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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: June 17, 1999

QUANTA SERVICES, INC.
(Exact name of registrant as specified in its charter)

COMMISSION FILE NUMBER: 1-13831

<TABLE>

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

</TABLE>

1360 POST OAK BLVD., SUITE 2100
HOUSTON, TEXAS 77056
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (713) 629-7600

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Quanta Services, Inc., a Delaware Corporation (the "Company"), is a leading provider of specialty contracting and maintenance services primarily related to electric utility and telecommunications infrastructure in North America. In the first quarter of 1999, the Company completed a business combination accounted for as a pooling-of-interests. Included herein are the Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and Consolidated Financial Statements as restated for the pooling transaction. Additionally, in order to comply with the disclosure requirements of the Securities and Exchange Commission regarding the financial statements of businesses acquired, the Company is filing this current report containing certain audited financial statements of the businesses acquired and the pro forma financial statements of Quanta Services, Inc. and Subsidiaries.

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a. Pro forma financial information

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23.2 Consent of Kirkland Albrecht and Company P.C.

23.3 Consent of Joseph Decosimo and Company, LLP

23.4 Consent of Ganim, Meder, Childers & Hoering, P.C.

23.5 Consent of Nathan Wechsler & Company

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ITEM 5. OTHER ITEMS

A. SELECTED FINANCIAL DATA

For financial statement presentation purposes, PAR Electrical Contractors, Inc. ("PAR") has been identified as the "accounting acquiror." Between our initial public offering ("IPO") in February 1998 and June 14, 1999, we acquired 27 specialty contracting businesses. Of these 27 acquired businesses, 25 were accounted for using the purchase method of accounting (the "Purchased Companies") and two were accounted for using the pooling-of-interests method of accounting (the "Pooled Companies"). Quanta's consolidated historical financial statements as of December 31, 1996, 1997 and 1998, and for each of the four years in the period ended December 31, 1998, and the related selected historical financial data have been derived from audited financial statements of Quanta and represent the financial position and results of operations of PAR as restated to include the financial position and results of operations of the Pooled Companies. The following selected historical financial data for Quanta as of

December 31, 1994 and 1995 and for the year ended December 31, 1994 have been derived from the unaudited financial statements of PAR as restated for the Pooled Companies, which have been prepared on the same basis as the audited financial statements and in our opinion reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such data. The remaining three specialty electrical contracting businesses we acquired concurrently with our IPO (collectively with PAR, the "Founding Companies") and the Purchased Companies are reflected in the financial statements beginning on their respective dates of acquisition. The Founding Companies, the Purchased Companies and the Pooled Companies are collectively referred to as the "Acquired Businesses."

The following selected unaudited pro forma combined financial data present certain data for Quanta, adjusted for (1) the Founding Companies, (2) the effects of certain other pro forma adjustments to the historical financial statements and (3) the consummation of our IPO in February 1998 and the application of the net proceeds therefrom. The pro forma combined results do not include the pre-acquisition results of the Purchased Companies which are reflected in the financial statements beginning on their respective dates of acquisition. The unaudited pro forma combined statements of operations data assume that the acquisition of the Founding Companies, the IPO and related transactions occurred on January 1, 1997 and are not necessarily indicative of the results that we would have obtained had these events actually then occurred or of our future results. During the pro forma periods presented below, the Founding Companies were not under common control or management. Therefore, the data presented may not be comparable to or indicative of post combination results to be achieved by us. The unaudited pro forma combined statements of operations should be read in conjunction with the audited financial statements included elsewhere in this Report.

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	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1997	1998	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
HISTORICAL STATEMENTS OF OPERATIONS DATA:							
Revenues	$60,062	$56,482	$78,230	$80,010	$319,259	$ 32,230	$127,779
Cost of services (including depreciation)	49,799	47,266	62,772	62,599	257,270	26,996	104,871
Gross profit	10,263	9,216	15,458	17,411	61,989	5,234	22,908
Selling, general and administrative expenses	7,010	6,787	10,445	12,354	27,160	3,522	11,982
Merger expenses -- pooling	--	--	--	--	231	--	137
Goodwill amortization	184	50	55	56	2,513	196	1,498
Income from operations	3,069	2,379	4,958	5,001	32,085	1,516	9,291
Other income (expense), net	(680)	(785)	(1,127)	(1,421)	(4,214)	(343)	(1,904)
Income before income tax provision	2,389	1,594	3,831	3,580	27,871	1,173	7,387
Provision for income taxes	867	353	1,389	1,786	11,683	356	3,964(a)
Net income	$ 1,522	$ 1,241	$ 2,442	$ 1,794	$ 16,188	$ 817	$ 3,423
Basic earnings per share	$ 0.37	$ 0.30	$ 0.59	$ 0.43	$ 0.91	$ 0.08	$ 0.13
Diluted earnings per share(1)	$ 0.37	$ 0.30	$ 0.59	$ 0.43	$ 0.88	$ 0.08	$ 0.13
Diluted earnings per share before merger expenses(1)	$ 0.37	$ 0.30	$ 0.59	$ 0.43	$ 0.90	$ 0.08	$ 0.16(b)
Shares used in computing earnings per share(2)							
Basic	4,163	4,163	4,163	4,163	17,857	10,518	26,024
Diluted	4,163	4,163	4,163	4,163	18,877	10,580	30,139

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

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

See notes on following page.

	YEAR ENDED DECEMBER 31, 1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
PRO FORMA COMBINED STATEMENTS OF OPERATIONS DATA:		
Revenues	$183,180	$333,795
Cost of services (including depreciation)	148,177	269,443
Gross profit	35,003	64,352
Selling, general and administrative expenses(3)	15,629	28,116
Merger expenses -- pooling	--	231
Goodwill amortization(4)	1,696	2,731
Income from operations	17,678	33,274
Other income (expense), net(5)	(1,161)	(4,131)
Income before income tax provision	16,517	29,143
Provision for income taxes(6)	7,426	12,260
Net income	$ 9,091	$ 16,883
Basic earnings per share	$ 0.53	$ 0.86
Diluted earnings per share(1)	$ 0.53	$ 0.85
Diluted earnings per share before merger expenses(1)	$ 0.53	$ 0.86
Shares used in computing pro forma earnings per share(2)		
Basic	17,206	19,525
Diluted	17,206	20,545

	HISTORICAL DECEMBER 31, 1994	1995	1996	1997	1998	THREE MONTHS ENDED MARCH 31, 1999
	(IN THOUSANDS)					(UNAUDITED)
BALANCE SHEET DATA:						
Working capital	$ 1,991	$ 1,117	$ 2,797	$ 2,381	$ 57,106	$ 90,209
Total assets	23,370	26,191	31,607	37,561	339,081	554,204
Long-term debt, net of current maturities	4,821	4,430	6,665	7,638	60,281	85,434
Convertible Subordinated Notes	--	--	--	--	49,350	49,350
Total stockholders' equity	8,017	8,982	9,385	11,402	171,503	329,770

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(1) For purposes of computing historical and pro forma diluted earnings per share, net income has been increased by $506,000 due to reduced interest expense from the assumed conversion of the Convertible Subordinated Notes.

(2) The shares used in computing earnings per share for the following periods include:

(a) Four years ended December 31, 1997 (historical) -- the 3,000,000 shares issued to the stockholders of PAR Electrical Contractors, Inc. and the 1,162,572 shares issued in connection with the acquisition of the Pooled Companies.

(b) Year ended December 31, 1997 (pro forma) -- shares used in the calculation of basic and diluted earnings per share include (1) the shares described above in (a), (2) 5,750,000 shares of common stock sold in our initial public offering, (3) 4,527,000 shares issued to the owners of the other Founding Companies and (4) 3,345,333 shares of Limited Vote Common Stock issued to the initial stockholders and management personnel of Quanta. The 579,222 shares excluded reflect net cash to Quanta.

(c) Year ended December 31, 1998 (historical) -- shares used in the calculation of basic earnings per share include the weighted average portion of (1) the shares described above in (a) and (b), (2) 4,058,376 shares issued in acquisitions accounted for as purchases and (3) shares issued upon exercise of stock options.

Shares used in the calculation of the diluted earnings per share include (1) the shares described above, (2) the dilution attributable to the assumed conversion of the Convertible Subordinated Notes and (3) the dilution attributable to outstanding options to purchase common stock using the treasury stock method.

(d) Year ended December 31, 1998 (pro forma) -- shares used in the calculation of basic earnings per share include the shares used in the calculation of historical basic earnings per share described in (c) above computed as if those shares had been issued as of January 1, 1998, except for the shares issued in acquisitions accounted for as purchases, which are considered to be issued on their respective dates of acquisition.

Shares used in the calculation of pro forma diluted earnings per share include (1) the shares described above, (2) the dilution attributable to the assumed conversion of the Convertible Subordinated Notes, and (3) the dilution attributable to outstanding options to purchase common stock using the treasury stock method.

(3) The unaudited pro forma combined statement of operations data reflect an aggregate of approximately $2.7 million for the year ended December 31, 1997 in pro forma reductions in salaries, bonuses and benefits of the previous owners and management of the Founding Companies. These amounts are intended to show you the difference between the historical compensation costs for these owners and management and the amounts to which they have agreed with us on a prospective basis.

(4) Reflects amortization of goodwill over a 40-year period as a result of our acquisition of the Founding Companies as if they had been acquired on January 1, 1997 and the Purchased Companies beginning on their respective dates of acquisition, using the purchase method of accounting.

(5) Reflects additional interest expense related to borrowings required to fund certain S Corporation Distributions of the Founding Companies, net of interest savings on the Founding Companies' debt assumed to be repaid using proceeds from the IPO.

(6) Assumes all pretax pro forma combined income before non-deductible goodwill and other permanent items is subject to an estimated 39.0% combined tax rate.

ITEM 5B. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and related notes thereto included elsewhere in this Report. Except for the historical financial information contained herein, the matters discussed in this Report may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements include declarations regarding our intent, belief or current expectations, statements regarding the future results of acquired companies, our gross margins and our expectations regarding Year 2000 issues. Any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are those discussed in "Business -- Risk Factors" as disclosed in our 1998 Annual Report on Form 10-K.

INTRODUCTION

Quanta derives its revenues from one reportable segment by providing specialty contracting and maintenance services related to electric and telecommunications infrastructure, installing transportation control and lighting systems, and providing specialty contracting services to the commercial and industrial markets. Our services include the installation, repair and maintenance of electric power transmission and distribution lines, telecommunication lines and cable television lines, the construction of electric substations, the erection of cellular telephone, PCS(R) and microwave towers, the installation of highway lighting and traffic control systems, specialized underground construction including underground fueling systems, design and engineering services, as well as the provision of specialty contracting services for electric, video, security, fire, voice and data systems. Our customers include electric utilities, telecommunication and cable television system operators, governmental entities, general contractors and owners and managers of commercial and industrial properties. Including all companies we acquired prior to December 31, 1998, as restated for a "pooling-of-interests" transaction completed in the first quarter of 1999, we had pro forma combined revenues for the year ended December 31, 1998 of $433.6 million, of which 44.2% was attributable to electric utility infrastructure services, 39.3% was attributable to telecommunications infrastructure services, 9.3% was attributable to transportation control and lighting systems services and 7.2% was attributable to commercial and industrial services.

Quanta enters into contracts principally on the basis of competitive bids, the final terms and prices of which we frequently negotiate with the customer. Although the terms of our contracts vary considerably, the contracts are usually on either a lump sum or unit price basis in which we agree to do the work for a fixed amount for the entire project (lump sum) or for units of work performed (unit price). We complete most installation projects within one year, while we frequently provide maintenance and repair work under open-ended, unit price master service agreements which are renewable annually. We generally record revenues from lump sum contracts on a percentage-of-completion basis, using the cost-to-cost method based on the percentage of total costs incurred to date in proportion to total estimated costs to complete the contract. Quanta recognizes revenue when services are performed except when work is being performed under a fixed price or cost-plus-fee contract. Such contracts generally provide that the customer accept completion of progress to date and compensate us for services rendered, measured typically in terms of units installed, hours expended or some other measure of progress. Some of our customers require us to post performance and payment bonds upon execution of the contract, depending upon the nature of the work to be performed. Our fixed price contracts often include payment provisions pursuant to which the customer withholds a 5% to 10% retainage from each progress payment and forwards the retainage to us upon completion and approval of the work.

Costs of services consist primarily of salaries and benefits to employees, depreciation, fuel and other vehicle expenses, equipment rentals, subcontracted services, materials, insurance, parts and supplies. Quanta's gross margin, which is gross profit expressed as a percentage of revenues, is typically higher on projects where labor, rather than materials, constitutes a greater portion of the cost of services. Labor costs can be predicted with relatively less accuracy than materials costs. Therefore, to compensate for the potential variability of

labor costs, we seek to maintain higher margins on labor-intensive projects. Certain of our subsidiaries were previously subject to deductibles ranging from $100,000 to $1,000,000 for workers' compensation insurance. Fluctuations in insurance accruals related to this deductible could have an impact on gross margins in the period in which such adjustments are made. Selling, general and administrative expenses consist primarily of compensation and related benefits to management, administrative salaries and benefits, marketing, office rent and utilities, communications and professional fees.

The Acquired Businesses have operated throughout the pre-acquisition periods presented as independent, privately-owned entities, and their results of operations reflect varying tax structures (S corporations or C corporations) which have influenced the historical level of owners' compensation. Gross profits and selling, general and administrative expenses as a percentage of revenues may not be comparable among the individual Acquired Businesses. In connection with Quanta's acquisitions, certain owners of the businesses we have acquired through December 31, 1998 have agreed to reductions in their compensation and related benefits totaling $8.4 million and $2.5 million lower than 1997 and 1998 levels, respectively. Such reductions have been reflected in the terms of the employment agreements entered into between us and these persons.

Quanta believes that it will realize savings from:

- consolidation of insurance and bonding programs,

- reduction in other selling, general and administrative expenses such as training, marketing, communications and professional fees,

- our ability to borrow at lower interest rates than most, if not all, of the Acquired Businesses,

- consolidation of operations in certain locations, and

- greater volume discounts from suppliers of materials, parts and supplies.

We anticipate that additional costs related to our new corporate infrastructure, operating as a public company and integrating the Acquired Businesses will partially offset these savings. We believe that neither these savings nor the costs associated therewith can be quantified at this time as there have been limited combined operating results upon which to base any assumptions. As a result, these savings and associated costs have not been included in the pro forma financial information included herein.

The acquisition of the Founding Companies (excluding PAR) and the Purchased Companies have been accounted for using the purchase method of accounting. Accordingly, the excess amount we paid, including liabilities assumed, for such businesses acquired prior to December 31, 1998, over the fair value of the tangible and intangible assets of these businesses of $127.7 million has been recorded as goodwill. In addition, goodwill of $25.6 million has been recorded attributable to the 3,345,333 shares of Limited Vote Common Stock issued to initial stockholders and management. Together, this goodwill, totaling $153.3 million as of December 31, 1998, will be amortized over its estimated useful life of 40 years as a non-cash charge to operating income. The pro forma effect of this amortization expense, the majority of which is not deductible for tax purposes, is expected to be approximately $3.8 million per year.

SEASONALITY; FLUCTUATIONS OF QUARTERLY RESULTS

Quanta's results of operations can be subject to seasonal variations. During the winter months, demand for new projects and maintenance services may be lower due to reduced construction activity. However, demand for repair and maintenance services attributable to damage caused by inclement weather during the winter months may partially offset the loss of revenues from lower demand for new projects and maintenance services. Additionally, the industry can be highly cyclical. As a result, our volume of business may be adversely affected by declines in new projects in various geographic regions in the U.S. Typically, we experience lower gross margins and operating margins during the winter months. The timing of acquisitions, variations in the margins of projects performed during any particular quarter, the timing and magnitude of acquisition assimilation costs and regional economic conditions may also materially affect quarterly results. Accordingly,

our operating results in any particular quarter may not be indicative of the results that can be expected for any other quarter or for the entire year.

LIQUIDITY AND CAPITAL RESOURCES

In February 1998, Quanta completed its IPO, which involved the issuance of 5,000,000 shares of common stock at a price of $9.00 per share (before deducting underwriting discounts and commissions). In March 1998, Quanta sold an additional 750,000 shares of common stock at a price of $9.00 per share (before deducting underwriting discounts and commissions) pursuant to the underwriters' overallotment option. We realized proceeds from these transactions, net of the discounts and after deducting the expenses of the IPO, of approximately $44.9 million. Of this amount, we used $21.0 million to fund the cash portion of the purchase price relating to the acquisition of the Founding Companies.

As of December 31, 1998, Quanta had cash and cash equivalents of $3.2 million, working capital of $57.1 million and long-term debt of $60.3 million, net of current maturities, including borrowings of $56.0 million under the Credit Facility, and the Company had $2.5 million of letters of credit outstanding under the Credit Facility. In addition, the Company had $49.4 million of Convertible Subordinated Notes.

During the year ended December 31, 1998, operating activities provided a net cash flow of $8.2 million. Changes in working capital accounts are driven predominantly by the acquisitions throughout the year and as such are not comparable to prior periods. We used net cash in investing activities of $109.1 million, including $89.2 million used for the purchase of businesses, net of cash acquired. Financing activities provided a net cash flow of $103.7 million, resulting primarily from $44.9 million of net proceeds from the IPO, $52.5 million from net borrowings under our Credit Facility, $49.4 million of net proceeds from issuance of the Convertible Subordinated Notes, partially offset by $36.1 million in repayments of debt assumed in connection with acquisitions and cash payments of $8.4 million representing cash consideration paid to the stockholders of PAR.

In August 1998, we amended our $50.0 million Credit Facility to increase it to $125.0 million. In November 1998, we expanded our bank group from two banks to nine banks and amended the Credit Facility to increase it to $175.0 million. In June 1999, we expanded our bank group to 14 banks, and again amended the Credit Facility to increase it to $350 million. We pledged all of the capital stock of our material operating subsidiaries and the majority of our assets to secure the Credit Facility. The purpose of the Credit Facility is to provide funds to be used for working capital, to finance acquisitions and for other general corporate purposes. Amounts borrowed under the Credit Facility bear interest at a rate equal to either (a) the London Interbank Offered Rate ("LIBOR" which was 5.63% at December 31, 1998) plus 1.00% to 2.00%, as determined by the ratio of our total funded debt to EBITDA (as defined in the Credit Facility) or (b) the bank's prime rate (which was 7.75% at December 31, 1998) plus up to 0.25%, as determined by the ratio of our total funded debt to EBITDA. We incur commitment fees of 0.25% to 0.50% (based on certain financial ratios) on any unused borrowing capacity under the Credit Facility. Quanta's existing and future subsidiaries will guarantee the repayment of all amounts due under the Credit Facility, and the Credit Facility restricts pledges of all material assets. The Credit Facility contains usual and customary covenants for a credit facility of this nature including the prohibition of the payment of dividends, certain financial ratios and indebtedness covenants and a requirement to obtain the consent of the lenders for acquisitions exceeding a certain level of cash consideration. As of June 14, 1999, we had approximately $163.3 million outstanding under the Credit Facility and $4.1 million of letters of credit outstanding, resulting in a borrowing availability of $182.6 million under the revolving Credit Facility.

Additionally, on October 5, 1998, we issued and sold $49.4 million of Convertible Subordinated Notes bearing interest at 6 7/8% to Enron Capital and one of its affiliates. We used the proceeds of the Convertible Subordinated Notes to reduce outstanding borrowings under the Credit Facility. The Convertible Subordinated Notes include restrictive covenants substantially similar to those included in the Credit Facility. The Convertible Subordinated Notes are convertible into common stock at any time at the option of the holder at a conversion price of $13.75 per share, subject to adjustment. The Convertible Subordinated Notes are nonredeemable for four years and are redeemable thereafter at our option at a redemption price which is

initially $103.50 per $100.00 principal amount, with such premium declining ratably over the succeeding four years. The Convertible Subordinated Notes are mandatorily redeemable in nine semi-annual installments beginning in June 2006. Upon a change in control, the Convertible Subordinated Notes are mandatorily redeemable at a redemption price which is initially $107.00 per $100.00 principal amount, with such premium declining ratably over eight years following the date of issuance.

