of the board of directors, makes annual contributions to the plan.

The Company has a savings plan in the form of a defined contribution plan (the "401(k) Plan") for substantially all U.S. based full-time employees of the Company. Employees of the company who have completed one or more years of active service, are eligible to participate, provided they are not covered by a collective bargaining agreement in which retirement benefits were the subject of good faith bargaining between the employee's representative and the Company and the agreement does not require the Company to include such employees in the Plan. The 401(k) Plan provides for Company contributions in an amount equal to 15% of participants' defined compensation subject to limits set forth by the Internal Revenue Code (IRC). No participant contributions to the 401(k) Plan are allowed other than direct rollovers from another qualified retirement plan. The Company made contributions of \$1,808,000 and \$2,990,000 to the plan in the years ended December 31, 2007 and 2006, respectively.

Vesting in the Company's contributions is based on years of vesting service. A participant is 100 percent vested after four years of credited service. Full and immediate vesting will also occur upon attainment of normal retirement age, death or disability. Participants who leave the Company before they are fully vested in the Company's contributions forfeit their nonvested portion.

H.C. Price Co.
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11. Related Party Transactions

The Company also maintains a subordinated, floating rate working capital line of credit guaranteed by Tie-in-Equipment Corp., an entity related to the Company through common ownership. Collateral for this commitment is a security interest in and a lien over all existing personal and real property of the Company. The Company paid a commitment fee of \$63,000 for each of the years ended December 31, 2007 and 2006, respectively.

12. Concentrated Market and Credit Risks

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. The Company places its cash and cash equivalents and temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of FDIC insurance limits.

Accounts receivable at any given time are primarily concentrated in a small number of customer accounts. The Company grants credit, generally without collateral, to its customers. Management believes that its contract acceptance, billing, and collection policies are adequate to minimize potential credit risk. To enforce collection of potential past-due balances, the Company can resort to mechanics' and materialmen's liens.

The Company's customers are primarily engaged in the business of exploring for and producing oil and natural gas in Canada and the United States. The financial well being of these companies is affected by the price of these commodities. A concentrated number of the Company's customers generate more than 10% of contract revenues each year. Two customers exceeded 10% of contract revenues and in aggregate had \$161.7 million in revenues for the year ended December 31, 2007. Three customers exceeded 10% of contract revenues and in aggregate had \$126.3 million in revenues for the year ended December 31, 2006. At December 31, 2007, three customers had balances greater than 10% of contracts receivable, comprising 23.2%, 23.1% and 18.9% of total contract receivables, respectively. There were no foreign customers which exceeded 10% of contract revenues or contracts receivable for the years ended December 31, 2007 or 2006.

13. Supplemental Cash Flow Information (in thousands)

	<u>2007</u>	<u>2006</u>
Cash paid for interest	\$2,379	\$2,506
Noncash transactions		
Property and equipment acquired under capital lease	\$ —	\$3,871
Net change in unrealized gain of available-for-sale securities	11	59

14. Discontinued Operations

In 2005 management made the decision to liquidate its investment in Core Pipelines, Ltd., a Canadian pipeline construction and services company consolidated under OJPC. The Company had general discussions with various potential acquirers with no transaction entered into at that time.

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In November 2006, the Company entered into negotiations to sell the net assets of Core Pipelines Ltd. to a third party. The final sale agreement was executed on February 28, 2007 with values per the agreement determined as of January 1, 2007. The Company received proceeds from the sale of CAD\$4,750,000 including approximately CAD\$3,500,000 relating to the sale of equipment belonging to O.J. Pipelines Canada Corporation. The gain on sale of Core Pipeline was US\$453,000 which is included in the statement of operations under the caption discontinued operations.

Condensed Balance Sheets and Statements of Operations of the Discontinued Operations are as follows (in thousands):

	<u>2006</u>	
Accounts receivable	\$	499
Cost and estimated earnings in excess of billings on uncompleted construction contracts		5
Prepaid expenses		22
Current assets		526
Property and equipment, net		344
Accounts payable	\$	605
	<u>2007</u>	<u>2006</u>
Revenue from construction contracts	\$ —	\$20,133
Cost of contract revenue	—	18,268
General and administrative expenses	—	2,163
Depreciation	—	64
Interest expense	—	214
Gain on sale of Core Pipelines	453	—

15. Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The Statement does not require any new fair value measures. The Statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company is required to adopt SFAS 157 beginning on January 1, 2008. SFAS 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In November 2007, the FASB proposed a one-year deferral of SFAS 157's fair-value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. We do not expect that the adoption of SFAS No. 157 will have a material effect on the Company's financial position, results of operations or cash flows.