The Company issued shares of common stock to an Employee Stock Ownership Plan (the "ESOP") in connection with the acquisition of one of the Pooled Companies. The ESOP was terminated on July 31, 1998. A favorable determination letter from the Internal Revenue Service has been received and pending final distribution, a portion of the shares of the Company's common stock held by the ESOP will be sold to repay debt owed by the ESOP to the Company and the remaining portion of the unallocated shares will be distributed to its participants. The cost of the unallocated ESOP shares is reflected as a reduction in the Company's stockholders' equity. Upon distribution from the ESOP, the Company will owe an excise tax equal to 10% of the value of the Company's common stock distributed. In addition, the Company will eliminate the remaining balance reflected as Unearned ESOP Shares on the Company's balance sheet and will have to recognize a non-cash non-recurring compensation charge equal to the value of the unallocated shares held by the ESOP at the time it allocates and distributes such shares. We currently cannot determine the amount of the excise tax that will be owed or the non-cash, non-recurring compensation charge that will be recognized. However, based on the closing price of our common stock of $25.44 on March 31, 1999, the amount of such charges would be approximately $772,000 and $3,209,000, respectively.

In January 1999, we completed our second public offering of common stock, which included the issuance of 4,600,000 shares of common stock (including 600,000 shares pursuant to the underwriters' over-allotment option) at a price of $23.25 per share (before deducting underwriting discounts and commissions). We realized proceeds from this transaction, net of the discounts and after deducting the expenses of the offering, of approximately $101.3 million. Of this amount, we used $57.8 million to repay outstanding indebtedness under the Credit Facility and the remainder to acquire additional businesses.

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

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

In addition to the Founding Companies, through June 14, 1999, we have acquired 27 companies for an aggregate consideration of 9.3 million shares of common stock and $256.2 million in cash and notes. The cash portion of such consideration was provided by borrowings under the Credit Facility and proceeds from the IPO and our follow-on public offering of common stock. The timing, size or success of any acquisition effort and the associated potential capital commitments cannot be predicted.

We intend to continue our aggressive acquisition program, and to continue to use a combination of cash and common stock to finance the principal part of the consideration payable in acquisitions. We anticipate that our cash flow from operations and the Credit Facility will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and planned capital expenditures for property and equipment for at least the next 12 months.

INFLATION

Due to relatively low levels of inflation experienced during the years ended December 31, 1996, 1997 and 1998, inflation did not have a significant effect on the results of Quanta or any of the Acquired Businesses.

YEAR 2000

Impact of Year 2000. Many currently installed computer systems and software products are coded to accept only two-digit entries in the date code field. Beginning in the year 2000, these date code fields will need to accept four-digit entries to distinguish 21st century dates from 20th century dates. As a result, computer systems and software used by many companies may need to be upgraded to comply with such "Year 2000" requirements. Significant uncertainty exists concerning the potential effects associated with such compliance, but systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

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

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

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

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

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

RESULTS OF OPERATIONS

For financial statement presentation purposes, as required by the rules and regulations of the Securities Act, PAR has been identified as the accounting acquiror. As such, the financial statements of Quanta for periods prior to February 18, 1998 are the financial statements of PAR as restated for the acquisitions of the Pooled Companies. The operations of the other Founding Companies have been included in our historical financial statements beginning February 19, 1998 and the operations of the Purchased Companies have been included from their respective acquisition dates.

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,						THREE MONTHS ENDED MARCH 31,			
	1996		1997		1998		1998		1999	
	(DOLLARS IN THOUSANDS)						(UNAUDITED)			
Revenues	$78,230	100.0%	$80,010	100.0%	$319,259	100.0%	$32,230	100.0%	$127,779	100.0%
Cost of services (including depreciation)	62,772	80.2	62,599	78.2	257,270	80.6	26,996	83.8	104,871	82.1
Gross Profit	15,458	19.8	17,411	21.8	61,989	19.4	5,234	16.2	22,908	17.9
Selling, general and administrative expenses	10,445	13.4	12,354	15.4	27,160	8.5	3,522	10.9	11,982	9.4
Merger expenses -- pooling	--	--	--	--	231	0.1	--	--	137	0.1
Goodwill amortization	55	0.1	56	0.1	2,513	0.8	196	0.6	1,498	1.2
Income from operations	4,958	6.3	5,001	6.3	32,085	10.0	1,516	4.7	9,291	7.2
Other income (expense), net	(1,127)	1.4	(1,421)	1.8	(4,214)	1.3	(343)	1.1	(1,904)	1.4
Income before income tax provision	3,831	4.9	3,580	4.5	27,871	8.7	1,173	3.6	7,387	5.8
Provision for income taxes	1,389	1.8	1,786	2.3	11,683	3.6	356	1.1	3,964	3.1
Net income	$ 2,442	3.1%	$ 1,794	2.2%	$ 16,188	5.1%	$ 817	2.5%	$ 3,423	2.7%

</TABLE>

QUANTA RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 1999 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1998

Revenues. Revenues increased $95.5 million, or 296.5 percent, to $127.8 million for the three months ended March 31, 1999. This increase in revenues was primarily attributable to the contribution of $72.1 million of revenues in 1999 from companies purchased subsequent to March 31, 1998, inclusion of revenues of the Founding Companies for the full quarter and increased demand for the Company's services in 1999.

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

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

Other income (expense) net. Other income (expense) net increased $1.6 million, or 455.1%, to $1.9 million for the three months ended March 31, 1999. This increase in interest expense is attributable to higher levels of debt resulting from cash paid and debt assumed with the acquisition of certain Purchased Companies. In addition, the Company borrowed funds under the Credit Facility for equipment purchases and other operating activities in connection with the addition of the Purchased Companies through the first quarter of 1999. Also, interest expense increased due to the issuance of the Convertible Subordinated Notes, partially offset by lower overall effective borrowing rates in 1999 versus 1998.

QUANTA RESULTS FOR THE YEAR ENDED DECEMBER 31, 1998 COMPARED TO THE YEAR ENDED DECEMBER 31, 1997

Revenues. Historical revenues increased $239.2 million, or 299.0%, to $319.3 million for the year ended December 31, 1998. This increase in revenues was primarily attributable to revenues from Purchased Companies acquired in 1998 of $93.6 million and revenues attributable to the Founding Companies acquired on February 18, 1998 of $131.4 million.

Gross profit. Gross profit increased $44.6 million, or 256.0%, to $62.0 million for the year ended December 31, 1998. Gross margin decreased from 21.8% for the year ended December 31, 1997 to 19.4% for the year ended December 31, 1998. This decrease in gross margin was primarily due to a larger amount of high margin storm and emergency work performed by PAR in 1997 compared to 1998, and the acquisition of the Founding and Purchased Companies which earned lower margins than those experienced by PAR and one of the Pooled Companies in 1997.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $14.8 million, or 119.8%, to $27.2 million for the year ended December 31, 1998, due to the acquisition of the Founding Companies on February 18, 1998, the acquisition of the Purchased Companies, increases in selling and administrative salaries required to support the higher level of revenues generated from an increased volume of projects, and the establishment of a corporate office and administrative infrastructure during 1998. As a percentage of revenues, selling, general and administrative expenses decreased due to excess compensation paid to the owners of PAR in 1997 as compared to agreed upon salary levels at the date of the IPO and due to one of the Pooled Companies having a higher sales commission structure than the other companies.

Other income (expense), net. Other income (expense), net increased $2.8 million, or 196.6%, to $4.2 million for the year ended December 31, 1998 due to interest expense attributable to higher levels of debt resulting from cash paid and debt assumed in connection with the acquisition of certain Acquired Businesses. In addition, the Company borrowed funds under the Credit Facility for equipment purchases and other operating activities in connection with the addition of the Purchased Companies during 1998. Also, interest expense increased due to the addition of the Convertible Subordinated Notes, partially offset by lower overall effective borrowing rates in 1998 versus 1997.

QUANTA RESULTS FOR THE YEAR ENDED DECEMBER 31, 1997 COMPARED TO THE YEAR ENDED DECEMBER 31, 1996

Revenues. Revenues increased $1.8 million, or 2.3%, to $80.0 million for the year ended December 31, 1997, primarily as a result of an increased demand for our services in Missouri, California and Colorado, partially offset by a decrease in activity in Oregon.

Gross profit. Gross profit increased $2.0 million, or 12.6% to $17.4 million for the year ended December 31, 1997. As a percentage of revenues, gross profit increased from 19.8% to 21.8%. The increase in gross profit and gross margin is primarily due to increased labor productivity, renegotiated unit pricing on certain long-term contracts and lower equipment rental expense as PAR replaced rental equipment on certain projects with company-owned equipment, partially offset by lower gross profit from operations in Oregon due to the completion of a significant telecommunications contract in 1997 at a lower gross margin.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $1.9 million, or 18.3%, to $12.4 million for the year ended December 31, 1997, primarily due to increased administrative support required by the higher level of revenues and increases in owner compensation, partially offset by decreased commissions paid to salesmen. As a percentage of revenues, selling, general and administrative expenses increased from 13.4% to 15.4%.

Other income (expense), net. Other income (expense), net increased $0.3 million, or 26.1%, to $1.4 million for the year ended December 31, 1997 due to interest expense incurred on higher levels of debt required in 1997 to fund additional equipment purchases.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Quanta Services, Inc.:

We have audited the accompanying consolidated balance sheets of Quanta Services, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Quanta Services, Inc. and subsidiaries as of December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

As discussed in Note 1, the accompanying consolidated financial statements reflect the Company on a historical basis as restated for the effect of a pooling-of-interests transaction completed in the first quarter of 1999.

ARTHUR ANDERSEN LLP

Houston, Texas
June 7, 1999

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31, 1997	DECEMBER 31, 1998	MARCH 31, 1999 (UNAUDITED)
<S>	<C>	<C>	<C>
CURRENT ASSETS:			
Cash and cash equivalents	$ 489	$ 3,246	$ 5,257
Accounts receivable, net of allowance of $400, $1,616 and $1,889	14,571	76,040	114,085
Costs and estimated earnings in excess of billings on uncompleted contracts	1,746	22,620	41,662
Inventories	865	2,534	6,141
Prepaid expenses and other current assets	752	4,352	5,214
Total current assets	18,423	108,792	172,359
PROPERTY AND EQUIPMENT, net	18,368	74,212	93,219
OTHER ASSETS, net	656	5,190	5,543
GOODWILL, net	114	150,887	283,083
Total assets	$37,561	$339,081	$554,204

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current maturities of long-term debt	$ 7,599	$ 4,357	$ 3,392
Accounts payable and accrued expenses	7,705	40,298	68,778
Billings in excess of costs and estimated earnings on uncompleted contracts	738	7,031	9,980
Total current liabilities	16,042	51,686	82,150
LONG-TERM DEBT, net of current maturities	7,638	60,281	85,434
CONVERTIBLE SUBORDINATED NOTES	--	49,350	49,350
DEFERRED INCOME TAXES AND OTHER NON-CURRENT LIABILITIES	2,479	6,261	7,500
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Preferred Stock, $.00001 par value, 10,000,000 shares authorized, none issued and outstanding	--	--	--
Common Stock, $.00001 par value, 36,654,667 shares authorized, 4,162,572, 18,557,949 and, 25,677,410 shares issued and outstanding, respectively	--	--	--
Limited Vote Common Stock, $.00001 par value, 3,345,333 shares authorized, none, 3,345,333, and 3,341,451 shares issued and outstanding, respectively	--	--	--
Unearned ESOP shares	(1,831)	(1,831)	(1,831)
Additional paid-in capital	1,281	145,194	300,038
Retained earnings	11,952	28,140	31,563
Total stockholders' equity	11,402	171,503	329,770
Total liabilities and stockholders' equity	$37,561	$339,081	$554,204

</TABLE>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES	$78,230	$80,010	$319,259	$32,230	$127,779
COST OF SERVICES (including depreciation)	62,772	62,599	257,270	26,996	104,871
Gross profit	15,458	17,411	61,989	5,234	22,908
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	10,445	12,354	27,160	3,522	11,982
MERGER EXPENSES -- Poolings	--	--	231	--	137
GOODWILL AMORTIZATION	55	56	2,513	196	1,498
Income from operations	4,958	5,001	32,085	1,516	9,291
OTHER INCOME (EXPENSE):					
Interest expense	(1,096)	(1,290)	(4,855)	(416)	(2,224)
Other, net	(31)	(131)	641	73	320
Other income (expense), net	(1,127)	(1,421)	(4,214)	(343)	(1,904)
INCOME BEFORE INCOME TAX PROVISION	3,831	3,580	27,871	1,173	7,387
PROVISION FOR INCOME TAXES	1,389	1,786	11,683	356	3,964(a)
NET INCOME	$ 2,442	$ 1,794	$ 16,188	$ 817	$ 3,423
BASIC EARNINGS PER SHARE	$ 0.59	$ 0.43	$ 0.91	$ 0.08	$ 0.13
DILUTED EARNINGS PER SHARE	$ 0.59	$ 0.43	$ 0.88	$ 0.08	$ 0.13
DILUTED EARNINGS PER SHARE BEFORE MERGER EXPENSES	$ 0.59	$ 0.43	$ 0.90	$ 0.08	$ 0.16(b)
SHARES USED IN COMPUTING EARNINGS PER SHARE:					
Basic	4,163	4,163	17,857	10,518	26,024
Diluted	4,163	4,163	18,877	10,580	30,139

</TABLE>

- ---------------

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

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

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 2,442	$ 1,794	$ 16,188	$ 817	$ 3,423
Adjustments to reconcile net income to net cash provided by (used in) operating activities --					
Depreciation and amortization	2,896	3,361	10,666	1,159	5,350
Loss (gain) on sale of property and equipment	(96)	49	(91)	(49)	(34)
Non-cash compensation charge for issuance of Common Stock (ESOP)	720	254	--	--	--
Deferred income tax provision (benefit)	364	5	(370)	105	690
Changes in operating assets and liabilities, net of non-cash transactions --					
(Increase) decrease in --					
Accounts receivable	(3,035)	(1,010)	(9,649)	(3,910)	(11,998)
Inventories	(579)	(286)	(904)	(606)	(822)
Costs and estimated earnings in excess of billings on uncompleted contracts	(233)	(947)	(2,286)	(949)	(10,875)
Prepaid expenses and other current assets	(63)	14	(2,784)	6	(676)
Other, net	(101)	(56)	(93)	32	154
Increase (decrease) in --					
Accounts payable and accrued expenses	734	2,621	(4,672)	5,117	7,905
Billings in excess of costs and estimated earnings on uncompleted contracts	1,026	(478)	2,185	(1,585)	2,476
Net cash provided by (used in) operating activities	4,075	5,321	8,190	137	(4,407)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment	172	268	1,394	816	287
Additions of property and equipment and other assets	(4,002)	(6,456)	(22,667)	(2,951)	(8,580)
Cash paid for acquisitions, net of cash acquired	--	--	(89,176)	(12,057)	(97,584)
Proceeds from sale of investments	--	--	1,342	--	--
Net cash used in investing activities	(3,830)	(6,188)	(109,107)	(14,192)	(105,877)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term debt	12,295	6,867	3,722	2,579	2,428
Payments on long-term debt	(10,336)	(6,487)	(36,111)	(18,157)	(15,657)
Redemptions of Common Stock	(2,805)	(31)	--	--	--
Issuances of Common Stock, net of offering costs	--	--	44,914	45,109	101,119
Net borrowings under bank lines of credit	843	495	52,522	--	24,405
Distributions to accounting acquiror	--	--	(8,370)	(8,370)	--
Proceeds from Convertible Subordinated Notes	--	--	49,350	--	--
Debt issuance costs	--	--	(3,066)	--	--
Exercise of stock options	--	--	713	--	--
Other	(95)	--	--	(2,526)	--
Net cash provided by (used in) financing activities	(98)	844	103,674	18,635	112,295

NET INCREASE (DECREASE) IN CASH AND CASH

EQUIVALENTS....................................	147	(23)	2,757	4,580	2,011
CASH AND CASH EQUIVALENTS, beginning of period....	365	512	489	489	3,246
CASH AND CASH EQUIVALENTS, end of period..	$ 512	$ 489	$ 3,246	$ 5,069	$ 5,257
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for --					
Interest....................................	$ 744	$ 750	$ 4,690	$ 380	$ 1,940
Income taxes, net of refunds.................	870	1,518	10,800	263	5,438

</TABLE>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

<TABLE>
<CAPTION>

	COMMON STOCK		LIMITED VOTE COMMON STOCK		UNEARNED ESOP	ADDITIONAL PAID-IN	RETAINED	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	CAPITAL	EARNINGS	EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995....	4,162,572	$--	--	$--	$ --	$ 891	$ 8,091	$ 8,982
Distribution to stockholders..............	--	--	--	--	--	--	(375)	(375)
Purchase of stock from stockholders..............	--	--	--	--	(2,805)	--	--	(2,805)
Distribution of stock through ESOP.............	--	--	--	--	720	--	--	720
Other.......................	--	--	--	--	--	421	--	421
Net income..................	--	--	--	--	--	--	2,442	2,442
Balance, December 31, 1996....	4,162,572	--	--	--	(2,085)	1,312	10,158	9,385
Distribution of stock through ESOP.............	--	--	--	--	254	--	--	254
Other.......................	--	--	--	--	--	(31)	--	(31)
Net income..................	--	--	--	--	--	--	1,794	1,794
Balance, December 31, 1997....	4,162,572	--	--	--	(1,831)	1,281	11,952	11,402
Issuances of stock..........	--	--	3,345,333	--	--	--	--	--
Stock options exercised.....	60,000	--	--	--	--	1,125	--	1,125
Initial public offering, net of offering costs.........	5,750,000	--	--	--	--	44,914	--	44,914
Acquisition of Founding Companies.................	4,527,000	--	--	--	--	53,890	--	53,890
Acquisition of Purchased Companies.................	4,058,377	--	--	--	--	43,984	--	43,984
Net income..................	--	--	--	--	--	--	16,188	16,188
Balance, December 31, 1998....	18,557,949	--	3,345,333	--	(1,831)	145,194	28,140	171,503
Stock options exercised (unaudited).................	13,185	--	--	--	--	120	--	120

Conversion of Limited Vote Stock to Common Stock (unaudited)................	3,882	--	(3,882)	--	--	--	--	--
Follow-on offering, net of offering costs (unaudited)................	4,600,000	--	--	--	--	101,119	--	101,119
Acquisition of Purchased Companies (unaudited).......	2,502,394	--	--	--	--	53,605	--	53,605
Net income (unaudited)........	--	--	--	--	--	--	3,423	3,423
Balance, March 31, 1999 (unaudited)................	25,677,410	$--	3,341,451	$--	$(1,831)	$300,038	$31,563	$329,770

</TABLE>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Quanta Services, Inc., a Delaware corporation ("Quanta"), was founded in August 1997 to create a leading provider of specialty contracting and maintenance services primarily related to electric, utility and telecommunications infrastructure in North America.

In February 1998, Quanta completed its initial public offering (the "Offering" or "IPO"), concurrent with which Quanta acquired, in separate transactions, four entities (the "Founding Companies"). Quanta acquired twelve additional businesses in 1998 and fifteen additional businesses through June 7, 1999. Of these additional acquired businesses, two were accounted for as poolings-of-interests and are referred to herein as the "Pooled Companies" (see Note 4). The remaining acquired businesses were accounted for as purchases and are referred to herein as the "Purchased Companies." Quanta intends to continue to acquire through merger or purchase similar companies to expand its national and regional operations.

The financial statements of Quanta for periods prior to February 18, 1998 (the effective closing date of the acquisitions of the Founding Companies), are the financial statements of PAR Electrical Contractors, Inc. ("PAR" or the "Accounting Acquiror") as restated for the acquisitions of the Pooled Companies. The operations of the other Founding Companies and Quanta, acquired by the Accounting Acquiror, have been included in the Company's historical financial statements beginning February 19, 1998, and the Purchased Companies beginning on their respective dates of acquisition. References herein to the "Company" include Quanta and its subsidiaries.