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As of and for the years ended December 31, 2007 and 2006

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115* (“SFAS 159”). SFAS 159 gives the Company the irrevocable option to carry most financial assets and liabilities at fair value that are not currently required to be measured at fair value. If the fair value option is elected, changes in fair value would be recorded in earnings at each subsequent reporting date. SFAS 159 is effective for the Company for the year ended December 31, 2008. The Company is currently evaluating the impact the adoption of this statement could have on its financial condition, results of operations and cash flows.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations* (“SFAS 141R”) and Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment to ARB No. 51* (“SFAS 160”). SFAS 141R and SFAS 160 require most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at “full fair value” and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. Both Statements are effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. SFAS 141R will be applied to business combinations occurring after the effective date. SFAS 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. The Company is currently evaluating the impact of adopting SFAS 141R and SFAS 160 on its results of operations and financial position.

16. Subsequent Events

On January 31, 2008, Price Gregory Services, Incorporated acquired all of the issued and outstanding common stock of H.C. Price Company.

INDEX TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed financial information, which is referred to as the pro forma financial information, has been prepared to give effect to the acquisition of Price Gregory Services, Incorporated (Price Gregory) by Quanta Services, Inc. (Quanta) on October 1, 2009, with Quanta being considered the acquiring corporation. In connection with the acquisition, Quanta issued 10,939,933 shares of Quanta common stock valued at \$231.8 million on the date of closing and paid approximately \$95.8 million in cash as consideration for all of the outstanding shares of stock of Price Gregory, with \$0.5 million in cash and 1,531,640 shares of the Quanta common stock being placed into an escrow account. The escrow account will be maintained for a period of up to eighteen months and will be used for the settlement of any claims asserted by Quanta against the former shareholders of Price Gregory. The pro forma financial information was prepared using the historical consolidated financial statements of Quanta and Price Gregory. Price Gregory was formed in conjunction with the combination of H.C. Price Company (H.C. Price) and Gregory & Cook Construction, Inc., on January 31, 2008 with H.C. Price considered the predecessor company and therefore, the pro forma financial information for the year ended December 31, 2008 includes financial information for H.C. Price for the one month ended January 31, 2008 combined with the financial information of Price Gregory for eleven months ended December 31, 2008.

The unaudited pro forma combined condensed balance sheet as of June 30, 2009 combines the historical consolidated balance sheets of Quanta and Price Gregory as of June 30, 2009 and gives effect to the acquisition as if it occurred on June 30, 2009. The unaudited pro forma combined condensed statements of operations for the fiscal year ended December 31, 2008, including one month of operations from H.C. Price, and for the six months ended June 30, 2009 combine the historical condensed consolidated statements of operations of Quanta and Price Gregory, and give effect to the acquisition as if it occurred on January 1, 2008. The unaudited pro forma combined condensed financial information includes adjustments to give effect to pro forma events that are directly attributable to the acquisition and factually supportable.

The pro forma adjustments are preliminary due to the recent closing of the merger and have been made solely for purposes of developing the pro forma financial information necessary to comply with the requirements of the SEC. The acquisition's impact on the actual results reported by the combined company in periods following the acquisition may differ significantly from that reflected in these pro forma financial statements for a number of reasons. As a result, the pro forma information is not necessarily indicative of what the combined company's financial condition or results of operations would have been had the acquisition been completed on the applicable dates of this pro forma financial information. In addition, the pro forma financial information does not purport to project the future financial condition and results of operations of the combined company.

The pro forma financial information is based on assumptions and adjustments, including assumptions related to the allocation of the purchase price to the underlying tangible and intangible assets and liabilities acquired from Price Gregory based on their respective fair market values. The final purchase price allocation will differ from that reflected in the pro forma financial statements after valuation procedures and amounts recorded in connection with the purchase price allocation are finalized. The purchase price allocation included in the pro forma financial information is based on information that was available to the management of Quanta and Price Gregory at the time this pro forma financial information was prepared. Accordingly, the purchase price allocation will change and the impact of such changes could be material. Certain adjustments have been made to the historical Price Gregory balance sheet and statements of operations to conform to Quanta's accounting policies, and certain historical Price Gregory account balances have been reclassified to conform to Quanta's presentation. You should read this information in conjunction with the:

- Accompanying notes to these unaudited pro forma combined condensed financial statements;
- Separate audited historical consolidated financial statements and notes thereto of Quanta and its subsidiaries included in Quanta's Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the SEC on March 2, 2009;

- Separate unaudited historical consolidated financial statements and notes thereto of Quanta and its subsidiaries included in Quanta's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed with the SEC on August 10, 2009;
- Separate audited historical consolidated financial statements and notes thereto of Price Gregory and its subsidiaries included in Price Gregory's Consolidated Financial Statements as of and for the eleven months ended December 31, 2008, which are included in this Current Report on Form 8-K/A;
- Separate unaudited historical consolidated financial statements and notes thereto of Price Gregory and its subsidiaries included in Price Gregory's Condensed Consolidated Financial Statements as of and for the six months ended June 30, 2009 and five months ended June 30, 2008, which are included in this Current Report on Form 8-K/A;
- Separate audited historical consolidated financial statements and notes thereto of H.C. Price Company and its subsidiaries included in H.C. Price Company's Combined Consolidated Financial Statements as of and for the one month ended January 31, 2008, which are included in this Current Report on Form 8-K/A; and
- Separate audited historical consolidated financial statements and notes thereto of H.C. Price Company and its subsidiaries included in H.C. Price company's Combined Consolidated Financial Statements as of and for the years ended December 31, 2007 and 2006, which are included in this Current Report on Form 8-K/A.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
(In thousands)

	June 30, 2009				
	<u>Quanta Services, Inc.</u>	<u>Price Gregory Services, Incorporated</u>	<u>Pro Forma Adjustments</u>	<u>See Note 3</u>	<u>Pro Forma Combined</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 524,356	\$ 83,691	\$ (95,792)	(a)	\$ 335,546
			(128,041)	(b)	
			(6,335)	(c)	
			(2,333)	(d)	
			(40,000)	(e)	
Accounts receivable, net	723,711	151,922	—		875,633
Costs and estimated earnings in excess of billings on uncompleted contracts	49,007	104,615	—		153,622
Deferred construction costs	—	17,626	(17,626)	(f)	—
Inventories	27,967	1,427	17,626	(f)	47,020
Prepaid expenses and other current assets	64,767	23,692	—		88,459
Total current assets	1,389,808	382,973	(272,501)		1,500,280
Property and equipment, net	677,346	161,628	(7,439)	(g)	831,535
Other assets, net	42,159	1,339	—		43,498
Other intangible assets, net	130,905	37,363	39,176	(h)	207,444
Goodwill	1,363,200	144,745	14,075	(i)	1,522,020
Total assets	<u>\$ 3,603,418</u>	<u>\$ 728,048</u>	<u>\$ (226,689)</u>		<u>\$ 4,104,777</u>
LIABILITIES AND EQUITY					
Current Liabilities:					
Notes payable and current maturities of long-term debt	\$ 2	\$ 23,872	\$ (23,872)	(b)	\$ 2
Accounts payable and accrued expenses	364,514	145,750	2,973	(c)	513,237
Billings in excess of costs and estimated earnings on uncompleted contracts	66,206	50,043	—		116,249
Total current liabilities	430,722	219,665	(20,899)		629,488
Long-term debt, net of current maturities	—	104,169	(104,169)	(b)	—
Convertible subordinated notes, net	124,400	—	—		124,400
Deferred income taxes	84,758	60,687	12,377	(j)	157,822
Insurance and other non-current liabilities	218,901	4,907	2,000	(k)	225,808
Total liabilities	858,781	389,428	(110,691)		1,137,518
Commitments and Contingencies					
Mandatorily redeemable preferred stock	—	82,332	(82,332)	(a) (d)	—
Equity:					
Common stock	2	1	—		3
Limited vote common stock	—	—	—		—
Additional paid-in capital	2,811,846	73,221	158,595	(a)	3,043,662
	(31,545)	192,187	(192,187)	(a)	(40,853)
Accumulated (deficit) earnings			(9,308)	(c)	
Accumulated other comprehensive income (loss)	(450)	(9,234)	9,234	(a)	(450)
Treasury stock	(35,569)	—	—		(35,569)
Total stockholders' equity	2,744,284	256,175	(33,666)		2,966,793
Noncontrolling interest	353	113	—		466
Total equity	2,744,637	256,288	(33,666)		2,967,259
Total liabilities and equity	<u>\$ 3,603,418</u>	<u>\$ 728,048</u>	<u>\$ (226,689)</u>		<u>\$ 4,104,777</u>

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
(In thousands, except for per share information)