In the course of its operations, the Company is subject to certain risk factors, including but not limited to: limited combined operating history, risks related to acquisition strategy, recoverability of goodwill, risks related to acquisition financing, risks related to operating and internal growth strategies, management of growth, availability of qualified employees, unionized workforce, competition, risks associated with contracts, potential exposure to environmental liabilities, dependence on key personnel and Year 2000 risks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements of the Company, include the accounts of Quanta and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Interim Consolidated Financial Information

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

Cash and Cash Equivalents

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

Supplemental Cash Flow Information

The Company had non-cash investing and financing activities related to capital leases of approximately $111,000, $692,000 and $1,218,000 during the years ended December 31, 1996, 1997 and 1998, respectively.

In addition, pursuant to its acquisition program, the Company acquired assets through purchase acquisitions with an estimated fair market value, net of cash acquired, of approximately $116,022,000 and liabilities of approximately $71,598,000 resulting in the recording of approximately $127,654,000 in goodwill.

Accounts Receivable and Provision for Doubtful Accounts

The Company provides an allowance for doubtful accounts when collection is considered doubtful.

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are valued by the Company at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation and amortization expense related to property and equipment, was approximately $2,841,000, $3,305,000 and $8,153,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

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

Debt Issue Costs

Debt issue costs related to the Company's credit facility and the Convertible Subordinated Notes are included in other assets and are amortized to interest expense over the scheduled maturity periods of the related debt. As of December 31, 1997 and 1998, accumulated amortization was approximately $0 and $178,000, respectively.

Goodwill

Goodwill represents the excess of the aggregate purchase price paid by the Company in the acquisition of businesses accounted for as purchases over the fair market value of the net assets acquired. Goodwill is amortized on a straight-line basis over 40 years. Management continually evaluates whether events or circumstances have occurred that indicate that the remaining estimated useful lives of property and equipment, other identifiable intangible assets and goodwill may warrant revision or that the remaining balances may not be recoverable.

Revenue Recognition

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

The balances billed but not paid by customers pursuant to retainage provisions in fixed price or cost-plus-fee contacts will be due upon completion of the contracts and acceptance by the customer. Based on the Company's experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year. Retainage balances as of December 31, 1997 and 1998 were approximately $400,000 and $11,704,000, respectively, and are included in accounts receivable.

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

Warranty Costs

For certain contracts, the Company generally warrants labor for new installations and construction and servicing of existing infrastructure. An accrual for warranty costs is recorded based upon the historical level of warranty claims and management's estimate of future costs.

Income Taxes

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

Certain of the Purchased Companies were S corporations for income tax purposes and, accordingly, any income tax liabilities for the periods prior to the acquisitions are the responsibility of the respective stockholders. In addition, one of the Pooled Companies was an S corporation prior to its merger with Quanta and therefore, income taxes have not been provided for in the historical financial statements. Effective with the acquisitions, the S corporations converted to C corporations. Accordingly, at the date of acquisition an estimated deferred tax liability has been recorded to provide for the estimated future income tax liability resulting from the difference between the book and tax bases of the net assets of these former S corporations. For purposes of these consolidated financial statements, federal and state income taxes have been provided for the post-acquisition periods.

Earnings per Share

The Company has adopted SFAS No. 128, "Earnings Per Share," which requires restatement of all comparative per share amounts. Under the provisions of SFAS No. 128, the presentation of primary earnings per share has been replaced with earnings per share for potentially dilutive securities such as outstanding options. All prior period earnings per share data have been restated.

For financial statement purposes, as required by the rules and regulations of the Securities Act, PAR has been identified as the accounting acquiror in the transaction with Quanta and its initial public offering. As such, the shares of Quanta common stock beneficially owned by the stockholders of PAR and the shares issued in connection with the acquisition of the Pooled Companies have been used in the calculation of basic and diluted earnings per share of the Company for all periods prior to the IPO.

Collective Bargaining Agreements

Certain of the subsidiaries are party to various collective bargaining agreements with certain of its employees. The agreements require the Company to pay specified wages and provide certain benefits to its union employees. These agreements expire at various times.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Reference is made to the "Revenue Recognition" section of this footnote and Note 12 for discussion of certain estimates reflected in the Company's financial statements.

New Accounting Pronouncements

In the first quarter of 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires the display of comprehensive income and its components in the financial statements. Comprehensive income represents all non-stockholder related changes in equity of an entity during the reporting period, including net income and charges directly to equity, which are excluded from net income. For the three years ended December 31, 1998, there are no material differences between the Company's "traditional" and "comprehensive" net income.

The Company has complied with the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for reporting certain information about operating segments in annual financial statements and, to a lesser extent, reporting of selected information about operating segments in interim financial reports issued to stockholders. SFAS No. 131 also establishes standards for specific disclosures about products and services, geographic areas, and major customers.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which becomes effective for financial statements for the year ended December 31, 1998. SFAS No. 132 requires revised disclosures about pension and other postretirement benefit plans. The Company has adopted the provisions of SFAS No. 132.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which becomes effective for financial statements beginning January 1, 2000. SFAS No. 133 requires a company to recognize all derivative instruments (including certain derivative instruments embedded in other contracts) as assets or liabilities in its balance sheet and measure them at fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In May 1999, the FASB issued an exposure draft that would amend SFAS No. 133 to defer its effective date to all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company is evaluating SFAS No. 133 and the impact on existing accounting policies and financial reporting disclosures. However, the Company has not historically engaged in activities or entered into arrangements normally associated with derivative instruments.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP provides guidance with respect to accounting for the various types of costs incurred for computer software developed or obtained for the Company's use. The Company adopted SOP 98-1 in the first quarter of fiscal 1999 and adoption had no effect on its consolidated financial statements.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," which requires costs of start-up activities to be expensed as incurred, and upon adoption, previously deferred costs should be charged as a cumulative effect of a change in accounting principle. The Company adopted the new standard in January 1999 and the adoption of this standard had no effect on the Company's financial position or result of operations.

3. PER SHARE INFORMATION:

The computation of basic and diluted earnings per share for the two years ended December 31, 1997 is based upon the 3,000,000 shares of common stock issued in connection with PAR and 1,162,572 shares issued in connection with the acquisition of the Pooled Companies.

The computation of basic earnings per share for the year ended December 31, 1998 is based upon 17,856,876 weighted average shares of common stock outstanding which includes the weighted average portion of (i) 7,527,000 shares of common stock issued to the owners of the Founding Companies, (ii) 3,345,333 shares of Limited Vote Common Stock issued to the initial stockholders and certain management personnel of the Company, (iii) 5,750,000 shares of common stock sold in the Offering to pay the cash portion of the consideration for the Founding Companies, to repay expenses incurred in connection with the Offering and to retire debt, (iv) 1,162,572 shares issued for the acquisitions of the Pooled Companies, (v) the 4,058,376 shares issued in acquisitions accounted for as purchases, and (vi) shares issued upon exercise of stock options.

Shares used in the calculation of the diluted earnings per share for the year ended December 31, 1998 include (i) the shares described above, (ii) the dilution attributable to the assumed conversion of the Convertible Subordinated Notes, and (iii) the dilution attributable to outstanding options to purchase common stock, using the treasury stock method. Included in net income used in computing diluted earnings per share is approximately $506,000 in reduced interest expense, net of tax, attributable to the assumed conversion of the Convertible Subordinated Notes.

4. BUSINESS COMBINATIONS:

Poolings

During the second quarter of 1998, Quanta completed the acquisition of all the common stock of NorAm Telecommunications, Inc. ("NorAm"), in a business combination accounted for as a "pooling-of-interests" transaction in accordance with the requirements of APB No. 16. NorAm, headquartered in Oregon, provides outside and inside network and technical support for the telecommunications industry. Quanta issued 951,945 shares of common stock in exchange for all the common stock of NorAm.

In the first quarter of 1999, Quanta completed the acquisition of all the common stock of Fiber Technology, Inc. ("Fiber Tech") in a business combination accounted for as a "pooling-of-interests" transaction. Fiber Tech, headquartered in Houston, Texas, provides specialty contracting services to the cable television and telecommunications industries. Quanta issued 210,627 shares of common stock in exchange for all the common stock of Fiber Tech.

There were no transactions between Quanta and the Pooled Companies during the periods prior to the business combination. The financial statements of the Company have been previously restated to reflect the impact of the NorAm pooling as reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

The following table summarizes the audited restated revenues, net income and per share data of the Company after giving effect to the Fiber Tech pooling transaction (in thousands, except per share data).

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,					
	1996		1997		1998	
	REVENUES	NET INCOME	REVENUES	NET INCOME	REVENUES	NET INCOME
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues and net income --						
As previously reported in 1998 Form 10-K	$71,294	$1,790	$76,204	$2,527	$309,209	$15,175
Fiber Tech	6,936	652	3,806	(733)	10,050	1,013
As restated	$78,230	$2,442	$80,010	$1,794	$319,259	$16,188
Basic earnings per share --						
As previously reported in 1998 Form 10-K		$ 0.45		$ 0.64		$ 0.86
Fiber Tech		0.14		(0.21)		0.05
As restated		$ 0.59		$ 0.43		$ 0.91
Diluted earnings per share --						
As previously reported in 1998 Form 10-K		$ 0.45		$ 0.64		$ 0.84
Fiber Tech		0.14		(0.21)		0.04
As restated		$ 0.59		$ 0.43		$ 0.88

</TABLE>

Purchases

Through the year ended December 31, 1998, in addition to the Founding Companies, the Company completed eleven acquisitions accounted for as purchases. The aggregate consideration paid in these transactions consisted of $84.6

million in cash and notes and 4.1 million shares of common stock. The accompanying balance sheet as of December 31, 1998 includes preliminary allocations of the respective purchase prices and is subject to final adjustment. The following summarized unaudited pro forma financial information adjusts the historical financial information by assuming the acquisition of the Founding Companies, the Purchased Companies and the issuance of the Convertible Subordinated Notes (as defined in Note 7) occurred on January 1, 1997 (dollars in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1998
	(UNAUDITED)	
<S>	<C>	<C>
Revenues	$343,130	$433,622
Net income	$ 16,966	$ 20,465
Basic earnings per share	$ 0.78	$ 0.94
Diluted earnings per share	$ 0.75	$ 0.89

</TABLE>

Pro forma adjustments included in the amounts above primarily relate to: (a) contractually agreed reductions in salaries and benefits for former owners, and certain key employees; (b) adjustment to depreciation and amortization expense due to the purchase price allocations; (c) the assumed reductions in interest expense due to unassumed debt and the refinancing of the outstanding indebtedness in conjunction with the acquisition of the Founding Companies and Purchased Companies, offset by an assumed increase in interest expense incurred in connection with financing the acquisitions; (d) elimination of non-recurring acquisition costs associated with one of the Pooled Companies; (e) the incremental interest expense and amortization of deferred financing costs incurred as a result of the issuance of the Convertible Subordinated Notes (as defined in Note 7), net of the repayment of outstanding indebtedness of the Company; (f) adjustment to the federal and state income tax provisions based on the combined operations; and (g) the

elimination of merger expenses related to the Pooled Companies. The pro forma financial data does not purport to represent what the Company's combined financial position or results of operations would actually have been if such transactions had in fact occurred on those dates and are not necessarily representative of the Company's financial position or results of operations for any future period.

5. PROPERTY AND EQUIPMENT:

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

<TABLE>
<CAPTION>

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1997	DECEMBER 31, 1998
<S>	<C>	<C>	<C>
Land	--	$ 1,861	$ 1,947
Buildings and leasehold improvements	5-31	1,927	4,232
Operating equipment and vehicles	5-25	33,034	90,831
Office equipment, furniture and fixtures	3-7	972	2,845
		37,794	99,855
Less -- Accumulated depreciation and amortization		(19,426)	(25,643)
Property and equipment, net		$ 18,368	$ 74,212

</TABLE>

6. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in the Company's allowance for doubtful accounts consists of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31, 1997	DECEMBER 31, 1998

<S> <C> <C>

Balance at beginning of period	200	400
Beginning balance of Purchased Companies	--	984
Charged to expense	226	292
Deductions for uncollectible receivables written off and recoveries	(26)	(60)
Balance at end of period	$400	$1,616

</TABLE>

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

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1997	1998
<S>	<C>	<C>
Accounts payable, trade	$3,576	$18,805
Accrued compensation and other related expenses	897	9,209
Other expenses	3,232	12,284
	$7,705	$40,298

</TABLE>

Contracts in progress are as follows (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1997	1998
<S>	<C>	<C>
Costs incurred on contracts in progress	$ 11,578	$ 231,526
Estimated earnings, net of losses	3,017	44,405
	14,595	275,931
Less -- Billings to date	(13,587)	(260,342)
	$ 1,008	$ 15,589
Costs and estimated earnings recognized in excess of billings	$ 1,746	$ 22,620
Less -- Billings in excess of costs and estimated earnings recognized	(738)	(7,031)
	$ 1,008	$ 15,589

</TABLE>

7. DEBT:

The Company's long-term debt obligations consisted of the following (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,		THREE MONTHS ENDED MARCH 31, 1999
	1997	1998	(UNAUDITED)
<S>	<C>	<C>	<C>
Revolving credit facility	$ --	$56,000	$80,990
Bank lines of credit, with total borrowing capacity of $2,000,000, interest at bank's prime rate plus 1%, secured by accounts receivable and guaranteed by NorAm's stockholders	968	--	--
Bank lines of credit, with total borrowing capacity of $8,000,000, interest at bank's prime rate, secured by equipment, receivables and other assets	2,510	--	--
Notes payable to bank, interest ranging from 9.08% to 10%, payments due monthly from $9,313 to $36,613 including interest, secured by equipment	1,578	--	--
Note payable to bank, prime interest rate, due $250,000			

annually including interest, secured by stock	1,831	--	--
Notes payable to various banks, interest ranging from 4.8% to 15.35%, secured by certain equipment, receivables and other assets	7,771	2,819	3,062
Notes payable to certain previous owners of the Purchased Companies bearing interest at 7.0% due 2001	--	2,145	1,580
Capital lease obligations	579	3,674	3,194
	15,237	64,638	88,826
Less -- Current maturities	(7,599)	(4,357)	(3,392)
Total long-term debt	$ 7,638	$60,281	$85,434

</TABLE>

Credit Facility

In August 1998, the Company amended its $50.0 million revolving credit facility (the "Credit Facility") to increase it to $125 million. In November 1998, the Company expanded its bank group from two banks to nine banks and amended its Credit Facility to increase it to $175 million. The Credit Facility is secured by a pledge of all of the capital stock of the Company's material operating subsidiaries and the majority of the Company's assets and is to provide funds to be used for working capital, to finance acquisitions and for other

general corporate purposes. Amounts borrowed under the Credit Facility bear interest at a rate equal to either (a) the London Interbank Offered Rate ("LIBOR" which was 5.63% at December 31, 1998) plus 1.00% to 2.00%, as determined by the ratio of the Company's total funded debt to EBITDA (as defined in the Credit Facility) or (b) the bank's prime rate (which was 7.75% at December 31, 1998) plus up to 0.25%, as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.175% to 0.30% (based on certain financial ratios) are due on any unused borrowing capacity under the Credit Facility. The Credit Facility matures August 2, 2003. The Company's existing and future subsidiaries will guarantee the repayment of all amounts due under the facility and the facility restricts pledges on all material assets. The Credit Facility contains usual and customary covenants for a credit facility of this nature including the prohibition of the payment of dividends, certain financial ratio covenants and the consent of the lenders for acquisitions exceeding a certain level of cash consideration. As of December 31, 1998, $56.0 million was borrowed under the Credit Facility, and the Company had $2.5 million of letters of credit outstanding, resulting in a borrowing availability of $116.5 million under the Credit Facility.

The maturities of long-term debt (excluding capital leases) as of December 31, 1998, are as follows (in thousands):

<TABLE>
<CAPTION>

YEAR ENDING DECEMBER 31 --	
1999	$ 2,603
2000	1,304
2001	881
2002	154
2003	56,022
	$60,964

</TABLE>

The Company leases certain buildings and equipment under non-cancellable lease agreements. The following schedule shows the future minimum lease payments under these leases as of December 31, 1998 (in thousands):

<TABLE>
<CAPTION>

YEAR ENDING DECEMBER 31 --	CAPITAL LEASES	OPERATING LEASES
1999	$ 1,879	$2,947
2000	1,177	2,723
2001	893	2,318
2002	24	1,338
2003	1	288

Total minimum lease payments	3,974	$9,614
Less -- Amounts representing interest	(300)	
Present value of minimum lease payments	3,674	
Less -- Current portion	(1,754)	
Long-term obligation	$ 1,920	

</TABLE>

Rent expense related to operating leases was approximately $258,000, $519,000 and $1,816,000 for the years ended December 31, 1996, 1997 and 1998, respectively. Assets under capital leases are included as part of property and equipment.

Certain of the Company's subsidiaries have entered into a number of related party lease arrangements for operational facilities. These lease agreements generally have a term of 5 years. There were no such related-

party lease payments during the years ended December 31, 1996 and 1997. Lease payments for the year ended 1998 were approximately $315,000. Future commitments with respect to these leases are included above.

Strategic Investment

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

8. INCOME TAXES:

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
Federal --			
Current	$ 840	$1,475	$10,214
Deferred	299	10	(262)
State --			
Current	185	306	1,839
Deferred	65	(5)	(108)
	$1,389	$1,786	$11,683

</TABLE>

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
Provision at the statutory rate	$1,093	$1,504	$ 9,400
Increase resulting from --			
State income tax, net of related tax effect	166	187	1,125
Goodwill	--	--	899
Nondeductible and other expenses	130	95	259
	$1,389	$1,786	$11,683

	======	======	=======

</TABLE>

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

	DECEMBER 31, 1997	DECEMBER 31, 1998
Deferred income tax liabilities --		
Property and equipment	$(2,500)	$(5,461)
Book/tax accounting method difference	--	(684)
Other	(162)	(132)
Total deferred income tax liabilities	(2,662)	(6,277)
Deferred income tax assets --		
Allowance for doubtful accounts and other reserves	42	1,222
Accounts receivable	35	--
Goodwill	41	47
Inventory	29	176
State taxes	(29)	--
Other accruals not currently deductible	473	1,317
Total deferred income tax assets	591	2,762
Total net deferred income tax liabilities	$(2,071)	$(3,515)

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

	DECEMBER 31, 1997	DECEMBER 31, 1998
Deferred tax assets --		
Current	$ 591	$ 2,714
Long-term	--	48
Total	591	2,762
Deferred tax liabilities --		
Current	(183)	(816)
Long-term	(2,479)	(5,461)
Total	(2,662)	(6,277)
Net deferred income tax liabilities	$(2,071)	$(3,515)

Current deferred tax assets are included in prepaid expenses and other current assets.

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

9. STOCKHOLDERS' EQUITY:

Limited Vote Common Stock

The shares of Limited Vote Common Stock have rights similar to shares of common stock, except that such shares are entitled to elect one member of the board of directors and are entitled to one-tenth of one vote for each share held on all other matters. Each share of Limited Vote Common Stock will convert into common stock upon disposition by the holder of such shares in accordance with the transfer restrictions applicable to such shares.

Stock Options

In December 1997, the Board of Directors adopted, and the stockholders of the Company approved, the 1997 Stock Option Plan. The purpose of the 1997 Stock Option Plan is to provide directors, key employees, officers and certain advisors with additional incentives by increasing their proprietary interest in the Company. The aggregate amount of common stock of the Company with respect to which options may be granted may not exceed the greater of 2,380,850 shares or 15% of the outstanding shares of common stock. On February 27, 1998, the Company filed a Registration Statement on Form S-8 with respect to 2,380,850 shares of common stock issuable in connection with the 1997 Stock Option Plan.

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

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

The 1997 Stock Option Plan also provides for automatic option grants to directors who are not otherwise employed by the Company or its subsidiaries. Upon commencement of service, a non-employee director will receive a non-qualified option to purchase 10,000 shares of common stock, and each continuing or re-elected non-employee director annually will receive an option to purchase 5,000 shares of common stock. Options granted to non-employee directors are fully exercisable following the expiration of six months from the date of grant.

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

The following table summarizes activity under the 1997 Stock Option Plan for the year ended December 31, 1998:

<TABLE>
<CAPTION>

	SHARES	EXERCISE PRICE	WEIGHTED AVERAGE EXERCISE PRICE
Granted	1,674,500	$9.00 - $21.13	$ 12.00
Exercised	(60,000)	$11.875	$11.875
Forfeited and canceled	(36,520)	$9.00 - $16.68	$ 12.84
Outstanding at December 31, 1998	1,577,980		
Weighted average fair value per share of options granted during 1998	$ 5.17		
Weighted average remaining contractual life in years	9.43		

</TABLE>

At December 31, 1998, there were options to purchase 40,000 shares of Common Stock that were exercisable.