	Year Ended December 31, 2008	One Month Ended January 31, 2008	Eleven Months Ended December 31, 2008		Year Ended December 31, 2008		
	Quanta Services, Inc.	H.C. Price Company	Price Gregory Services, Incorporated	Total Price Gregory Services, Incorporated	Pro Forma Adjustments	See Note 4	Pro Forma Combined
Revenues	\$ 3,780,213	\$ 48,155	\$ 1,336,532	\$ 1,384,687	\$ —		\$ 5,164,900
Cost of services (including depreciation)	3,145,347	41,065	1,061,325	1,102,390	11,943	(l)	4,265,346
					5,666	(m)	
Gross profit	634,866	7,090	275,207	282,297	(17,609)		899,554
Selling, general and administrative expenses	309,399	4,248	41,834	46,082	(11,943)	(l)	343,538
Amortization of intangible assets	36,300	—	11,464	11,464	23,556	(n)	71,320
Operating income	289,167	2,842	221,909	224,751	(29,222)		484,696
Interest expense	(32,002)	(260)	(8,026)	(8,286)	8,286	(o)	(32,002)
Interest income	9,765	373	2,048	2,421	(6,885)	(p)	5,301
Loss on early extinguishment of debt	(2)	—	—	—	—		(2)
Other income (expense), net	342	—	—	—	—		342
Income before income taxes	267,270	2,955	215,931	218,886	(27,821)		458,335
Provision for income taxes	109,705	—	86,587	86,587	(9,698)	(q)	186,594
Net income	157,565	2,955	129,344	132,299	(18,123)		271,741
Less: Net income attributable to noncontrolling interest	—	(15)	188	173	—		173
Net income attributable to controlling interests	157,565	2,970	129,156	132,126	(18,123)		271,568
Preferred stock dividends	—	—	3,666	3,666	(3,666)	(r)	—
Net income attributable to common stock	\$ 157,565	\$ 2,970	\$ 125,490	\$ 128,460	\$ (14,457)		\$ 271,568
Earnings per share attributable to common stock:							
Basic earnings per share	\$ 0.89						\$ 1.45
Diluted earnings per share	\$ 0.87						\$ 1.36
Shares used in computing earnings per share:							
Weighted average basic shares outstanding	178,033				9,408	(s)	187,441
Weighted average diluted shares outstanding	196,975				10,940	(t)	214,330
					6,415	(u)	

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
(In thousands, except for per share information)

	Six Months Ended June 30, 2009				
	Quanta Services, Inc.	Price Gregory Services, Incorporated	Pro Forma Adjustments	See Note 4	Pro Forma Combined
Revenues	\$ 1,551,909	\$ 660,198	\$		\$ 2,212,107
Cost of services (including depreciation)	1,296,996	517,973	5,256	(l)	1,819,753
			(472)	(m)	
Gross profit	254,913	142,225	(4,784)		392,354
Selling, general and administrative expenses	146,573	21,580	(5,256)	(l)	162,897
Amortization of intangible assets	9,812	2,729	2,135	(n)	14,676
Operating income	98,528	117,916	(1,663)		214,781
Interest expense	(5,621)	(2,104)	2,104	(o)	(5,621)
Interest income	1,709	(401)	(938)	(p)	370
Other income (expense), net	234	(161)	—		73
Income before income taxes	94,850	115,250	(497)		209,603
Provision for income taxes	39,716	45,674	(194)	(q)	85,196
Net income	55,134	69,576	(303)		124,407
Less: Net income attributable to noncontrolling interest	353	212	—		565
Net income attributable to controlling interests	54,781	69,364	(303)		123,842
Preferred stock dividends	—	2,667	(2,667)	(r)	—
Net income attributable to common stock	\$ 54,781	\$ 66,697	\$ 2,364		\$ 123,842
Earnings per share attributable to common stock:					
Basic earnings per share	\$ 0.28				\$ 0.60
Diluted earnings per share	\$ 0.28				\$ 0.59
Shares used in computing earnings per share:					
Weighted average basic shares outstanding	198,365		9,408	(s)	207,773
Weighted average diluted shares outstanding	198,431		10,940	(t)	215,786
			6,415	(u)	

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED
FINANCIAL STATEMENTS**

Note 1—Basis of Presentation

The unaudited pro forma combined condensed balance sheet as of June 30, 2009 combines the unaudited consolidated balance sheets of Quanta and Price Gregory as of June 30, 2009 and gives effect to the merger as if it occurred on June 30, 2009. The unaudited pro forma combined condensed statements of operations for the fiscal year ended December 31, 2008 and for the six months ended June 30, 2009 give effect to the merger as if it occurred on January 1, 2008.

The unaudited pro forma combined condensed financial statements, which are referred to as the pro forma financial statements, are based on the historical financial statements of Quanta and Price Gregory and give effect to the acquisition of Price Gregory by Quanta under the acquisition method of accounting. As a result, the pro forma financial statements are based on assumptions and adjustments, including assumptions relating to the allocation of the consideration paid for the assets acquired and liabilities assumed from Price Gregory based on preliminary estimates of fair value. The final purchase price allocation will differ from the amounts reflected in the pro forma financial statements when remaining valuation procedures and fair value amounts are finalized.

The pro forma adjustments are preliminary due to the recent closing of the merger and have been made solely for purposes of developing the pro forma financial statements for illustrative purposes. The merger's impact on the actual results reported by the combined company in periods following the merger may differ significantly from that reflected in these pro forma financial statements, as fair value analyses of intangible assets, property, plant and equipment and other balance sheet line items have not been finalized. The pro forma financial statements do not give effect to any potential cost savings or operating synergies that Quanta and Price Gregory expect to result from the merger, nor do they give effect to any costs to be incurred in integrating the two companies.

Impact of Retrospectively Applying Certain New Accounting Pronouncements

Effective January 1, 2009, Quanta adopted two new accounting pronouncements: Financial Accounting Standards Board (FASB) Staff Position (FSP) APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" (FASB Accounting Standards Codification (ASC) 470-20, *Debt with Conversion and Other Options*) and FSP Emerging Issues Task Force (EITF) 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" (ASC 260, *Earnings Per Share*). ASC 470-20 required Quanta to bifurcate and separately value the debt and equity components of its convertible subordinated notes on its balance sheet. The recorded value of the equity component of the convertible notes is offset by the recognition of an adjustment to the carrying value of the convertible subordinated notes in the form of an original issuance discount which is amortized over the expected life of the convertible subordinated notes as a non-cash interest charge. As a result of the adoption of ASC 470-20, Quanta recorded a non-cash interest expense of \$14.9 million (\$9.6 million after-tax) for the year ended December 31, 2008. The additional non-cash interest expense in 2008 reduced its previously reported diluted earnings per share for the year ended December 31, 2008 from \$0.88 to \$0.87. Under ASC 260, Quanta is required to treat unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) as participating securities and for such awards to be included in the computation of both basic and diluted earnings per share. The adoption of ASC 260 did not have a material impact on basic and diluted earnings per share in 2008. As a result of retrospectively applying both of these accounting pronouncements, Quanta's consolidated statement of operations for the year ended December 31, 2008 as presented herein has been retrospectively restated to reflect the impact of the adoption of these standards.

Revision of Previously Issued Quanta Services, Inc. Financial Statements

During the third quarter of 2009, Quanta revised its historical financial statements for the correction of certain errors identified in its deferred tax asset and liability accounts during the years 2000 through 2004. These items were identified in connection with Quanta's 2009 analysis of its tax basis balance sheet, whereby Quanta determined that certain deferred tax asset and liability accounts related primarily to goodwill impairments and certain bad debt expense transactions were misstated. The cumulative impact of these items from the period January 1, 2005 through June 30, 2009 was an understatement of deferred tax assets, an overstatement of deferred tax liabilities, an overstatement of accumulated deficit and an understatement of total stockholders' equity. Quanta evaluated the impact of these items under the guidance in ASC 250-10 (SEC Staff Accounting Bulletin No. 99, "Materiality") on each of the years affected between 2000 and 2004 and on a cumulative basis for all prior periods subsequent to 2004 and through December 31, 2008 and concluded the items were not material to any such periods. Management also evaluated the impact of correcting these items through a cumulative adjustment to Quanta's 2009 financial statements and concluded that the impact would have been material to its interim results for the three and nine month periods ended September 30, 2009. As a result of these evaluations and based on the guidance within ASC 250-10 (SEC Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements"), Quanta revised its previously issued financial statements to reflect the cumulative impact of this correction. The following table presents the impact of this revision on Quanta's June 30, 2009 balance sheet (in thousands):

	As Reported	Adjustment	As Revised
Prepaid expenses and other current assets	\$ 60,851	\$ 3,916	\$ 64,767
Total assets	3,599,502	3,916	3,603,418
Deferred tax liability	92,001	(7,243)	84,758
Total liabilities	866,024	(7,243)	858,781
Accumulated deficit	(42,704)	11,159	(31,545)
Total stockholders' equity	\$2,733,125	\$ 11,159	\$2,744,284

Note 2 — Preliminary Purchase Price Allocation

The purchase price allocation included in the pro forma financial statements is preliminary and is based on information that was available to management of Quanta and Price Gregory at the time the pro forma financial statements were prepared. Accordingly, the purchase price allocation will change and the impact of such changes could be material.