The Company accounts for its stock-based compensation under Accounting Principles Board Statement No. 25 "Accounting for Stock Issued to Employees." Under this accounting method, no compensation expense is recognized in the consolidated statements of income if no intrinsic value of the option exists at the date of grant. In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock Based Compensation." SFAS No. 123 encourages companies to account for stock based compensation awards based on the fair value of the awards at the date they are granted. The resulting compensation cost would be shown as an expense in the statement of income. Companies can choose not to apply the new accounting method and continue to apply current accounting requirements; however, disclosure is required as to what net income and earnings per share would have been had the new accounting method been followed. Had compensation costs for this plan been determined consistent with SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts (in thousands, except per share data):

		1998
Net Earnings	As reported	$16,188
	Pro forma	$11,405
Diluted Earnings Per Share	As reported	$ 0.88
	Pro forma	$ 0.63

The effects of applying SFAS No. 123 in the pro forma disclosure may not be indicative of future amounts as additional awards in future years are anticipated. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for 1998: (i) risk-free interest rates ranging from 4.17% to 5.80%, (ii) expected life of 6 years, (iii) average volatility of 24.85%, and (iv) dividend yield of 0%.

Initial Public Offering

In February, 1998, Quanta completed its initial public offering, which involved the issuance of 5.0 million shares of its common stock at a price of $9.00 per share, resulting in net proceeds to the Company of $38.6 million after deducting underwriting discounts and commissions and expenses related to the IPO. In March 1998, the Company sold 750,000 shares of common stock resulting in net proceeds of $6.3 million pursuant to an over-allotment granted to the underwriters.

Employee Stock Ownership Plan.

The Company issued shares of common stock to an Employee Stock Ownership Plan (the "ESOP") in connection with the acquisition of the Pooled Company. The ESOP was terminated on July 31, 1998. A favorable determination letter from the Internal Revenue Service has been received and pending final distribution, a portion of the shares of the Company's common stock held by the ESOP will be sold to repay debt owed by the ESOP to the Company and the remaining portion of the unallocated shares will be distributed to its participants. The cost of the unallocated ESOP shares is reflected as a reduction in the Company's stockholders' equity. Upon distribution from the ESOP, the Company will owe an excise tax equal to 10% of the value of the Company's common stock distributed. In addition, the Company will eliminate the remaining balance reflected as Unearned ESOP Shares on the Company's balance sheet and will have to recognize a non-cash non-recurring compensation charge equal to the value of the unallocated shares held by the ESOP at the time it allocates and distributes such shares. The Company currently cannot determine the amount of the excise tax that will be owed or the non-cash, non-recurring compensation charge that will be recognized. However, based on the closing price of the Company's common stock of $25.44 on March 31, 1999, the amount of such charges would be approximately $772,000 and $3,209,000, respectively.

10. EMPLOYEE BENEFIT PLAN:

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

Certain subsidiaries of the Company provide various defined contribution plans to their employees. The plans cover substantially all full-time employees of the Company. Contributions to the plans by the Company vary from plan to plan. Contributions to the plans were approximately $214,000, $217,000 and $1,434,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

11. FINANCIAL INSTRUMENTS:

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

12. COMMITMENTS AND CONTINGENCIES:

Litigation

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

Insurance

The Company carries a broad range of insurance coverage, including business auto liability, business property liability, workers' compensation, general liability and an umbrella policy. Effective January 1, 1996, the Company began self-insuring for certain workers' compensation risks up to $1,000,000 per occurrence. In

October 1997, the Company reduced the deductible to $500,000 per occurrence. The Company has accrued for the estimated probable claims costs in satisfying the deductible provisions of the insurance policies for claims occurring through December 31, 1998. The accrual is based on known facts and historical trends, and management believes such accrual to be adequate.

In August 1998, the Company consolidated the casualty insurance program for all subsidiaries of Quanta. This program has no self-insurance provisions. Self-insured claims under previous policies are monitored to ensure that such remaining accruals are adequate.

Performance Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its contract commitments.

13. QUARTERLY FINANCIAL DATA (UNAUDITED):

The table below sets forth the unaudited consolidated operating results by quarter for the years ended December 31, 1997 and 1998. All quarters presented have been restated for the operations of the Pooled Companies (in thousands, except per share data).

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED,			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
<S>	<C>	<C>	<C>	<C>
1997:				
Revenues	$15,408	$21,428	$ 22,294	$ 20,880
Gross profit	1,621	4,547	6,469	4,774
Net income (loss)	(727)	814	1,187	520
Basic earnings per share	$ (0.17)	$ 0.20	$ 0.29	$ 0.12
Diluted earnings per share	$ (0.17)	$ 0.20	$ 0.29	$ 0.12
1998:				
Revenues	$32,230	$65,045	$103,737	$118,247
Gross profit	5,234	12,796	20,814	23,145
Net income	817	3,139	6,360	5,872
Basic earnings per share	$ 0.08	$ 0.17	$ 0.31	$ 0.27
Diluted earnings per share	$ 0.08	$ 0.17	$ 0.31	$ 0.25

</TABLE>

The sum of the individual quarterly earnings per share amounts may not agree with year-to-date earnings per share as each period's computation is based on the weighted average number of shares outstanding during the period.

14. RISK CONCENTRATION:

The Company grants credit, generally without collateral, to its customers, which include utility companies, telecommunications providers, municipalities and commercial companies located primarily in the United States. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors throughout the United States. However, the Company generally is entitled to payment for work performed and has certain lien rights in that work and concentrations of credit risk are limited due to the diversity of the Company's customer base. Further, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

15. SEGMENT INFORMATION:

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

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Electric utility infrastructure	$41,830	$48,149	$159,243
Telecommunications	34,974	30,337	110,234
Transportation control and lighting systems	427	491	27,520
Commercial and industrial	999	1,033	22,262
	$78,230	$80,010	$319,259

</TABLE>

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

16. SUBSEQUENT EVENTS

Purchases Subsequent to December 31, 1998

Subsequent to December 31, 1998 and through June 7, 1999, Quanta completed 14 acquisitions accounted for as purchases. The aggregate consideration paid in these transactions consisted of $171.7 million in cash and 4.1 million shares of common stock. These acquisitions produced 1998 pro forma combined revenues of $280.5 million (unaudited). The cash portion of such consideration was provided by borrowings under the Company's credit facility and cash on-hand.

Follow-on Common Stock Offering

On January 27, 1999, Quanta completed a follow-on public offering, which involved the issuance of 4.6 million shares of its common stock at a price of $23.25 per share, resulting in net proceeds to Quanta of $101.1 million after deducting underwriting discounts and commissions and expenses related to the offering.

401(k) Plan

Effective February 1, 1999, Quanta adopted a 401(k) plan pursuant to which employees who are not provided retirement benefits through a collective bargaining agreement may make contributions through a payroll deduction. Quanta will make a matching contribution of 100% of each employee's contribution up to 3% of that employee's salary and 50% of each employee's contribution between 3% and 6% of such employee's salary.

Employee Stock Purchase Plan

An Employee Stock Purchase Plan has been adopted by the board of directors of the Company (the "Board" or "Board of Directors") and has been approved by the stockholders of the Company in May 1999. The purpose of the Plan is to provide an incentive for employees of the Company and any Participating Company (as defined in the Plan) to acquire or increase a proprietary interest in the Company through the purchase of shares of the Company's Common Stock. At the date hereof, all of the existing subsidiaries of the

Company have been designated as Participating Companies. The Plan is intended to qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The provisions of the Plan will be construed in a manner consistent with the requirements of that section of the Code. The Plan will be administered by a committee appointed from time to time by the Board (the "Committee"). The Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Common Stock Shares Authorized

Effective May 1999, the Company amended its Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock to 100.0 million shares.

17. SUBSEQUENT EVENT TO AUDITORS' REPORT DATE (UNAUDITED):

In June 1999, the Company expanded its bank group from nine to 14 banks and amended the Credit Facility to increase it to $350.0 million.

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors and Stockholders
The Ryan Company, Inc.
Rockland, Massachusetts:

We have audited the accompanying balance sheet of The Ryan Company, Inc. at December 31, 1998 and the related statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ryan Company, Inc. at December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

KIRKLAND ALBRECHT AND COMPANY

February 3, 1999
Braintree, Massachusetts

THE RYAN COMPANY, INC.

BALANCE SHEET
DECEMBER 31, 1998

ASSETS

<TABLE>

<S>	<C>
CURRENT ASSETS:	
Cash and cash equivalents	$ 2,983,787
Accounts receivable	6,226,564
Costs and estimated gross profit on uncompleted contracts in excess of related billings	2,722,872
Other current assets	86,586
Total current assets	12,019,809
PROPERTY AND EQUIPMENT, AT COST:	

Motor vehicles	891,821
Tools and equipment	469,142
Office equipment	150,663
	1,511,626
Less accumulated depreciation	(994,970)
Property and equipment, net	516,656
CASH SURRENDER VALUE OF OFFICERS' LIFE INSURANCE	9,257
Total assets	$12,545,722
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable, trade	$ 3,394,302
Billings on uncompleted contracts in excess of related costs and estimated gross profit	31,617
Accrued payroll	562,465
Loans payable, stockholders	2,307,027
Other liabilities	260,311
Total current liabilities	6,555,722
COMMITMENTS	
STOCKHOLDERS' EQUITY:	
Common stock, no par value: authorized, 1,000 shares; issued and outstanding, 700 shares	50,500
Additional paid-in capital	41,009
Retained earnings	5,898,491
Total stockholders' equity	5,990,000
Total liabilities and stockholders' equity	$12,545,722

</TABLE>

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

THE RYAN COMPANY, INC.

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1998

<TABLE>

<S>	<C>
CONTRACT REVENUES	$35,288,692
COST OF CONTRACT REVENUES, including depreciation	26,641,131
Gross Profit	8,647,561
GENERAL AND ADMINISTRATIVE EXPENSES	5,926,559
Operating income	2,721,002
OTHER INCOME (EXPENSE), net:	
Interest expense	(1,236)
Interest income	228,770
Gain on sale of property and equipment	15,577
Total other income, net	243,111
INCOME BEFORE PROVISION FOR INCOME TAXES	2,964,113
PROVISION FOR INCOME TAXES	152,485
NET INCOME	$ 2,811,628

</TABLE>

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

THE RYAN COMPANY, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 1998

<TABLE>
<CAPTION>

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL

<S>

Balance, December 31, 1997	$50,500	$41,009	$ 5,893,890	$ 5,985,399
Net income	--	--	2,811,628	2,811,628
Distributions	--	--	(2,807,027)	(2,807,027)
Balance, December 31, 1998	$50,500	$41,009	$ 5,898,491	$ 5,990,000

</TABLE>

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

THE RYAN COMPANY, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1998

<TABLE>
<S>

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 2,811,628
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	149,818
Net change in cash surrender value of officers' life insurance	203,865
Gain on sale of property and equipment	(15,577)
Net change in certain current assets and certain current liabilities	(646,506)
Total adjustments	(308,400)
Net cash provided by operating activities	2,503,228
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	(352,587)
Proceeds from sale of property and equipment	15,900
Net cash used in investing activities	(336,687)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Advances on note payable, bank	1,116,049
Repayment on note payable, bank	(1,116,049)
Payments from stockholders	2,307,027
Payments to stockholders	(1,020,000)
Distributions	(2,807,027)
Net cash used in financing activities	(1,520,000)
NET INCREASE IN CASH	646,541
CASH AND CASH EQUIVALENTS, beginning of year	2,337,246
CASH AND CASH EQUIVALENTS, end of year	$ 2,983,787

</TABLE>

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

THE RYAN COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -- The Company, a Subchapter S Corporation, was organized on January 12, 1966 under the general laws of the Commonwealth of Massachusetts. Its principal business activity is general contracting, specializing in electrical construction primarily on contracts with the federal government at locations throughout the United States.

Recognition of Income -- For financial and tax reporting, profits on construction contracts are recognized according to the Company's estimate of the percentage of completion on individual contracts commencing when progress reaches a point where experience is sufficient to estimate results with reasonable accuracy. Under this method, income is recognized in the ratio that accumulated costs to date bear to estimated total costs. Losses expected to be incurred on contracts in process are charged to operations in the period such losses are determined. Contracts generally provide that the customer accept completion of progress to date and compensate the Company for services rendered in terms of units installed, hours expended, or some other measure of progress. Because of the inherent uncertainties in estimating costs, it is at least reasonably possible that the Company's estimates of costs and revenues will change in the near term.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These differences could be significant.

Cash -- The Company routinely has cash deposits in excess of federally insured limits with its financial institutions. The excess deposits are invested daily in government securities.

Accounts Receivable -- Accounts receivable include amounts retained on contracts which are due contingent upon approval and acceptance of the completed construction. Accounts receivable billed but not paid by customers pursuant to contract retainage provisions are due upon completion of the contract and acceptance by the customer. The retainage balance as of December 31, 1998 will be collected within the subsequent year.

Bad Debts -- Accounts receivable are periodically reviewed by management. Current earnings are charged and an allowance is credited with a provision for doubtful accounts based on experience. Accounts deemed to be uncollectible are charged against the allowance. Accounts receivable are reported on the balance sheets net of the allowance. Bad debts are written off using the direct write-off method for income tax reporting.

Property and Equipment -- Items capitalized as property and equipment are recorded at cost. Maintenance, routine repairs and minor replacements are charged against operations, while those items which materially improve or extend the lives of existing assets are capitalized.

Depreciation has been computed using straight-line and accelerated methods calculated to amortize the costs of the assets over their estimated useful lives as follows:

ASSETS	YEARS
Motor vehicles	5
Tools and equipment	3-5
Office equipment	3-7

Statement of Cash Flows -- For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes -- On March 9, 1992, the Company, with the consent of its stockholders, filed an election with the Internal Revenue Service to be classified as an S Corporation. In lieu of federal corporate income taxes, the stockholders are taxed on their proportionate share of the Company's taxable income. The Company may be required to pay state corporate income taxes depending on whether the states in which the Company operates recognize S Corporations.

2. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of the following:

Cash	$2,533,787
Short-term securities	450,000
	$2,983,787

3. ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following:

On contracts in process:	
Current	$4,004,379

Retained	398,827
	4,403,206
On contracts completed:	
Current	1,339,415
Retained	507,575
	1,846,990
Miscellaneous receivables	34,368
Less allowance for doubtful accounts	(58,000)
	$6,226,564

</TABLE>

4. CONTRACTS IN PROCESS:

A summary of contracts in process is as follows:

<TABLE>

<S>	<C>
Accumulated costs on contracts	$ 35,157,914
Estimated gross profit recognized	8,536,989
	43,694,903
Less related accumulated billings	(41,003,648)
	$ 2,691,255

</TABLE>

This amount is included in the accompanying balance sheet under the following captions:

<TABLE>

<S>	<C>
Costs and estimated gross profit on uncompleted contracts in excess of related billings	$2,722,872
Billings on uncompleted contracts in excess of related costs and estimated gross profit	(31,617)
	$2,691,255

</TABLE>

5. RELATED PARTY TRANSACTIONS:

Loans Payable, Stockholders -- During the year ended December 31, 1998, the stockholders made loans to the Company which amounted to $2,307,027. These loans are being repaid subsequent to December 31, 1998.

Facility Rental -- The Company leases its office facilities from a related realty trust in which both of the beneficiaries are also stockholders of the Company under a five-year lease expiring March 31, 2003. Rent expense amounted to $71,880 during the year ended December 31, 1998.

Future minimum rental commitment under the lease exclusive of condominium fees is as follows:

<TABLE>
<CAPTION>

YEARS	AMOUNT
1999	$ 69,660
2000	72,060
2001	74,460
2002	76,860
2003	19,365
	$312,405

</TABLE>

6. NOTE PAYABLE, BANK:

The Company has an unsecured line of credit at December 31, 1998 of

$3,000,000. Interest is computed at the bank's base lending rate and is payable in arrears at the end of each month. The note is payable on demand and is personally guaranteed by the stockholders of the Company. At December 31, 1998, no balance was outstanding on this line of credit.

7. PROVISION FOR INCOME TAXES:

As previously mentioned in Note 1, on March 9, 1992, the Company, with the consent of its stockholders, filed an election with the Internal Revenue Service to be classified as an Subchapter S Corporation. In lieu of federal corporate income taxes, the stockholders are taxed on their proportionate share of the Company's taxable income. The Company may be required to pay state corporate income taxes depending on whether the states in which the Company operates recognize Subchapter S Corporations.

The provision for income taxes consists of the following:

Current:	
State	$152,485
Deferred:	
State	--
	$152,485

The Company does not plan to make additional distributions if the stockholders owe additional income taxes.

8. 401(k) PLAN:

The Company has in effect a 401(k) plan covering all employees as defined in the plan document. Contributions to the plan are at the discretion of the Board of Directors. Contributions of $106,750 were made for the year ended December 31, 1998.

9. FINANCIAL INSTRUMENTS:

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

10. MAJOR CUSTOMER AND RISK CONCENTRATION:

The Company earns substantially all its contract revenues from the Federal Government on construction contracts performed at various locations throughout the United States.

The Company grants credit, without collateral, to the Federal Government. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize any potential credit risk.

11. SUBSEQUENT EVENT TO DATE OF ACCOUNTANTS' REPORT (UNAUDITED):

On February 12, 1999, the Company was acquired by Quanta Services, Inc.

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors and Stockholders
Dillard Smith Construction Company
Chattanooga, Tennessee

We have audited the accompanying balance sheet of Dillard Smith Construction Company (formerly Southeast Energy Services, Inc. and subsidiaries) as of June 30, 1998, and the related statements of income, stockholders' equity and cash flows for the year ended June 30, 1998. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dillard Smith Construction Company as of June 30, 1998, and the results of its operations and its cash flows for the year ended June 30, 1998, in conformity with generally accepted accounting principles.