Under ASC 805, *Business Combinations*, Quanta is treated as the acquirer of Price Gregory for accounting purposes. Accordingly, Quanta will allocate the purchase price paid to the fair value of the Price Gregory assets acquired and liabilities assumed. The allocation of purchase price is preliminary and subject to the final outcome of fair value analyses to be conducted over the next several months. In accordance with the acquisition method of accounting, the fair value of the Quanta common stock issued as part of the consideration transferred has been measured using the closing market price of Quanta common stock at the date control was obtained, which was October 1, 2009.

The residual amount of the purchase price has been allocated to goodwill. The pro forma presentation presumes that the historical value of Price Gregory's tangible assets and liabilities approximates fair value based upon Quanta's initial evaluations, other than property and equipment, which has been preliminarily evaluated by a third party valuation expert. Based upon the preliminary reviews, the fair value of the Price Gregory's property and equipment is estimated to be approximately \$7.4 million lower than the historical book value. Actual amounts recorded when the acquisition accounting is completed may differ materially from the pro forma amounts presented herein. The following table presents Quanta's preliminary allocation of purchase price to the fair value of assets acquired and liabilities assumed in connection with the acquisition of Price Gregory assuming the acquisition occurred on June 30, 2009 (in thousands):

Total Estimated Purchase Price:

Value of Quanta common shares issued to Price Gregory shareholders	\$ 231,817
Cash payments to Price Gregory shareholders	95,792
Total consideration	<u>\$ 327,609</u>

Preliminary Allocation of Purchase Price:

Current assets	\$ 212,599
Property, plant and equipment	154,189
Other assets	1,339
Identifiable intangible assets(1)	76,539
Current liabilities	(195,793)
Deferred tax liability, net(2)	(73,064)
Other long-term liabilities	(6,907)
Noncontrolling interest	(113)
Goodwill(3)	158,820
Total estimated purchase price	<u>\$ 327,609</u>

Estimated goodwill per above	\$ 158,820
Historical Price Gregory goodwill	(144,745)
Pro forma goodwill adjustment	<u>\$ 14,075</u>

- (1) Represents adjustments to record intangible assets at their estimated fair value including backlog (\$36.7 million), trade names (\$23.6 million), customer relationships (\$12.7 million) and non-compete agreements (\$3.5 million). Quanta estimated the fair value of these intangibles using the income approach, specifically the excess earnings method. Quanta's excess earnings analysis consisted of discounting to present value the projected cash flows attributable to backlog, with assumptions for growth, customer contract renewals, rates of return and other assumptions.
- (2) Represents Price Gregory's historical deferred tax liability and adjustments to record net estimated deferred income tax liabilities associated with the increase in the value of intangible assets (acquired intangible assets other than goodwill less Price Gregory's historical intangible assets), and the decrease in carrying value of Price Gregory's property and equipment to its estimated fair value.
- (3) Goodwill represents the excess of the purchase price over the net amount of the values assigned to assets acquired and liabilities assumed.

Note 3 — Unaudited Pro Forma Combined Condensed Balance Sheet

(a) Represents adjustments to decrease cash and cash equivalents and increase equity as a result of the cash paid of approximately \$95.8 million together with the issuance of 10,939,933 shares of Quanta common stock, valued at approximately \$231.8 million, given as merger consideration in connection with the acquisition of Price Gregory. Also included are adjustments to reflect the elimination of Price Gregory's mandatorily redeemable preferred stock and historical equity.

(b) Represents the assumed repayment of Price Gregory's outstanding indebtedness under its credit facility and notes payable as of June 30, 2009, which Price Gregory was required to repay prior to the acquisition date pursuant to the terms of the acquisition agreement.