JOSEPH DECOSIMO AND COMPANY, LLP

Chattanooga, Tennessee
August 24, 1998

DILLARD SMITH CONSTRUCTION COMPANY

BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

	JUNE 30, 1998	DECEMBER 31, 1998 (UNAUDITED)
<S>	<C>	<C>
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,001,709	$ 991,582
Investment Securities	1,203,608	2,931,931
Receivables --		
Trade	7,461,146	7,802,832
Notes	103,410	109,983
Officers and Employees	176,699	400,833
Other	124,587	18,077
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	52,570	428,853
Inventories	516,809	380,956
Deferred Income Taxes	106,700	126,400
Total current assets	11,747,238	13,191,447
PROPERTY AND EQUIPMENT, net	7,040,427	6,577,922
OTHER ASSETS		
Cash Surrender Value of Life Insurance	147,779	147,779
Long-Term Note Receivable	209,312	196,764
Deposits	128,575	134,543
Loan Costs -- net of amortization of $50,657 for June 1998 and $55,890 for December 1998	29,654	24,421
Total other assets	515,320	503,507
Total assets	$19,302,985	$20,272,876
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank Overdraft	$ 591,945	$ 1,059,625
Notes Payable --		
Short-Term Bank Loan	1,503,500	348,500
Current Portion of Long-Term Debt	318,168	334,931
Accounts Payable	864,610	1,300,813
Accrued Expenses	2,969,684	2,609,119
Income Taxes Payable	122,753	102,007
Total current liabilities	6,370,660	5,754,995
LONG-TERM DEBT	4,158,747	3,989,060
DEFERRED INCOME TAXES	116,500	112,300
STOCKHOLDERS' EQUITY		
Common Stock -- no par value --		
Class A -- voting -- 3,000 shares authorized; 75 shares issued	29,448	29,448
Class B -- nonvoting -- 7,000 shares authorized; 3,827 shares issued	219,175	219,175]
Additional Paid-In Capital	205,880	205,880
Retained Earnings	8,202,575	9,962,018
Total stockholders' equity	8,657,078	10,416,521
Total liabilities and stockholders' equity	$19,302,985	$20,272,876

=========== ===========

</TABLE>

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

DILLARD SMITH CONSTRUCTION COMPANY

STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	TWELVE MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED DECEMBER 31, 1997	SIX MONTHS ENDED DECEMBER 31, 1998
		(UNAUDITED)	
<S>	<C>	<C>	<C>
CONSTRUCTION REVENUE	$42,844,378	$19,968,311	$27,773,118
COST OF CONSTRUCTION CONTRACTS	38,054,295	17,553,295	24,162,624
Gross Profit	4,790,083	2,415,016	3,610,494
OPERATING EXPENSES	4,003,181	2,026,550	2,412,013
OPERATING INCOME	786,902	388,466	1,198,481
OTHER INCOME (EXPENSE)			
Interest Income	162,863	44,029	86,772
Interest Expense	(520,497)	(275,251)	(221,473)
Gain on Sale of Assets	367,470	65,704	790,551
Rental Income	17,360	15,175	--
Other Income	18,611	14,432	8,212
	45,807	(135,911)	664,062
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	832,709	252,555	1,862,543
Provision for Income Taxes	57,000	85,900	103,100
INCOME FROM CONTINUING OPERATIONS	775,709	166,655	1,759,443
DISCONTINUED OPERATIONS			
Loss from Operations of Discontinued Fabrication Segment	(294,054)	(85,996)	--
Loss on Disposal of Discontinued Fabrication Segment	(149,499)	--	--
	(443,553)	(85,996)	--
NET INCOME	$ 332,156	$ 80,659	$ 1,759,443

</TABLE>

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

DILLARD SMITH CONSTRUCTION COMPANY

STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	COMMON STOCK CLASS A SHARES	COMMON STOCK CLASS A AMOUNT	COMMON STOCK CLASS B SHARES	COMMON STOCK CLASS B AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE -- June 30, 1997	750	$ 29,448	38,272	$219,175	$205,880	$7,870,419
Exchange of Stock	(675)	--	(34,445)	--	--	--
Net Income	--	--	--	--	--	332,156
BALANCE -- June 30, 1998	75	29,448	3,827	219,175	205,880	8,202,575
Net Income (unaudited)	--	--	--	--	--	1,759,443
BALANCE -- December 31, 1998 (unaudited)	75	$ 29,448	3,827	$219,175	$205,880	$9,962,018

</TABLE>

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

DILLARD SMITH CONSTRUCTION COMPANY

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

<S>	TWELVE MONTHS ENDED JUNE 30, 1998 <C>	SIX MONTHS ENDED DECEMBER 31, 1997 (UNAUDITED) <C>	SIX MONTHS ENDED DECEMBER 31, 1998 (UNAUDITED) <C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 332,156	$ 80,659	$ 1,759,443
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities Depreciation	1,595,901	707,332	1,127,240
Bad Debt Expense (Recoveries)	76,526	(581)	43,887
Gain on Sale of Property and Equipment	(452,068)	(37,519)	(595,065)
Gain on Sale of Investment Securities	(15,570)	--	--
Unrealized Gain on Investment Securities	(10,355)	(30,366)	(195,486)
Deferred Income Taxes	(22,300)	--	(23,900)
Amortization of Loan Costs	10,466	18,000	5,233
Amortization of Bond Premium	377	176	492
Purchase of Investment Securities	(1,193,278)	--	(1,533,329)
Changes in Operating Assets and Liabilities --			
Decrease (Increase) in --			
Receivables	(2,084,514)	(351,932)	(279,063)
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	(52,570)	(415,273)	(376,283)
Inventories	1,118,352	282,763	135,853
Income Taxes Refundable	133,766	58,807	--
Deposits	(30,782)	511	(5,968)
Increase (Decrease) in --			
Accounts Payable and Accrued Expenses	296,291	1,280,944	75,638
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	(99,396)	(99,396)	--
Income Taxes Payable	104,955	(17,798)	(20,746)
Net Cash Provided by (Used in) Operating Activities	(292,043)	1,476,327	117,946
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Investment Securities	1,846,141	180,000	--
Purchase of Property and Equipment	(1,252,458)	(399,371)	(1,601,708)
Proceeds from Sale of Property and Equipment	1,371,187	326,845	1,532,038
Cash (Advanced to) Received from Officers and Employees	(165,816)	10,883	(224,134)
Cash Received on Notes Receivable	104,464	4,777	5,975
Decrease in Cash Surrender Value of Life Insurance	105,752	--	--
Net Cash Provided (Used) by Investing Activities	2,009,270	123,134	(287,829)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in Bank Overdraft	(872)	(592,817)	467,680
Net Short-Term Borrowings (Repayments)	(13,955)	(256,500)	(1,155,000)
Repayment of Long-Term Debt	(719,530)	(200,046)	(152,924)
Net Cash Provided (Used in) by Financing Activities	(734,357)	(1,049,363)	(840,244)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	982,870	550,098	(1,010,127)
CASH AND CASH EQUIVALENTS -- beginning of period	1,018,839	1,018,839	2,001,709
CASH AND CASH EQUIVALENTS -- end of period	$ 2,001,709	$ 1,568,937	$ 991,582
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash Paid (Received) During the period for --			
Interest	$ 561,562	$ 296,339	$ 235,927
Income Taxes	$ 12,960	$ (47,182)	$ 152,746

</TABLE>

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

DILLARD SMITH CONSTRUCTION COMPANY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies and practices followed by the company are as follows:

Merger -- Effective June 30, 1998, Dillard Smith Construction Company merged with the company's former parent, Southeast Energy Services, Inc. and its wholly-owned subsidiary, Lake Mirror Land Co. with the exchange of one share of stock in Dillard Smith Construction Company for every ten shares of Southeast Energy Services, Inc. Also during the current year, another wholly-owned subsidiary of Southeast Energy Services, Inc., Utility Supply & Equipment Corporation, ceased operations and all assets and liabilities of the subsidiary were liquidated. Accordingly, the operations of Utility Supply & Equipment Corporation are classified as discontinued operations in the statements of income. The financial statements for 1997 and thereafter consolidate the four companies with all material intercompany accounts and transactions eliminated.

Description of Business -- Dillard Smith Construction Company's principal business consists of utility construction and maintenance in the southeastern United States. The former Utility Supply & Equipment Corporation was a fabricator of equipment used in utility construction and maintenance. The former Lake Mirror Land Co.'s principal function was to hold title to the real property owned and used by the consolidated group.

Interim Consolidated Financial Information

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

Revenue Recognition -- The company performs under various types of contracts: cost-plus, time and materials, unit price and fixed price. Performance on contracts is generally less than one year. Revenues on cost-plus, time and materials and unit price contracts are recognized as earned.

Revenues from fixed price contracts are recognized on the percentage of completion method, measured by the percentage of costs incurred to date to estimated total costs to complete each contract. That method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, contract penalty provisions, claims, change orders and settlements are accounted for as changes in estimates in the current period.

The asset, "Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts," represents billings in excess of revenues recognized.

Cash and Cash Equivalents -- The company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The company maintains at various financial institutions cash and cash equivalent accounts which may exceed federally insured amounts at times and which may at times significantly exceed balance sheet amounts due to outstanding checks.

Investment Securities -- Investment securities are classified into three categories: held-to-maturity, available-for-sale and trading. For securities to be classified as held-to-maturity, the company must demonstrate the positive intent and ability to hold the securities to maturity. Trading securities are securities bought and held principally for the purpose of selling them in the near future. Available-for-sale securities are those securities not classified as held-to-maturity or trading. Investment securities considered available-for-sale are adjusted for unrealized holding gains and losses and recorded at fair value. The difference in fair value and cost adjusted for amortization and accretion for securities available-for-sale is shown as a separate component of stockholders' equity net of income tax effects. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method.

Inventories -- Inventories are stated at the lower of cost or market using the first-in, first-out (FIFO) method. Inventories consist of construction equipment, materials and supplies, and work-in-progress on construction equipment.

Property and Equipment -- Property and equipment are stated at cost. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of depreciable assets are capitalized. Upon sale or retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations.

Depreciation is provided on accelerated and straight-line methods based on the estimated useful lives of the depreciable assets.

Loan Costs -- Debt financing costs are deferred and amortized using the straight-line method over the term of the related debt.

Income Taxes -- Income taxes are computed based on the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities, if significant, are recognized for the estimated future tax effects attributed to temporary differences between the book and tax bases of assets and liabilities and for carryforward items. The measurement of current and deferred tax assets and liabilities is based on enacted law. Deferred tax assets are reduced, if necessary, by a valuation allowance for the amount of tax benefits that may not be realized.

Estimates and Uncertainties -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INVESTMENT SECURITIES:

Investment securities consisted of trading securities summarized as follows:

<TABLE>
<CAPTION>

	JUNE 30, 1998	
	COST	MARKET VALUE
<S>	<C>	<C>
Equity Securities	$ 792,216	$ 800,982
U.S. Treasury Notes	401,037	402,626
	$1,193,253	$1,203,608

</TABLE>

Proceeds from sales of securities available-for-sale totaled $1,846,141 for the year ended June 30, 1998. Gross gains realized on those sales totaled $15,570.

3. TRADE RECEIVABLES:

Trade receivables consist of the following:

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
Contract Receivables	$7,512,556
Allowance for Doubtful Accounts	(51,410)
	$7,461,146

</TABLE>

4. NOTES RECEIVABLE:

Notes receivable consist of the following:

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
6.187% Installment Note Receivable from Former Stockholder -- due in monthly installments of $1,000 including interest, due April, 2001	$ 30,952
5% Installment Note Receivable -- due in annual installments of $93,923 plus interest through June, 2001	281,770
	312,722
Less Current Portion	(103,410)
	$ 209,312

</TABLE>

5. CONTRACTS IN PROGRESS:

Information with respect to contracts in progress is summarized as follows:

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
Costs Incurred on Uncompleted Contracts	$ 433,988
Estimated Earnings on Uncompleted Contracts	48,952
	482,940
Amounts Billed	(430,370)
Excess of Costs and Estimated Earnings	$ 52,570

</TABLE>

Excess of Costs and Estimated Earnings are included in the balance sheets as follows:

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts	$52,570
Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts	--
	$52,570

</TABLE>

6. INVENTORIES:

Inventories consist of the following:

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
Equipment and Parts	$408,251
Construction Supplies	108,558
	$516,809

</TABLE>

7. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
Land	$ 936,070
Building and Improvements	2,036,722
Heavy Duty Vehicles	5,690,639
Machinery, Equipment and Tools	10,742,306
Automobiles and Light Trucks	390,064
Office Furniture and Fixtures	251,469
	20,047,270
Accumulated Depreciation	(13,006,843)
	$ 7,040,427

</TABLE>

8. NOTES PAYABLE:

Long-term debt consists of the following:

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
Note Payable to Bank -- payable $50,034 monthly including interest at LIBOR plus 3%, remaining principal due May, 2001, collateralized by receivables, equipment, inventories and investment securities and personal guarantees of the stockholders	$4,027,261
Note Payable to Former Stockholder -- payable $5,000 monthly including interest at 6.187% through March, 2007, collateralized by company stock	408,009
7.8% Installment Note -- payable $1,398 monthly including interest through March, 2001, collateralized by rental equipment	41,645
	4,476,915
Less Current Portion	(318,168)
	$4,158,747

</TABLE>

Aggregate maturities of long-term debt for the five years subsequent to June 30, 1998, are as follows:

<TABLE>
<CAPTION>

YEAR ENDING	
<S>	<C>
June 30, 1999	$ 318,168
June 30, 2000	$ 346,443
June 30, 2001	$3,518,546
June 30, 2002	$ 43,032
June 30, 2003	$ 45,771

</TABLE>

Covenants related to loan agreements establish borrowing limitations, working capital, net worth and cash flow requirements and impose restrictions on the disposition and purchase of assets and the creation of additional debt.

The short-term bank loan consists of a $3,000,000 revolving loan from a financial institution with interest at LIBOR plus 2.5% and is collateralized by receivables, equipment, inventories, investment securities and personal guarantees of the stockholders.

The company has a $1,000,000 advised guidance line of credit agreement with interest at LIBOR plus 2.5%. There were no amounts outstanding as of June 30, 1998.

The company also has a $2,000,000 standby letter of credit which provides collateral for the insurance company that administers the company's high deductible insurance program.

9. RETIREMENT PLAN:

The company has a discretionary, contributory 401(k) retirement plan covering substantially all non-bargaining employees. Contributions to the plan totaled $33,453 for the year ended June 30, 1998.

10. LEASES:

The company leases certain real estate, vehicles and equipment under noncancelable operating leases and under short-term lease agreements.

Future minimum lease payments under operating leases with initial or remaining noncancelable terms in excess of one year as of June 30, 1998, are as follows:

<TABLE>
<CAPTION>

YEAR ENDING	
<S>	<C>
June 30, 1999	$ 786,909
June 30, 2000	581,651
June 30, 2001	338,453
June 30, 2002	277,713
June 30, 2003	151,751
	$2,136,477

</TABLE>

Rent expense was charged for 1998 as follows:

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1998
<S>	<C>
Charged to Construction Contracts	$1,933,508
Charged to Operating Expenses	84,409
	$2,017,917

</TABLE>

11. INCOME TAXES:

The provision for income taxes consists of the following:

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1998
<S>	<C>
Current Provision	
Federal Income Tax	$212,100
State Income Tax	36,200
State Net Operating Loss Carryforward	(25,000)
	223,300
Deferred Provision	(22,300)
	$201,000

</TABLE>

The provision for income taxes is included in the income statements as follows:

<TABLE>
<CAPTION>

	YEAR ENDED

	JUNE 30, 1998
<S>	<C>
Continuing Operations	$ 57,000
Discontinued Fabrication Segment	144,000
	$201,000

</TABLE>

Effective July 1, 1998, the company, with the consent of its stockholders, has elected to be taxed as an S corporation under the provisions of Section 1362 of the Internal Revenue Code. The stockholders will be personally liable for their proportionate share of the company's federal taxable income; therefore, no liability for future federal income taxes is reflected in these financial statements.

The tax effect of components of net deferred tax assets and liabilities is as follows:

<TABLE>
<CAPTION>

	JUNE 30, 1998
<S>	<C>
Deferred Tax Assets	
Allowance for Doubtful Accounts	$ 6,100
Accrued Expenses	101,600
	107,700
Deferred Tax Liabilities	
Depreciation	114,400
Deferred Gain	3,100
	117,500
Net Deferred Tax Assets (Liabilities)	$ (9,800)

</TABLE>

The provision for income taxes differs from the amount that would result from applying statutory tax rates due primarily to nondeductible officers' life insurance and meals and entertainment expense.

12. MAJOR CUSTOMERS:

Revenues from major customers are summarized as follows:

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1998
<S>	<C>
Construction Revenues from Major Customers	$7,786,000
Percentage of Construction Revenues	18%
Number of Customers	1

</TABLE>

Accounts receivable from major customers represented 19% of contract receivables as of June 30, 1998. The company performs ongoing credit evaluations of its customers and does not require collateral for its accounts receivable.

13. DISCONTINUED OPERATIONS:

During the current year, Utility Supply & Equipment Corporation, a wholly-owned subsidiary of Southeast Energy Services, Inc., ceased operations and liquidated all assets and liabilities. The losses from operations of the company are classified as discontinued operations and summarized as follows:

<TABLE>
<CAPTION>

	YEAR ENDED JUNE 30, 1998

NET SALES	$5,818,610
COST OF SALES	5,108,709
Gross Profit	709,901
OPERATING EXPENSES	816,149
LOSS FROM OPERATIONS	(106,248)
OTHER EXPENSE	(43,806)
LOSS BEFORE PROVISION FOR INCOME TAXES	(150,054)
Provision for Income Taxes	144,000
NET LOSS	$ (294,054)

DILLARD SMITH CONSTRUCTION COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

14. SUBSEQUENT EVENT (UNAUDITED):

On February 12, 1999, the Company was acquired by Quanta Services, Inc.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Tom Allen Construction Company:

We have audited the accompanying balance sheet of Tom Allen Construction Company as of April 30, 1998, and the related statements of income, stockholder's deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tom Allen Construction Company as of April 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

GANIM, MEDER, CHILDERS & HOERING, P.C.

Belleville, Illinois
September 15, 1998

TOM ALLEN CONSTRUCTION COMPANY

BALANCE SHEETS

ASSETS

	APRIL 30, 1998	JANUARY 31, 1999 (UNAUDITED)
CURRENT ASSETS:		
Cash and cash equivalents	$ 44,795	$ 299,135
Contracts receivable, net	1,837,238	3,182,226
Other receivables	104,199	171,639
Inventory	112,832	227,377
Deferred tax asset	310,919	--
Costs and estimated earnings in excess of billings	36,006	964,817
Prepaid expenses and other assets	2,398	238,206
Total current assets	2,448,387	5,083,400
DEFERRED TAX ASSET	158,710	158,710
PROPERTY AND EQUIPMENT, net	1,210,250	1,824,056

Total assets	$3,817,347	$7,066,166
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 370,900	$1,292,231
Operating notes payable	400,000	--
Accounts payable and accrued expenses	1,491,743	2,347,308
Income taxes payable	--	821,467
Billings in excess of costs and estimated earnings	10,909	64,274
Deferred tax liability	--	368,903
Total current liabilities	2,273,552	4,894,183
LONG-TERM DEBT, net of current maturities	1,543,745	--
NOTES PAYABLE -- Stockholder	703,489	623,489
Total liabilities	4,520,786	5,517,672
STOCKHOLDER'S EQUITY (DEFICIT):		
Common stock -- no par value, 1,000 shares authorized, 100 shares issued and outstanding	1,000	1,000
Retained earnings (deficit)	(704,439)	1,547,494
Total stockholder's equity (deficit)	(703,439)	1,548,494
Total liabilities and stockholder's equity (deficit)	$3,817,347	$7,066,166

</TABLE>

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

TOM ALLEN CONSTRUCTION COMPANY

STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30, 1998	NINE MONTHS ENDED JANUARY 31, 1998	NINE MONTHS ENDED JANUARY 31, 1999
		(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>
CONTRACT REVENUES	$8,650,097	$6,008,415	$14,642,523
COST OF CONTRACT REVENUES	7,093,907	5,226,720	9,804,049
Gross Profit	1,556,190	781,695	4,838,474
OPERATING EXPENSES (including depreciation)	879,393	776,056	906,655
Income from Operations	676,797	5,639	3,931,819
OTHER INCOME (EXPENSE):			
Interest expense	(309,033)	(234,264)	(196,093)
Interest income	28,399	27,800	10,680
Other, net	3,037	1,382	6,816
Other Expense, net	(277,597)	(205,082)	(178,597)
NET INCOME (LOSS) BEFORE INCOME TAXES	399,200	(199,443)	3,753,222
INCOME TAX BENEFIT (EXPENSE)	469,629	709,084	(1,501,289)
NET INCOME	$ 868,829	$ 509,641	$ 2,251,933

</TABLE>

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

TOM ALLEN CONSTRUCTION COMPANY

STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT)

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	RETAINED EARNINGS (DEFICIT)	TOTAL
<S>	<C>	<C>	<C>	<C>
Balance -- April 30, 1997	100	$1,000	$(1,573,268)	$(1,572,268)

Net Income	--	--	868,829	868,829
Balance -- April 30, 1998	100	1,000	(704,439)	(703,439)
Net Income (unaudited)	--	--	2,251,933	2,251,933
Balance -- January 31, 1999 (unaudited)	100	$1,000	$ 1,547,494	$ 1,548,494

</TABLE>

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

TOM ALLEN CONSTRUCTION COMPANY

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30, 1998	NINE MONTHS ENDED JANUARY 31, 1998	NINE MONTHS ENDED JANUARY 31, 1999
		(UNAUDITED)	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 868,829	$ 509,641	$ 2,251,933
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	516,059	383,338	423,409
Change in deferred taxes	(469,629)	(709,084)	679,822
Gain on sale of property and equipment	(1,337)	(1,337)	(250)
(Increase) decrease in:			
Contracts receivable	(639,006)	454,936	(1,344,988)
Other receivables	140,749	118,850	(67,440)
Inventory	(75,354)	(56,516)	(114,545)
Costs and estimated earnings in excess of billings	371,509	(744,965)	(928,811)
Prepaid expenses and other assets	850	--	(235,808)
Increase (decrease) in:			
Accounts payable and accrued expenses	(558,593)	(290,621)	855,565
Income taxes payable	--	--	821,467
Billings in excess of costs and estimated earnings	5,754	430,888	53,365
Net Cash Provided by Operating Activities	159,831	95,130	2,393,719
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(529,804)	(482,978)	(1,037,215)
Proceeds from sale of property and equipment	6,900	6,900	250
Net Cash Used in Investing Activities	(522,904)	(476,078)	(1,036,965)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net borrowings (payments) on operating notes payable	100,000	100,000	(400,000)
Borrowings (payments) on notes payable -- stockholder	101,499	75,265	(80,000)
Proceeds from long-term debt	661,555	571,555	105,190
Payments on long-term debt	(460,721)	(359,510)	(727,604)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	402,333	387,310	(1,102,414)
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,260	6,362	254,340
CASH AND CASH EQUIVALENTS -- Beginning of Period	5,535	5,535	44,795
CASH AND CASH EQUIVALENTS -- End of Period	$ 44,795	$ 11,897	$ 299,135
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for --			
Interest	$ 251,074	$ 234,593	$ 204,253
Income taxes, net of refunds	--	--	--

</TABLE>

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

TOM ALLEN CONSTRUCTION COMPANY

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS:

Tom Allen Construction Company (the Company) is engaged in the construction of industrial and commercial fiber-optic telecommunication lines. In addition, the Company specializes in trenchless methods of directional boring such as subaqueous and wetland crossings. The majority of the Company's work is performed throughout the United States. Contract revenues to one customer approximated 38% of the Company's total contract revenues for the year ended April 30, 1998. In addition, contracts receivable from this customer approximated 60% of total contracts receivable at April 30, 1998.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The financial statements of the Company have been prepared on the accrual basis of accounting. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The significant estimate that is particularly susceptible to change in a short time period relates to the determination of the estimated cost to complete the contracts in progress at year end.

Interim Consolidated Financial Information

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

Revenue and Cost Recognition

Revenues earned on construction contracts are recognized on the percentage of completion method of accounting, measured by the percentage of costs incurred to date to estimated total costs for each contract. Contract costs include all direct material, labor, equipment rental, subcontracts and those other costs related to job performance. General and administrative costs are expensed as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, estimated profitability and contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The asset, costs and estimated earnings in excess of billings, represents revenues recognized in excess of amounts billed. The liability, billings in excess of costs and estimated earnings, represents billings in excess of revenues recognized.

Cash and Cash Equivalents

For statement of cash flow purposes, the Company considers all short-term investments with a maturity of three months or less to be cash equivalents.

Cash Overdrafts

As a result of the Company's cash management system, on occasion cash overdrafts exist and are included in accounts payable and accrued expenses on the accompanying balance sheet. Cash overdrafts totaled $65,348 at April 30, 1998.

Inventory

Inventory is stated at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) basis. At April 30, 1998, inventory primarily consisted of pipe and other spare parts used in connection with directional boring.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to thirty years.

Income Taxes

Income taxes are recorded in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Accordingly, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, measured at enacted tax rates expected to apply to taxable income in the years the tax consequences are projected to be recovered or settled.

3. CONTRACTS RECEIVABLE:

Contracts receivable are aged as follows at April 30, 1998:

0-30 days past billing date	$1,589,708
30-60 days past billing date	87,095
60-90 days past billing date	--
Retainage receivables	185,435
Allowance for doubtful accounts	(25,000)
Contracts receivable, net	$1,837,238

4. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS:

A summary of the costs incurred on uncompleted contracts is as follows at April 30, 1998:

Cumulative costs incurred on uncompleted contracts	$ 308,584
Estimated earnings	794,749
	1,103,333
Less -- Billings to date on uncompleted contracts	(1,078,236)
	$ 25,097

The above amounts are included in the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings	$ 36,006
Billings in excess of costs and estimated earnings	(10,909)
	$ 25,097

5. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at April 30, 1998:

Building improvements	$ 84,772
Machinery and equipment	3,241,457
Automotive equipment	520,244
Office equipment	113,032
Property and Equipment, at cost	3,959,505
Less -- Accumulated Depreciation	(2,749,255)
Property and Equipment, net	$ 1,210,250

6. RELATED PARTY TRANSACTIONS:

The Company rents its office and warehouse facilities from the Company's stockholder. The lease expires in April 1999 and is renewable annually by the Company. Annual rent expense was $43,200 for the year ended April 30, 1998. Future committed lease payments are $43,200 for the year ending April 30, 1999.

In addition, the Company had a note payable to the stockholder totaling $703,489 at April 30, 1998. The note bears interest at 9.00% and matures in May 1999. No rent or interest was paid to the Company's stockholder during the year ended April 30, 1998 and the amounts were included as part of the notes payable to the stockholder at April 30, 1998.

The Company has a working relationship with an affiliated company. The affiliated company involved is owned 100% by a family member of the stockholder. The Company provided $28,500 of subcontract services to the affiliated company during the year ended April 30, 1998. At April 30, 1998, the Company has a receivable of $99,004 related to the subcontract services and other operating advances, which is included in other receivables on the accompanying balance sheet.

7. OPERATING NOTES PAYABLE:

The Company has an agreement with a bank to provide up to $400,000 of short-term operating notes payable. The borrowings are secured by contracts receivable and work in process balances associated with specific contracts. The operating notes payable bear interest at 9.75% and have maturity dates that range from two to three months. Total outstanding operating notes payable was $400,00 at April 30, 1998.

8. LONG-TERM DEBT:

Long-term debt consists of the following at April 30, 1998:

<TABLE>

<S>	<C>
Debt payable to bank, due May 1999, interest at 9.50%, principal and interest due monthly, secured by certain machinery and equipment and a personal guarantee from the stockholder	$ 878,997
Debt payable to bank, due June 1999, interest at 10.00%, principal and interest due monthly, secured by certain machinery and equipment and a personal guarantee from the stockholder	477,223
Debt payable to bank, due May 1999, interest at 9.50%, principal and interest due monthly, secured by certain machinery and equipment and a personal guarantee from the stockholder	395,457
Debt payable to a Company, due October 2000, interest at 8.00%, principal and interest due monthly, unsecured	89,000
Debt payable to a finance company, due March 2001, interest at 10.00%, principal and interest due monthly, secured by certain automotive equipment	23,741
Debt payable to a finance company, due August 1999, interest at 16.95%, principal and interest due monthly, secured by certain automotive equipment	23,496
Other debt with maturity dates and interest rates ranging from September 1998 to June 2001 and 7.90% and 9.30%, respectively	26,731
Total Debt	1,914,645
Less -- Current maturities of long-term debt	(370,900)
Long-Term Debt, net	$1,543,745

</TABLE>

Future maturities of long-term debt are $370,900, $1,515,353 and $28,392 for the years ending April 30, 1999, 2000 and 2001, respectively. Cash interest paid was $251,074 for the year ended April 30, 1998.

9. INCOME TAXES:

The income tax benefit consists of the following for the year ended April 30, 1998:

<TABLE>
<CAPTION>

<S>	<C>
Current Income Tax Provision	$ --
Deferred Income Tax Provision	(159,278)
Change in Valuation Allowance	628,907
Income Tax Benefit	$ 469,629

=========

</TABLE>

TOM ALLEN CONSTRUCTION COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Deferred income taxes consist of the following at April 30, 1998:

Current Deferred Tax Asset	$ 756,615
Current Deferred Tax Liability	(445,696)
Current Deferred Tax Asset, net	$ 310,919
Long-Term Deferred Tax Asset	$ 158,710
Long-Term Deferred Tax Liability	--
Long-Term Deferred Tax Asset, net	$ 158,710

The income tax benefit differs from the amount computed by applying the Federal statutory rate to net income before income taxes primarily due to the change in the valuation allowance and State income taxes. Deferred income taxes are primarily related to differences between the financial statement carrying amounts of current assets and liabilities and their respective tax basis, net operating loss carryforwards, book verses tax differences in depreciation and book verses tax differences in accounting for unpaid stockholder rent and interest.

There was no valuation allowance recorded as of April 30, 1998. The change in the beginning of the year balance of the valuation allowance was due to the favorable current year operating results and based on future estimated taxable income. Cumulative net operating loss carryforwards for tax reporting purposes were approximately $1,425,000 at April 30, 1998. The net operating loss carryforwards expire at various dates ranging from April 2004 to April 2012. There were no income taxes paid for the year ended April 30, 1998.

10. LEASES:

The Company leases certain automotive equipment under operating lease agreements which expire at various dates ranging from December 1999 to January 2002. Total lease expense for these operating leases was $67,504 for the year ended April 30, 1998. Future committed lease payments are $67,504, $60,032, $35,864 and $8,252 for the years ending April 30, 1999, 2000, 2001 and 2002, respectively.

11. PROFIT SHARING PLAN:

The Company has a 401(k) defined contribution plan covering substantially all employees not covered under union-sponsored pension plans. Subject to certain eligibility requirements, participants may elect to defer a portion of their compensation subject to certain IRS limitations. The Company contributes 3% of the participants compensation into the 401(k) plan on an annual basis. In addition, the Company has the option to contribute an additional discretionary amount to the 401(k) plan. The 401(k) plan expense was $16,297 for the year ended April 30, 1998, none of which was additional discretionary contributions. The Company also makes plan contributions for union employees under negotiated agreements with the various local unions, as required.

12. SUBSEQUENT EVENT TO DATE OF ACCOUNTANTS' REPORT (UNAUDITED):

On April 15, 1999, the Company was acquired by Quanta Services, Inc.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Seaward Corporation
Kittery, Maine 03904

We have audited the accompanying consolidated balance sheet of Seaward Corporation and subsidiaries as of December 31, 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seaward Corporation and subsidiaries as of December 31, 1998, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ NATHAN WECHSLER & COMPANY

Concord, New Hampshire
January 27, 1999

SEAWARD CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	MARCH 31, 1999	PRO FORMA MARCH 31, 1999 (UNAUDITED)
<S>	<C>	<C>	<C>
CURRENT ASSETS			
Cash	$10,295,372	$10,299,505	$10,299,505
Accounts receivable, including retainage 1998 $3,968; 1999 $130,447	2,428,738	2,051,761	2,051,761
Accounts receivable, stockholders	407,084	468,871	468,871
Notes receivable, stockholders	434,000	434,000	434,000
Costs and estimated earnings in excess of billings on contracts	244,001	241,883	241,883
Inventories	249,344	305,735	305,735
Prepaid expenses	65,539	24,834	24,834
Available for sale securities	1,458,532	1,494,558	1,494,558
Income taxes receivable	--	5,782	5,782
Deferred income taxes	3,086	3,086	3,086
Total current assets	15,585,696	15,330,015	15,330,015
PROPERTY, PLANT AND EQUIPMENT, net	1,192,407	1,541,029	534,529
OTHER ASSETS			
Other assets	429,456	429,456	429,456
	429,456	429,456	429,456
Total Assets	$17,207,559	$17,300,500	$16,294,000

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31, 1998	MARCH 31, 1999	PRO FORMA MARCH 31, 1999 (UNAUDITED)
CURRENT LIABILITIES			
Accounts payable, including retainage 1998 $6,947; 1999 $7,311	$ 414,765	$ 206,448	$ 206,448
Billings in excess of costs and estimated earnings on contracts	159,488	113,660	113,660
Accrued expenses	870,909	423,100	5,483,100
Income taxes payable	45,022	--	--
Total current liabilities	1,490,184	743,208	5,803,208
ACCRUED EXPENSES	15,586	15,586	15,586
DEFERRED INCOME TAXES	18,013	18,013	18,013
COMMITMENTS AND CONTINGENCIES (See Notes)			
STOCKHOLDERS' EQUITY			
Common stock, no par value; authorized 100,000 shares; issued 88,988 shares	295,975	295,975	295,975
Retained earnings	19,502,904	20,306,795	14,240,295
Accumulated other comprehensive income:			
Unrealized holding gains on securities	40,211	76,237	76,237
Treasury stock, 61,356 shares, at cost	(4,155,314)	(4,155,314)	(4,155,314)

Total stockholders' equity...............	15,683,776	16,523,693	10,457,193
Total liabilities and stockholders' equity................................	$17,207,559	$17,300,500	$16,294,000

</TABLE>

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

SEAWARD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1998	THREE MONTHS ENDED MARCH 31, 1998	1999
		(UNAUDITED)	
<S>	<C>	<C>	<C>
CONTRACT REVENUES EARNED...............................	$12,354,696	$2,026,561	$2,914,035
COST OF CONTRACT REVENUES EARNED (including depreciation).......................................	6,419,130	1,275,635	2,199,736
	5,935,566	750,926	714,299
REVENUES FROM HYDROELECTRIC FACILITY...................	517,140	372,150	--
COST OF REVENUES EARNED................................	266,481	172,557	--
	250,659	199,593	--
Gross profit................................	6,186,225	950,519	714,299
GENERAL AND ADMINISTRATIVE EXPENSES....................	1,872,880	286,349	410,126
Operating income............................	4,313,345	664,170	304,173
NONOPERATING INCOME (EXPENSE):			
Other income...	268,750	26,880	490,942
Interest and dividend income.........................	335,011	77,918	82,938
Interest expense.....................................	--	--	--
Gain (loss) on disposal of property, plant and equipment......................................	(184,753)	105,984	1,001
Realized loss on sale of securities..................	(32,325)	--	--
	386,683	210,782	574,881
Income before income taxes..................	4,700,028	874,952	879,054
FEDERAL AND STATE INCOME TAXES:			
Current taxes..	365,288	105,679	75,163
Deferred tax benefits................................	(235,246)	--	--
	130,042	105,679	75,163
NET INCOME..................................	$ 4,569,986	$ 769,273	$ 803,891

</TABLE>

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

SEAWARD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	COMMON STOCK	TREASURY STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1997.......	$295,975	$(4,155,314)	$15,082,960	$ --	$11,223,621
Comprehensive Income					
Net Income.....................	--	--	4,569,986	--	4,569,986
Other comprehensive income, net of tax:					
Unrealized gains on securities arising during the period...............	--	--	--	40,211	40,211

Comprehensive income...					4,610,197
Cash dividends, $5.43 per share.........................	--	--	(150,042)	--	(150,042)
Balance, December 31, 1998.......	295,975	(4,155,314)	19,502,904	40,211	15,683,776
Net Income (unaudited).........	--	--	803,891	--	803,891
Other comprehensive income, net of tax:					
Unrealized gains on securities arising during the period (unaudited)....	--	--	--	36,026	36,026
Comprehensive income (unaudited)..........					839,917
Balance, March 31, 1999 (unaudited)....................	$295,975	$(4,155,314)	$20,306,795	$76,237	$16,523,693

</TABLE>

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

SEAWARD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,	THREE MONTHS ENDED MARCH 31,	
	1998	1998	1999
		(UNAUDITED)	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income..	$ 4,569,986	$ 769,273	$ 803,891
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization..........................	512,087	179,502	100,990
Deferred income tax benefit............................	(235,246)	--	--
Realized loss on securities............................	32,325	--	--
(Gain) loss on disposal of property, plant and equipment..	184,753	(105,984)	(1,001)
(Increase) decrease in accounts receivable and accounts receivable, stockholders............................	572,960	2,544,526	315,190
(Increase) decrease in costs and estimated earnings in excess of billings on contracts......................	(228,602)	(46,779)	2,118
Increase in inventories................................	(60,668)	(20,798)	(56,391)
(Increase) decrease in prepaid expenses................	33,494	(26,205)	40,705
(Increase) decrease in income taxes receivable.........	--	--	(5,782)
Increase (decrease) in accounts payable................	218,045	(88,512)	(208,317)
Decrease in billings in excess of costs and estimated earnings on contracts...............................	(162,058)	(217,410)	(45,828)
Increase (decrease) in accrued expenses................	(114,338)	(648,808)	(447,809)
Increase (decrease) in income taxes payable............	(303,996)	(302,699)	(45,022)
Net cash provided by operating activities..........	5,018,742	2,036,106	452,744
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment.............	(751,049)	(455,758)	(449,612)
Proceeds from disposal of property, plant and equipment...	413,750	122,250	1,001
Purchase of securities...................................	(1,467,439)	--	--
Proceeds from sale of securities.........................	18,037	--	--
Loans made to stockholders...............................	(350,000)	(50,000)	--
Collections on notes receivable, stockholders............	24,000	--	--
Increase in other assets.................................	(39,644)	(6,250)	--
Net cash provided by (used in) investing activities......................................	(2,152,345)	(389,758)	(448,611)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on bank notes payable...........................	--	--	--
Purchase of common stock for the treasury................	--	--	--
Cash dividend payments...................................	(150,042)	--	--
Net cash used in financing activities.............	(150,042)	--	--
Net increase in cash..............................	2,716,355	1,646,348	4,133
Cash, beginning of year..................................	7,579,017	7,579,017	10,295,372
Cash, end of year.................................	$10,295,372	$9,225,365	$10,299,505

	1999	1998	1997
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ --	$ --	$ --
Income taxes	668,040	180,182	125,967

</TABLE>

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

SEAWARD CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS:

The Company is primarily in the business of providing utility and other construction services to customers throughout the United States, on credit terms that the Company establishes for individual customers. The Company, through one of its wholly-owned subsidiaries, also owned and operated a hydroelectric facility until 1998.

2. SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation: The consolidated financial statements of the Company include the financial statements of Seaward Corporation and its wholly-owned subsidiaries, Interstate Equipment Corp. ("Interstate") and Clement Dam Development, Inc. ("Clement"). All significant intercompany transactions and balances have been eliminated.

Estimates and assumptions: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

Comprehensive income: Other comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's other comprehensive income is comprised of unrealized holding gains for available-for-sale securities.

Revenue and cost recognition: Revenues from long-term construction contracts are recognized under the percentage-of-completion method of accounting. In accordance with this method, income is accrued based on that percentage of estimated total income that incurred costs to date bear to total estimated costs. Estimated contract losses are provided for in their entirety without reference to the particular percentage of completion. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amounts can be reliably estimated.

Changes is job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative costs are charged to expense as incurred.

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

Operating cycle: The current operating cycle with respect to long-term construction contracts is considered to be the term of the contracts, and, accordingly, all assets and liabilities directly related to such contracts are classified as current in the accompanying balance sheets. The operating cycle for all other assets and liabilities classified as current is considered to be one year.

Inventories: Inventories are stated at the lower of cost or market using the first-in, first-out method.

Marketable securities: All securities are classified as available-for-sale. These securities may be sold in response to changes in interest rates, liquidity needs and for other purposes. Securities are recorded at market value. Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported, net of any income tax effect, as a separate component of stockholders' equity. Realized gains and losses for securities classified as available-for-sale are reported in earnings based on the adjusted cost of the specific security sold.

Property, plant and equipment: Property, plant and equipment, as well as capitalized betterments, are stated at cost. Capitalized betterments are expenditures which enhance the expected future benefits of an existing depreciable asset by either expanding its utility or extending its useful life. Expenditures for maintenance and minor repairs and replacements are charged to operations as incurred. The costs and related accumulated depreciation and amortization applicable to assets retired, sold or otherwise disposed of are eliminated from the respective accounts, and any gain or loss on disposal is reflected in income.

Depreciation: Depreciation is computed on a straight-line basis over the following useful lives:

	YEARS
Buildings	18-20
Construction equipment	5-10
Office equipment	5-7
Hydroelectric facility	15

Leasehold improvements are amortized over the lesser of the life of the lease or the estimated useful life of the improvement.

Income taxes: Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes related primarily to the differences between depreciation expense and state net operating loss carryforwards recognized for financial reporting and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled.

Deferred tax assets arising from future deductible items are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Cash and cash equivalents: For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 1998, the Company had no cash equivalents.

3. INTERIM CONSOLIDATED FINANCIAL INFORMATION:

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

4. UNINSURED CASH AND CASH EQUIVALENT BALANCES:

The Company maintains cash balances at several banks. Cash accounts at banks are insured by the FDIC for up to $100,000. Amounts in excess of insured limits were $373,000 at December 31, 1998.

The Company maintains cash balances with investment companies which are not insured. Uninsured amounts were approximately $10,200,000 at December 31, 1998.

5. ACCOUNTS RECEIVABLE:

Accounts receivable includes retainage due from customers pursuant to provisions of the construction contracts. These amounts will be collected upon completion of the contracts and acceptance by the owner, which is expected to be in 1999.