(c) Represents the impact of professional fees, severance costs, bonus costs and other non-recurring transaction charges associated with the acquisition. Transaction costs of \$6.3 million have been reflected as a decrease to cash and cash equivalents as these amounts were paid on the acquisition date. Additional estimated transaction costs of \$5.0 million and the associated payroll tax withholding costs of \$0.5 million have been reflected as an increase to liabilities as these amounts had not been paid on the acquisition date. Accordingly, the net amount of \$11.8 million has been reflected as an increase to the accumulated deficit in the unaudited pro forma combined condensed balance sheet. Due to the non-recurring nature of these items, they have been excluded from the unaudited combined condensed statements of operations. In addition, the increase to accounts payable and accrued expenses and decrease to accumulated deficit is

offset by the effect of recording a \$2.6 million pro forma adjustment to reduce current deferred tax liability as a result of recording a pro forma adjustment for Price Gregory's severance and bonus expense. Accordingly, the \$2.6 million has been reflected as an increase to the accumulated deficit in the unaudited pro forma condensed balance sheet. Due to the non-recurring nature of this item, it has been excluded from the unaudited combined condensed statement of operations.

(d) Represents an adjustment to reduce cash as a result of the assumed payment of mandatorily redeemable preferred dividends accrued in the Price Gregory June 30, 2009 financial statements with respect to its mandatorily redeemable preferred stock.

(e) Represents an adjustment to reduce cash and cash equivalents as a result of the payment of a \$40.0 million dividend by Price Gregory to its stockholders on October 1, 2009 prior to the closing of the acquisition.

(f) Represents an adjustment to reclassify the recorded value of deferred construction costs, which consists of consumable construction mats, to conform with Quanta's presentation of current period consumable assets, which are included in inventory.

(g) Represents an adjustment to decrease the recorded value of Price Gregory's property and equipment to its estimated fair value.

(h) Represents the net increase in the recorded value of Price Gregory's intangible assets acquired to \$76.5 million, from Price Gregory's historical intangible assets of \$37.4 million.

(i) Represents the net increase in the recorded value of Price Gregory's goodwill acquired to \$158.8 million, from Price Gregory's historical goodwill of \$144.7 million

(j) Represent an adjustment to reflect a net increase to deferred tax liability of \$12.4 million resulting from tax effects associated with the fair market value write down of property and equipment, the elimination of Price Gregory's historical intangible assets and the recording of intangible assets acquired by Quanta.

(k) Represents an adjustment to record a liability for Price Gregory's uncertain tax positions because Price Gregory was not required to adopt FIN 48 until December 31, 2009.

Note 4 — Unaudited Pro Forma Combined Condensed Statements of Operations

(l) Represents adjustments to reclassify a portion of the historical Price Gregory bonus expense to cost of services from selling, general and administrative expenses to conform to Quanta's accounting policies.

(m) Represents adjustments to Price Gregory's historical depreciation expense based on the assigned fair value of Price Gregory's property and equipment at the acquisition date and revisions made to the estimated useful lives of Price Gregory's property and equipment to conform with Quanta's fixed asset policies. Net changes to depreciation expense for the pro forma period presented are the result of assuming a full year's depreciation on all assets as though they were acquired as of the beginning of the pro forma period, as compared to historical depreciation expense which is directly impacted by the timing of when additions occurred throughout the income statement period.

(n) Represents adjustments to record the estimated incremental amortization expense on identifiable intangible assets over their respective useful lives. The amortization of the intangible assets is based upon the estimated consumption of the economic benefits of each intangible asset or on a straight-line basis if the pattern of the consumption of economic benefits cannot be reliably estimated. Backlog is amortized utilizing the estimated pattern of the consumption of the economic benefit over the weighted average estimated life of 0.7 years. Trade names are amortized on a straight-line basis over an estimated life of 30 years. Non-competition agreements are amortized on a straight-line basis over the periods in the underlying contracts, which are either two or five years, for a weighted average estimated life of 4.8 years. Customer relationships are amortized on a straight-line basis over an estimated life of 15 years. The pro forma amortization expense associated with the intangible assets acquired by Quanta as a result of the

acquisition of Price Gregory is approximately \$35.0 million for the year ended December 31, 2008. Price Gregory's historical amortization expense of \$11.5 million for the year ended December 31, 2008 associated with its intangible assets was eliminated as part of this pro forma presentation. The pro forma amortization expense associated with the intangible assets acquired by Quanta as a result of the acquisition of Price Gregory for the six months ended June 30, 2009 is approximately \$4.9 million. Price Gregory's historical amortization expense of \$2.7 million for the six months ended June 30, 2009 associated with its intangible assets was eliminated as part of this pro forma presentation. Upon completion of the third party valuation of the intangible assets as of the acquisition date, there exists a possibility that the final fair values of the intangible assets and the methods of amortization may change from the preliminary estimates and methods used in this pro forma presentation.

(o) Represents the elimination of Price Gregory's historical interest expense of \$8.3 million for the year ended December 31, 2008 and \$2.1 million for the six months ended June 30, 2009 as a result of the assumed repayment of Price Gregory's outstanding indebtedness under its credit facility and notes payable on January 1, 2008.

(p) Represents the reduction of historical interest income for the year ended December 31, 2008 and for the six months ended June 30, 2009 as a result of the assumed repayment of Price Gregory's outstanding indebtedness under its credit facility and notes payable on January 1, 2008, the \$40.0 million cash dividend paid by Price Gregory to its stockholders on October 1, 2009 prior to the closing of the acquisition and the \$95.8 million cash paid to the Price Gregory stockholders in conjunction with the closing of the acquisition. The interest income reduction was calculated using the weighted average rate of return on Quanta's taxable investments for the year ended December 31, 2008 and for the six months ended June 30, 2009, multiplied by the average amounts outstanding of Price Gregory's indebtedness under its credit facility and notes payable of approximately \$252.2 million for the year ended December 31, 2008 and \$269.2 million for the six months ended June 30, 2009.

(q) Represents adjustments to record a tax provision in the pro forma combined statements of operations as a result of other adjustments impacting pro forma pre-tax income at the estimated statutory income tax rate of 39% for the combined company, and for the 2008 period, to record a tax provision for H.C. Price for the one month ended January 31, 2008 when it was an S corporation.

(r) Represents the elimination of dividends on Price Gregory's mandatorily redeemable preferred stock as a result of the assumed cancellation and retirement of these shares as of January 1, 2008 in connection with the acquisition.

(s) Represents adjustments to increase weighted average basic shares outstanding by approximately 9.4 million shares related to the issuance of approximately 10.9 million shares of Quanta common stock as part of the merger consideration. Approximately 1.5 million shares of Quanta common stock issued in connection with the merger have been placed into an 18-month escrow account and, as a result of their restricted nature, have been excluded from pro forma adjustments to weighted average basic shares outstanding.

(t) Represents adjustments to increase weighted average diluted shares outstanding by approximately 10.9 million shares related to the issuance of approximately 10.9 million shares of Quanta common stock as part of the merger consideration. Included within this adjustment are approximately 1.5 million shares of Quanta common stock issued in connection with the merger that were placed into an 18 month escrow account.

(u) Reflects adjustments to Quanta's historical diluted weighted average shares outstanding to include convertible shares associated with the assumed conversion of Quanta's convertible subordinated notes based on the result of

applying the if-converted method to calculations of pro forma diluted earnings per share. Net income used for computing diluted earnings per share has been adjusted for the addback of interest expense related to the assumed conversion of Quanta's convertible subordinated notes, net of tax, of approximately \$20.0 million for the year ended December 31, 2008 and \$3.3 million for the six months ended June 30, 2009.

Note 5 — Unaudited Pro Forma Combined Earnings Per Share

The following table provides the computational data used to determine the unaudited pro forma combined basic and diluted earnings per share presented for each period:

	Pro Forma Earnings per Share	
	For the Year Ended December 31, 2008	For the Six Months Ended June 30, 2009
Unaudited pro forma combined net income attributable to common stock	\$ 271,568	\$ 123,842
Effect of convertible subordinated notes under the "if converted" method — interest expense addback, net of taxes	20,013	3,278
Net pro forma combined net income attributable to common stock for diluted earnings per share	<u>\$ 291,581</u>	<u>\$ 127,120</u>
Historical weighted average shares outstanding for basic earnings per share	178,033	198,365
Effect of Quanta common shares issued as part of merger consideration	9,408	9,408
Pro forma weighted average shares outstanding for basic earnings per share	187,441	207,773
Effect of escrow shares	1,532	1,532
Effect of dilutive stock options	342	66
Effect of convertible subordinated notes under the "if converted" method — weighted convertible share issuable	25,015	6,415
Pro forma weighted average shares outstanding for diluted earnings per share	<u>214,330</u>	<u>215,786</u>
Pro forma combined basic earnings per share attributable to common stock	<u>\$ 1.45</u>	<u>\$ 0.60</u>
Pro forma combined diluted earnings per share attributable to common stock	<u>\$ 1.36</u>	<u>\$ 0.59</u>

The unaudited pro forma combined basic and diluted earnings per share do not purport to be indicative of the actual results that would have been achieved by the combined company for the periods presented or that will be achieved by the combined company in the future.