6. ACCOUNTS RECEIVABLE, STOCKHOLDERS:

As of December 31, 1998, the Company was owed $407,084 from its stockholders for short term advances. These amounts are non-interest bearing and relate primarily to estimated income tax payments made on behalf of the stockholders.

The stockholders have made arrangements to repay the advances during 1999. Accordingly, the accounts receivable have been classified as current assets in the financial statements as of December 31, 1998.

7. NOTES RECEIVABLE, STOCKHOLDERS:

Details of the Company's current and long-term notes receivable, stockholders are as follows:

	DECEMBER 31, 1998
Note receivable, stockholder, at 6%, unsecured, due on demand	$ 42,000
Notes receivable, stockholder, at 6%, unsecured, no stated maturity	92,000
Notes receivable, stockholders, at 5.74%, unsecured, due September 2008	300,000
	434,000
Portion payable within one year	(434,000)
Long-term assets	$ --

The note holders have made arrangements to repay the notes during 1999. Accordingly, the notes receivable have been classified as current assets in the financial statements as of December 31, 1998.

Interest income on the Company's income statement included $11,701 of interest earned on stockholder loans for the year ended December 31, 1998.

8. COSTS AND ESTIMATED EARNINGS ON CONTRACTS:

	DECEMBER 31, 1998
Costs incurred on uncompleted contracts	$ 4,570,039
Estimated earnings on uncompleted contracts	6,114,943
	10,684,982
Less billed to date on uncompleted contracts	(10,600,469)
Total	$ 84,513
Included in accompanying balance sheets under the following captions:	
Costs and estimated earnings in excess of billings on contracts	$ 244,001
Billings in excess of costs and estimated earnings on contracts	(159,488)
Total	$ 84,513

9. MARKETABLE SECURITIES:

The following table reflects the costs and fair-market values of securities available-for-sale held at December 31, 1998.

<TABLE>
<CAPTION>

	DECEMBER 31, 1998				
	COST	FAIR-MARKET VALUE	UNREALIZED GAIN (LOSS)	INCOME TAX EFFECT	UNREALIZED GAIN (LOSS) (NET OF TAX)
<S>	<C>	<C>	<C>	<C>	<C>
Investment securities...............	$1,367,527	$1,409,063	$41,536	$1,246	$40,290
U.S. treasury note..................	49,550	49,469	(81)	(2)	(79)
	$1,417,077	$1,458,532	$41,455	$1,244	$40,211

</TABLE>

Proceeds from sales of securities available-for-sale during 1998 amounted to $18,037. Gross losses of $32,325 were realized on those sales in 1998.

10. PROPERTY, PLANT AND EQUIPMENT:

<TABLE>
<CAPTION>

PROPERTY, PLANT AND EQUIPMENT, AT COST	DECEMBER 31, 1998
<S>	<C>
Land..	$ 138,334
Buildings...	487,224
Construction equipment..............................	7,810,398
Office equipment....................................	177,708
Leasehold improvements..............................	206,339
Hydroelectric facility..............................	--
Total property, plant and equipment..........	8,820,003
Less accumulated depreciation and amortization.........	(7,627,596)
Total property, plant and equipment, net.....	$ 1,192,407

</TABLE>

11. NOTES PAYABLE AND PLEDGED ASSETS:

The Company has arrangements for the following bank lines of credit, both of which are subject to review in June 1999:

<TABLE>
<CAPTION>

PURPOSE	COLLATERAL	INTEREST RATE	TOTAL AMOUNT	AMOUNT UNUSED AT DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Seaward Corporation:				
General..................................	Unsecured	Prime	$1,000,000	$1,000,000
Interstate Equipment Corp.:				
Equipment................................	Guaranteed by Seaward Corporation	Prime	$2,000,000	$2,000,000

</TABLE>

12. INCOME TAX MATTERS:

Effective January 1, 1998, Seaward Corporation, with the consent of its stockholders, elected to be taxed as an S Corporation under Section 1362 of the Internal Revenue Code, which provides that, in lieu of federal corporate income taxes, the stockholders are taxed on their proportionate share of the Company's items of income, deduction, losses and credits. State income taxes for an S Corporation are imposed at the corporate versus stockholder level on a state-by-state basis depending on whether the state recognizes federal status. Income tax expense for Seaward Corporation for the year ended December 31, 1998 only includes corporate level state income taxes.

The company's wholly-owned subsidiaries, Interstate Equipment Corp. and Clement Dam Development, Inc. have not elected to be taxed as S Corporations under Section 1362 of the Internal Revenue Code. Federal and state income taxes for these entities continue to be imposed at the corporate level.

Deferred tax assets, arising from temporary differences relating primarily to state net operating loss carryforwards, amounting to $3,086 have been included in the Company's balance sheet as of December 31, 1998, and have not been reduced by a valuation reserve.

Deferred tax liabilities, arising from temporary differences relating primarily to depreciation, amounting to $18,013, have been included in the Company's balance sheet as of December 31, 1998.

For tax purposes, Interstate Equipment Corp. has state net operating loss carryforwards of approximately $37,000 available to offset future state taxable income through 2000.

The provision for income taxes consists of the following:

	DECEMBER 31, 1998
Current provision:	
Federal	$ 177,026
State	188,262
	365,288
Deferred provision (benefit):	
Federal	(214,488)
State	(20,758)
	(235,246)
Total	$ 130,042

13. LEASE COMMITMENTS, RELATED PARTY TRANSACTIONS AND TOTAL RENTAL EXPENSE:

The Company leases its office facility from a related party under an annual operating lease agreement which provides for minimum rent of $4,000 per month and real estate tax cost escalation adjustments. Rent expense amounted to $56,455 for the year ended December 31, 1998.

As of December 31, 1998, future minimum rental payments under the office facility operating lease with a related party are $20,000 for five months in 1999.

The Company leased the site on which the hydroelectric facility owned by Clement Dam Development, Inc. was located until the landlord purchased the facility in May 1998. Rent expense amounted to $100,747 for the year ended December 31, 1998.

14. CONTINGENCIES:

In August 1992, the Company was notified by the Maine Department of Environmental Protection that it is a Potential Responsible Party relating to an uncontrolled hazardous substance site in Wells, Maine. In October 1995, the Company, along with several other parties, received a "Notice of Potential Liability and Request for Participation in Clean-Up Activities" relating to this site. Responsible Parties are jointly and severally liable for all clean-up costs by the state.

Based on preliminary studies performed during 1997, the Company's own share of potential liability was estimated to be between $20,000 and $60,000. No accrual for this liability was included in the financial statements for the year ended December 31, 1997 since the amount was not material. In December 1998, a settlement was proposed, which would relieve the Company of its financial obligation for a payment of $40,304. This liability has been included in the Company's financial statements for the year ended December 31, 1998. Final settlement is contingent on adequate participation in the settlement by other Potential Responsible Parties.

15. HYDROELECTRIC FACILITY:

Clement Dam Development, Inc., a wholly-owned subsidiary, owned and operated by a hydroelectric facility. In May 1998, the hydroelectric facility was sold for $200,000.

16. RETIREMENT PLAN:

The Company has a 401(k) plan for all eligible employees. The plan covers substantially all employees who have attained age 21 and have at least 40 weeks of continuous service. The employees make discretionary contributions to the plan from their individual earnings, and the Company's Board of Directors has the option to make matching contributions for the first 6% of participating employees' wages. In addition, the Company's Board of Directors may make discretionary contributions to the plan. Discretionary contributions were made for the year ended December 31, 1998, amounting to $69,000.

17. OTHER COMPREHENSIVE INCOME:

	1998 BEFORE TAX AMOUNT	1998 TAX EXPENSE	1998 NET OF TAX AMOUNT
Unrealized gains on securities:			
Unrealized holding gain arising during the period.........	$41,455	$1,244	$40,211
	=======	======	=======

18. SUBSEQUENT EVENT (UNAUDITED):

On May 14, 1999, the Company was acquired by Quanta Services, Inc.

In May 1999, the Company made cash distributions to stockholders of approximately $5,060,000 funded through its operations and property distributions of $1,006,500. Had these transactions been recorded at March 31, 1999, the effect on the accompanying balance sheet would be an increase in accrued liabilities of $5,060,000, a decrease in property and equipment of $1,006,500 and a decrease in stockholders' equity of $6,066,500.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Driftwood Electrical Contractors, Inc.:

We have audited the accompanying combined balance sheet of Driftwood Electrical Contractors, Inc., a Kentucky corporation, as of December 31, 1998, and the related combined statements of operations, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Driftwood Electrical Contractors, Inc., as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
May 7, 1999

DRIFTWOOD ELECTRICAL CONTRACTORS, INC.

COMBINED BALANCE SHEETS

ASSETS

	DECEMBER 31, 1998	MARCH 31, 1999 (UNAUDITED)

<S> <C> <C>

CURRENT ASSETS:		
Cash	$2,731,445	$2,919,740
Accounts receivable --		
Trade	445,975	979,247
Retainage, net of reserve of $8,000	76,242	68,979
Other receivables	10,049	--
Costs and estimated earnings in excess of billings on uncompleted contracts	47,253	--
Other current assets	6,850	6,850
Total current assets	3,317,814	3,974,816
PROPERTY AND EQUIPMENT, net	485,414	568,760
OTHER ASSETS, net	25,500	24,000
Total assets	$3,828,728	$4,567,576

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 231,276	$ 369,594
Total current liabilities	231,276	369,594
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S EQUITY:		
Common stock, no par value, 2,000 shares authorized, 200 shares issued and outstanding	--	--
Additional paid-in capital	12,250	12,250
Retained earnings	3,585,202	4,185,732
Total stockholder's equity	3,597,452	4,197,982
Total liabilities and stockholder's equity	$3,828,728	$4,567,576

</TABLE>

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

DRIFTWOOD ELECTRICAL CONTRACTORS, INC.

COMBINED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE THREE MONTHS ENDED MARCH 31, 1998	FOR THE THREE MONTHS ENDED MARCH 31, 1999
		(UNAUDITED)	
<S>	<C>	<C>	<C>
REVENUES	$11,819,525	$1,935,151	$2,890,399
COSTS OF SERVICES (Including depreciation)	8,210,164	1,631,733	1,718,704
Gross profit	3,609,361	303,418	1,171,695
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	985,956	191,166	331,040
Income from operations	2,623,405	112,252	840,655
OTHER INCOME, net	116,767	45,534	13,640
INCOME BEFORE INCOME TAXES	2,740,172	157,786	854,295
PROVISION FOR INCOME TAXES	27,369	--	--
NET INCOME	$ 2,712,803	$ 157,786	$ 854,295

</TABLE>

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

DRIFTWOOD ELECTRICAL CONTRACTORS, INC.

COMBINED STATEMENTS OF STOCKHOLDER'S EQUITY

<TABLE>
<CAPTION>

COMMON STOCK ADDITIONAL PAID-IN RETAINED

	SHARES	AMOUNT	CAPITAL	EARNINGS	TOTAL
BALANCE, December 31, 1997	200	$--	$12,250	$ 2,609,613	$ 2,621,863
Distributions	--	--	--	(1,737,214)	(1,737,214)
Net income	--	--	--	2,712,803	2,712,803
BALANCE, December 31, 1998	200	--	12,250	3,585,202	3,597,452
Distributions (unaudited)	--	--	--	(253,765)	(253,765)
Net income (unaudited)	--	--	--	854,295	854,295
BALANCE, March 31, 1999 (unaudited)	200	$--	$12,250	$ 4,185,732	$ 4,197,982

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

DRIFTWOOD ELECTRICAL CONTRACTORS, INC.

COMBINED STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE THREE MONTHS ENDED MARCH 31, 1998 (UNAUDITED)	FOR THE THREE MONTHS ENDED MARCH 31, 1999 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 2,712,803	$ 157,786	$ 854,295
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization expense	122,214	35,791	30,927
Gain on sale of equipment	(9,436)	(1,250)	--
Other	(53,869)	--	37,767
Changes in operating assets and liabilities, net of noncash transactions --			
Accounts receivable	235,747	216,629	(515,960)
Other assets, net	4,740	(6,010)	1,500
Costs and estimated earnings in excess of billings on uncompleted contracts	59,270	14,818	47,253
Accounts payable and accrued liabilities	(18,667)	19,864	138,318
Net cash provided by operating activities	3,052,802	437,628	594,100
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment	14,992	1,250	--
Purchases of property and equipment	(269,408)	(140,263)	(152,040)
Net cash used in investing activities	(254,416)	(139,013)	(152,040)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Distributions to stockholder	(1,737,214)	(70,875)	(253,765)
Net cash used in financing activities	(1,737,214)	(70,875)	(253,765)
NET INCREASE IN CASH	1,061,172	227,740	188,295
CASH, beginning of period	1,670,273	1,670,273	2,731,445
CASH, ending of period	$ 2,731,445	$1,898,013	$2,919,740

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

DRIFTWOOD ELECTRICAL CONTRACTORS, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Driftwood Electrical Contractors, Inc. (Driftwood), a Kentucky corporation, is primarily engaged in the installation and maintenance of outside plant, aerial and underground telecommunications equipment in the continental United States. Driftwood performs a majority of its contract work under fixed-price and unit-price contracts.

The 27 Digging Company (27 Digging), a Kentucky corporation, is composed primarily of assets leased to Driftwood for use in its business and associated liabilities. Both Driftwood and 27 Digging are under common control and ownership.

Hereinafter, Driftwood and 27 Digging will be referred to as "the Company."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Combination

The accompanying financial statements include the combined accounts and results of operations of Driftwood, 27 Digging and certain assets which are personally owned by the sole stockholder of Driftwood and 27 Digging and used in the operations of the Company. All significant intercompany accounts and transactions have been eliminated.

Interim Consolidated Financial Information

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

Accounts Receivable and Allowance for Doubtful Accounts

The Company provides an allowance for doubtful trade receivable accounts based upon the specific identification of trade accounts receivable where collection is no longer deemed probable. The Company's clients include large utility companies from which the Company has generally had a favorable collection history. At December 31, 1998, all of the Company's trade accounts receivable were deemed to be collectable. As a result, no allowance for uncollectable trade accounts receivable has been provided.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense was $122,214 for the year ended December 31, 1998.

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

Revenue Recognition

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

The balances billed but not paid by customers pursuant to retainage provisions in customer contracts will be due upon completion of the contracts and acceptance by the customer. The Company believes that the retention balance shown on the accompanying combined balance sheet will be collected within the next fiscal year.

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

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable. The Company believes that the carrying value of these instruments on the accompanying combined balance sheet approximates their fair value.

Income Taxes

Driftwood has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, the Company's sole stockholder reports the Company's taxable earnings or losses in his personal tax return.

Income taxes are accounted for by 27 Digging, which is subject to taxation for federal purposes, in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount to be realized. The provision for income taxes is the tax expense for the current year and the change during the year in the deferred tax assets and liabilities.

Use of Estimates

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

3. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Property and equipment at December 31, 1998, consists of the following:

<TABLE>
<CAPTION>

	ESTIMATED USEFUL LIVES IN YEARS	
Machinery and equipment	3-8	$ 295,558
Transportation equipment	3-5	2,576,916
Office furniture and equipment	5-10	153,273
		3,025,747
Less -- Accumulated depreciation and amortization		(2,540,333)
Property and equipment, net		$ 485,414

</TABLE>

Accounts payable and accrued liabilities December 31, 1998, consist of the following:

<TABLE>

Accounts payable, trade	$ 49,013
Accrued compensation and benefits	175,460
Other accrued liabilities	6,803
	$231,276

</TABLE>

Contracts in progress at December 31, 1998, are as follows:

<TABLE>

Costs incurred on contracts in progress	$ 1,320,411
Estimated earnings, net of losses	395,104
	1,715,515
Less -- Billings to date	(1,668,262)
	$ 47,253
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 47,253

</TABLE>

4. INCOME TAXES:

At December 31, 1998, the difference between the tax bases and financial reporting amounts of 27 Digging assets and liabilities was not material. As a result, 27 Digging has recognized no deferred tax assets or liabilities and no deferred tax provision.

The current income tax provision of 27 Digging a subchapter C corporation for the year ended December 31, 1998, differs from an amount computed at the statutory rate as follows:

<TABLE>

<S>	<C>
Federal income tax at statutory rates	$24,939
State and local taxes and other	2,430
Tax provision, as reported	$27,369

</TABLE>

5. EMPLOYEE BENEFIT PLAN:

The Company established a 401(k) tax-deferred savings plan which covers substantially all qualifying employees. Through the plan, employees may contribute up to the maximum dollar amount as determined by the Internal Revenue Service of their earnings through payroll deductions. The Company contributes, on behalf of the employees, 20 percent of each employee's contributions up to 10 percent of the employee's

salary. An employee is eligible to participate in the plan after one year of credited service and is 100 percent vested in the employer matching contributions after five years. For the year ended December 31, 1998, the Company contributed $4,479.

6. MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK:

During 1998, the Company had greater than 10 percent of total sales to one customer, which accounted for 71 percent of the Company's revenues. Approximately 43 percent of trade and retainage receivables at December 31, 1998, is due from this customer. This customer has historically accounted for a significant portion of the Company's business. Management anticipates the Company's relationship with this customer to continue.

The Company grants credit, generally without collateral, to its customers, which include telecommunication utilities located throughout the continental United States. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors in the United States telecommunications industry. However, management believes that its contract acceptance, billing and collection policies are adequate to minimize the potential credit risk.

7. RELATED-PARTY TRANSACTIONS:

The Company leases buildings, land and other equipment from the Company's sole stockholder. Related-party rent expense for the year ended December 31, 1998, was $72,000.

In exchange for services received, the Company pays certain compensation and benefits to its stockholder and certain of his family members. During 1998, the Company paid $194,353 to its stockholder and his family members for compensation and benefits.

8. COMMITMENTS AND CONTINGENCIES:

Litigation

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

Insurance

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

Performance Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its contract commitments.

9. SUBSEQUENT EVENT TO AUDITOR'S REPORT (UNAUDITED):

On May 14, 1999, the Company was acquired by Quanta Services, Inc. The Company intends to lease certain property from the Company's shareholder subsequent to the sale.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To H. L. Chapman Construction Group:

We have audited the accompanying combined balance sheet of H. L. Chapman Construction Group (the Group), as defined in Note 1 to the combined financial statements, as of October 31, 1998, and the related combined statements of operations, stockholders' equity and cash flows for the year then ended. These combined financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of H. L. Chapman Construction Group as of October 31, 1998, and the results of their combined operations and their combined cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
June 3, 1999

H. L. CHAPMAN CONSTRUCTION GROUP

COMBINED BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

<S>	OCTOBER 31, 1998 <C>	APRIL 30, 1999 (UNAUDITED) <C>
CURRENT ASSETS:		
Cash	$ 989,336	$ 1,619,033
Accounts receivable	5,344,650	6,245,736
Inventories	1,147,772	1,192,176
Prepaid expenses and other	71,272	65,620
Employee advances	53,088	44,534
Total current assets	7,606,118	9,167,099
PROPERTY AND EQUIPMENT, net	14,552,841	18,302,658
OTHER ASSETS	72,125	89,047
Total assets	$22,231,084	$27,558,804

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 1,471,330	$ 2,229,097
Accounts payable and accrued liabilities	3,971,935	2,052,493
Deferred tax liability	329,782	329,782
Total current liabilities	5,773,047	4,611,372
LONG-TERM DEBT, net of current maturities	3,123,816	7,209,839
DEFERRED TAX LIABILITY	1,186,428	1,507,078
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock	52,000	52,000
Additional paid-in capital	15,000	15,000
Retained earnings	12,080,793	14,163,515
Total stockholders' equity	12,147,793	14,230,515
Total liabilities and stockholders' equity	$22,231,084	$27,558,804

</TABLE>

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

H. L. CHAPMAN CONSTRUCTION GROUP

COMBINED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED OCTOBER 31,	SIX MONTHS ENDED APRIL 30,	
	1998	1998	1999
		(UNAUDITED)	
<S>	<C>	<C>	<C>
REVENUES	$24,092,900	$8,591,484	$13,214,473
COSTS OF SERVICES, including depreciation	15,468,447	5,660,935	8,286,697
Gross profit	8,624,453	2,930,549	4,927,776
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,785,906	1,204,983	2,023,040
Income from operations	5,838,547	1,725,566	2,904,736
OTHER INCOME (EXPENSE):			
Interest expense	(428,394)	(142,264)	(242,136)
Interest income and other, net	913,375	241,715	459,651
Income before provision for income taxes	6,323,528	1,825,017	3,122,251
PROVISION FOR INCOME TAXES	1,963,430	492,755	989,800
NET INCOME	$ 4,360,098	$1,332,262	$ 2,132,451

</TABLE>

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

H. L. CHAPMAN CONSTRUCTION GROUP

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL		
	SHARES	AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, October 31, 1997	51,000	$51,000	$15,000	$ 7,896,471	$ 7,962,471
Net income	--	--	--	4,360,098	4,360,098
Distributions to stockholders	--	--	--	(175,776)	(175,776)
Issuance of common stock, H. L. Chapman Leasing Co., Inc.	1,000	1,000	--	--	1,000
BALANCE, October 31, 1998	52,000	52,000	15,000	12,080,793	12,147,793
Net income (unaudited)	--	--	--	2,132,451	2,132,451
Distributions to stockholders (unaudited)	--	--	--	(49,729)	(49,729)
BALANCE, April 30, 1999 (unaudited)	52,000	$52,000	$15,000	$14,163,515	$14,230,515

</TABLE>

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

H. L. CHAPMAN CONSTRUCTION GROUP

COMBINED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED OCTOBER 31, 1998	SIX MONTHS ENDED APRIL 30, 1998	1999
		(UNAUDITED)	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 4,360,098	$ 1,332,262	$ 2,132,451
Adjustments to reconcile net income to net cash provided by operating activities --			
Deferred income tax provision	793,962	171,828	320,650
Depreciation	1,939,205	787,641	1,402,219
Gains on sale of property and equipment	(662,331)	--	(282,736)
Changes in operating assets and liabilities, net of noncash transactions --			
Accounts receivable	(984,185)	(755,698)	(901,086)
Inventories	(542,772)	(762,412)	(44,404)
Prepaid expenses and other	168,524	55,025	5,652
Employee advances	(19,733)	(62,690)	8,554
Other assets	(34,046)	(15,562)	(16,922)
Accounts payable and accrued liabilities	1,246,405	393,449	(1,919,442)
Net cash provided by operating activities	6,265,127	1,143,843	704,936
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(7,979,393)	(1,997,254)	(5,869,113)
Proceeds from disposition of property and equipment	726,300	--	999,813
Net cash used in investing activities	(7,253,093)	(1,997,254)	(4,869,300)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock	1,000	1,000	--
Proceeds from issuance of long-term debt	2,825,399	1,400,750	5,029,611
Principal payments on long-term debt	(1,013,587)	(483,361)	(185,821)
Distributions to stockholders	(175,776)	(100,997)	(49,729)
Net cash provided by financing activities	1,637,036	817,392	4,794,061
NET INCREASE (DECREASE) IN CASH	649,070	(36,019)	629,697
CASH, beginning of period	340,266	340,266	989,336
CASH, end of period	$ 989,336	$ 304,247	$ 1,619,033
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for --			
Interest	$ 428,394	$ 142,264	$ 239,287
Taxes	$ 1,170,558	$ 314,014	$ 916,366

</TABLE>

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

H. L. CHAPMAN CONSTRUCTION GROUP

NOTES TO COMBINED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

H. L. Chapman Construction Group (the Group) includes the financial statements of the following companies under common control and ownership: H. L. Chapman Pipeline Construction, Inc. (a Texas C Corporation), Austin Trencher, Inc. (a Texas S Corporation), H. L. Chapman Leasing Co., Inc. (a Texas C Corporation) and Sullivan Welding, Inc. (a Texas S Corporation). The Group, composed of the four companies listed above, is a subcontractor that serves a nationwide market in rock trenching. The Group's services include utility line trenching, fiber optic line trenching and pipeline trenching. The Group performs a majority of its contract work under unit-price contracts, with contract terms generally ranging from one week to three months.

Common Stock

Common stock at October 31, 1998, is composed of the following:

a. H. L. Chapman Pipeline Construction, Inc. -- Founded in 1973, 90,000 Class A shares and 10,000 Class B shares authorized, 35,000 Class A shares issued and outstanding, no Class B shares issued or outstanding, no stated par value per share for Class A and Class B

b. H. L. Chapman Leasing Co., Inc. -- Founded in March 1998, 1,000 shares authorized, issued and outstanding at $1 par value per share

c. Austin Trencher, Inc. -- Founded in 1995, 15,000 shares authorized, issued and outstanding at $1 par value per share

d. Sullivan Welding, Inc. -- Founded in 1991, 1,000 shares authorized, issued and outstanding at no stated par value per share

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Combination

The combined financial statements of the Group include the accounts of the entities listed in Note 1 and the wholly owned subsidiary of H. L. Chapman Pipeline Construction, Inc., 300 King Air LLC. All significant intercompany accounts and transactions have been eliminated in combination.

Interim Combined Financial Information

The interim combined financial statements for the six months ended April 30, 1998 and 1999, are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnote disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of the Group's management, the unaudited interim combined financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation. The combined results of operations for the combined interim periods are not necessarily indicative of the results for the entire fiscal year.

Accounts Receivable and Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts based upon the specific identification of accounts receivable where collection is no longer deemed probable and the level of total accounts receivable. As of October 31, 1998, management estimates all accounts to be collectible.

Inventories

Inventories consist of parts and supplies held for use in the ordinary course of business and are valued by the Group at the lower of cost or market using the specific identification method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense was $1,939,205 for the year ended October 31, 1998.

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

For the year ended October 31, 1998 the Company received an insurance settlement on equipment destroyed by fire and recognized a gain of approximately $644,000 which is reflected in other income on the accompanying statement of operations.

Revenue Recognition

The Group recognizes revenue when services are performed under unit-price contracts. Such contracts generally provide that the customer accept completion of progress to date and compensate the Group for services which have been rendered, measured typically in terms of units installed, hours expended or some other measure of progress. Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. The balances billed but not paid by customers pursuant to retainage provisions in unit-price contracts will be due upon completion of the contracts and acceptance by the customer. Based on the Group's experience with similar contracts in recent years, the retention balance, if any, at each balance sheet date will be collected within the subsequent fiscal year.

Fair Value of Financial Instruments

The Group's financial instruments consist of accounts receivable, accounts payable and debt. The Group believes that the carrying value of these instruments on the accompanying combined balance sheet approximates their fair value due to either the short-term nature of the instrument or the interest rates on the debt being comparable to rates currently available to the Group.

Income Taxes

Certain entities within the Group have elected S corporation status as defined by the Internal Revenue Code, whereby certain companies within the Group are not subject to taxation for federal purposes. Under S corporation status, the stockholders report their respective share of the Group's taxable earnings or losses in their personal tax returns.

H. L. Chapman Leasing Co., Inc., and H. L. Chapman Pipeline Construction Co., Inc., and subsidiary have elected C corporation status as defined by the Internal Revenue Code and follow the liability method of accounting for income taxes. Under this method, the respective company records deferred income taxes based

on temporary differences between the financial reporting and the tax bases of assets and liabilities and measures these taxes using enacted tax rates and laws that will be in effect when the company recovers those assets or settles those liabilities as the case may be.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Accounts receivable at October 31, 1998, consists of the following:

Trade	$4,585,211
Unbilled receivables	315,000
Retainage	444,439
	$5,344,650

Property and equipment at October 31, 1998, consists of the following:

	ESTIMATED USEFUL LIVES IN YEARS	
Land	N/A	$ 139,430
Building	15	1,053,164
Machinery, vehicles and equipment	5-7	17,687,073
Office furniture and equipment	5-7	159,684
Airplane	6	1,800,000
		20,839,351

Less - Accumulated depreciation	(6,286,510)
Property and equipment, net	$14,552,841

</TABLE>

Accounts payable and accrued liabilities at October 31, 1998, consist of the following:

<TABLE>

<S>	<C>
Accounts payable, trade	$2,000,767
Accrued compensation and benefits	288,000
Bank overdraft	873,738
Other accrued liabilities	809,430
	$3,971,935

</TABLE>

4. LINE OF CREDIT AND LONG-TERM DEBT:

The Company maintains a line of credit with a financial institution providing for maximum borrowings of $4,050,750, which expires on May 19, 2003. The revolving line of credit is secured by various equipment. Minimum payments of interest only, at a rate of 8.5 percent, are due for the first 49 months, with the outstanding principal due in 12 equal monthly installments during the last year prior to expiration. The balance outstanding under the line of credit at October 31, 1998, was $804,414.

The Group's long-term debt at October 31, 1998, consisted of the following:

<TABLE>

<S>	<C>
Notes payable to a financial institution, secured by various equipment, payable in monthly installments ranging from $6,005 to $15,875, including interest at 8.5%, maturing from September 1999 to September 2002	$ 2,113,515
Notes payable to a financial institution, secured by trenchers, payable in monthly installments ranging from $6,884 to $20,269, including interest at 7.5%, maturing from February 2000 to June 2003	1,253,859
Notes payable to a financial institution, secured by excavators, payable in monthly installments from $5,025 to $6,869, including interest ranging from 5.5% to 6.79%, maturing from June 1999 to August 2001	423,358
	3,790,732
Less-Current portion	(1,471,330)
	$ 2,319,402

</TABLE>

The line of credit and notes payable to the financial institutions are subject to certain financial reporting and certain financial ratio requirements. At October 31, 1998, the Group was in compliance with all debt covenants.

The maturities of long-term obligations, including the line of credit, for the following five years as of October 31, 1998, are as follows:

<TABLE>
<CAPTION>

YEAR ENDING OCTOBER 31- <S>	<C>
1999	$1,471,330
2000	1,061,816
2001	726,999
2002	419,412
2003	915,589
	$4,595,146

</TABLE>

5. INCOME TAXES:

The components of the provision for income taxes for the year ended October 31, 1998, are as follows:

<TABLE>

<S>	<C>
Federal --	
Current	$1,064,461
Deferred	724,640
	1,789,101
State --	
Current	105,007
Deferred	69,322
	174,329
Total provision	$1,963,430

</TABLE>

The provision for income taxes differs from an amount computed at the statutory rate of 34 percent for the year ended October 31, 1998, as follows:

<TABLE>

<S>	<C>
Federal income tax at statutory rates	$2,150,000
State income taxes, net of federal tax benefit	113,314
S corporation income not taxable	(305,286)
Other	5,402
	$1,963,430

</TABLE>

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The tax effects of the temporary differences that give rise to the significant portions of the deferred tax assets and liabilities at October 31, 1998, are presented below:

<TABLE>

<S>	<C>
Deferred tax assets --	
Expenses not currently deductible	$ 41,556
Other	63,290
Total deferred tax assets	104,846
Deferred tax liabilities --	
Deferred revenue	(120,455)
Inventories	(183,763)
Property and equipment	(1,139,660)
Other	(177,178)
Total deferred tax liabilities	(1,621,056)
Net deferred income tax liability	$(1,516,210)

</TABLE>

6. MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK:

During the year ended October 31, 1998, the Group had sales greater than 10 percent of total sales to three customers, which accounted for 22 percent, 13 percent and 10 percent, respectively, of the Group's revenues.

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

7. COMMITMENTS AND CONTINGENCIES:

Litigation

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

Insurance

The Group carries a broad range of premium-based insurance coverage, including workers' compensation, business auto liability, equipment liability, general liability and an umbrella policy.

8. SUBSEQUENT EVENTS:

In March 1999, the Group purchased approximately $4,000,000 in trenching equipment and related assets from a company with cash and notes.

In May 1999, the Group was sold to Quanta Services, Inc. (Quanta), for cash, Quanta stock and notes. Subsequent to the sale, Quanta sold certain property, equipment and other assets to the previous owners of the Group at an estimated fair value of approximately $2,500,000 in exchange for forgiveness of the notes issued by Quanta in connection with their purchase of the Group.

ITEM 7. PRO FORMA FINANCIAL INFORMATION

QUANTA SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The following unaudited pro forma combined financial statements include the consolidated financial statements included elsewhere herein as of March 31, 1999 and for the three months then ended (unaudited) and for the year ended December 31, 1998 adjusted as follows: (i) the unaudited pro forma combined balance sheet at March 31, 1999 gives effect to the acquisition of six businesses acquired by Quanta from April 1, 1999 through June 14, 1999 (the "Subsequent Acquisitions") as if they occurred on March 31, 1999; (ii) the unaudited pro forma combined statement of operations for the year ended December 31, 1998 gives effect to the following events as if they had occurred on January 1, 1998 (a) Quanta's initial public offering ("IPO"), (b) the pre-acquisition results of the Founding Companies and eleven additional businesses acquired subsequent to the IPO through December 31, 1998 which were accounted for using the purchase method of accounting (together, the "1998 Acquisitions"), (c) the acquisition of 14 businesses accounted for using the purchase method of accounting from January 1, 1999 through June 14, 1999 (the "1999 Acquisitions"), (d) the issuance of the Convertible Subordinated Notes and (e) the follow-on public offering completed by Quanta in January of 1999; and (iii) the unaudited pro forma combined statement of operations for the three months ended March 31, 1999 gives effect to the follow-on public offering and the pre-acquisition results of the 1999 Acquisitions as if they occurred on January 1, 1999.

Quanta has preliminarily analyzed the savings that it expects to realize from reductions in salaries, bonuses and certain benefits to the owners. To the extent the owners of the Companies have contractually agreed to prospective reductions in salaries, bonuses, benefits and lease payments, these reductions have been reflected in the unaudited pro forma combined statements of operations. With respect to other potential cost savings, Quanta has not and cannot quantify these savings until a period subsequent to the acquisitions. It is anticipated that these savings will be partially offset by costs related to Quanta's new corporate infrastructure and by the costs associated with being a public company. However, because these costs cannot be accurately quantified at this time, they have not been included in the pro forma financial information of Quanta.

The pro forma adjustments are based on preliminary estimates, available information and certain assumptions that Company management deems appropriate and may be revised as additional information becomes available. The pro forma financial data do not purport to represent what Quanta's financial position or results of operations would actually have been if such transactions in fact had occurred on those dates and are not necessarily representative of Quanta's financial position or results of operations for any future period. Since the acquired businesses were not under common control or management during the entire period covered by the pro forma financial statements, historical combined results may not be comparable to, or indicative of, future performance. The unaudited pro forma combined financial statements should be read in conjunction with the Company's historical consolidated financial statements and notes thereto included elsewhere in this Current Report on Form 8-K.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
MARCH 31, 1999
(IN THOUSANDS)

ASSETS

<TABLE>
<CAPTION>

<S>	QUANTA SERVICES, INC. AND SUBSIDIARIES <C>	SUBSEQUENT ACQUISITIONS <C>	PRO FORMA ADJUSTMENTS(A) <C>	PRO FORMA TOTAL <C>
CURRENT ASSETS:				
Cash and cash equivalents	$ 5,257	$14,661	$ --	$ 19,918
Accounts receivable, net	114,085	16,758	--	130,843
Cost and estimated earnings in excess of billings on uncompleted contracts	41,662	1,527	--	43,189
Inventories	6,141	1,839	--	7,980
Prepaid expenses and other current assets	5,214	215	--	5,429
Total current assets	172,359	35,000	--	207,359
PROPERTY AND EQUIPMENT, net	93,219	23,445	(3,507)	113,157
OTHER ASSETS	5,543	3,055	--	8,598
GOODWILL, net	283,083	--	80,790	363,873
Total assets	$554,204	$61,500	$ 77,283	$692,987

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:				
Current maturities of long-term debt	$ 3,392	$ 2,664	$ --	$ 6,056
Accounts payable and accrued expenses	68,778	8,510	5,810	83,098
Billings in excess of costs and estimated earnings on uncompleted contracts	9,980	360	--	10,340
Total current liabilities	82,150	11,534	5,810	99,494
LONG-TERM DEBT, net of current maturities	85,434	9,525	69,105	164,064
CONVERTIBLE SUBORDINATED NOTES	49,350	--	--	49,350
DEFERRED INCOME TAXES AND OTHER NON-CURRENT LIABILITIES	7,500	1,536	--	9,036
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY:				
Preferred Stock	--	--	--	--
Common Stock	--	351	(351)	--
Limited Vote Common Stock	--	--	--	--
Treasury Stock	--	(4,155)	4,155	--
Unearned ESOP shares	(1,831)	--	--	(1,831)
Additional paid-in capital	300,038	27	41,246	341,311
Retained earnings	31,563	42,682	(42,682)	31,563
Total stockholders' equity	329,770	38,905	2,368	371,043
Total liabilities and stockholders' equity	$554,204	$61,500	$ 77,283	$692,987

</TABLE>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET

(a) These adjustments reflect the purchase of six additional acquisitions that were consummated subsequent to March 31, 1999 and through June 14, 1999, including approximately $69.1 million of debt incurred under Quanta's line of credit to finance the cash portion of the purchase price paid upon acquisition, approximately 1.6 million shares of common stock issued, distribution of certain assets not acquired and certain S corporation distributions which were distributed subsequent to March 31, 1999, resulting in goodwill of approximately $80.8 million.

QUANTA SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1999

(IN THOUSANDS, EXCEPT PER SHARE INFORMATION)

<TABLE>
<CAPTION>

	QUANTA SERVICES, INC. AND SUBSIDIARIES	1999 ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA TOTAL
<S>	<C>	<C>	<C>	<C>
REVENUES	$127,779	$40,910	$ --	$168,689
COST OF SERVICES (including depreciation)	104,871	30,955	--	135,826
Gross Profit	22,908	9,955	--	32,863
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	11,982	6,569	(673)(a)	17,878
MERGER EXPENSES -- Pooling	137	--	--	137
GOODWILL AMORTIZATION	1,498	--	920 (b)	2,418
Income (loss) from Operations	9,291	3,386	(247)	12,430
OTHER INCOME (EXPENSE)				
Interest Expense	(2,224)	(318)	(1,794)(c)	(4,336)
Other, net	320	674	--	994
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	7,387	3,742	(2,041)	9,088
PROVISION FOR INCOME TAXES	3,964	418	(383)(d)	3,999
NET INCOME (LOSS)	$ 3,423	$ 3,324	$(1,658)	$ 5,089
BASIC EARNINGS PER SHARE				$ 0.17
DILUTED EARNINGS PER SHARE				$ 0.16
DILUTED EARNINGS PER SHARE BEFORE MERGER EXPENSES				$ 0.17
SHARES USED IN COMPUTING PRO FORMA COMBINED EARNINGS PER SHARE --				
BASIC(e)				30,625
DILUTED(e)				34,740

</TABLE>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998
(IN THOUSANDS, EXCEPT PER SHARE INFORMATION)

<TABLE>
<CAPTION>

	QUANTA SERVICES, INC. AND SUBSIDIARIES	1998 ACQUISITIONS	1999 ACQUISITIONS	PRO FORMA ADJUSTMENTS	PRO FORMA TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES	$319,259	$116,179	$280,522	$ (1,816)(a)	$714,144
COST OF SERVICES (including depreciation)	257,270	94,565	202,056	(1,495)(b)	552,396
Gross Profit	61,989	21,614	78,466	(321)	161,748
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	27,160	11,697	38,086	(12,631)(c)	64,312
MERGER EXPENSES -- Pooling	231	--	--	--	231
GOODWILL AMORTIZATION	2,513	2	--	6,671 (d)	9,186
Income from Operations	32,085	9,915	40,380	5,639	88,019
OTHER INCOME (EXPENSE)					
Interest Expense	(4,855)	(622)	(1,725)	(4,070)(e)	(11,272)
Other, net	641	820	2,804	--	4,265
INCOME BEFORE INCOME TAX PROVISION	27,871	10,113	41,459	1,569	81,012
PROVISION FOR INCOME TAXES	11,683	572	6,948	16,442 (f)	35,645
NET INCOME (LOSS)	$ 16,188	$ 9,541	$ 34,511	$(14,873)	$ 45,367
BASIC EARNINGS PER SHARE					$ 1.48
DILUTED EARNINGS PER SHARE					$ 1.38

DILUTED EARNINGS PER SHARE BEFORE MERGER EXPENSES	$ 1.39
SHARES USED IN COMPUTING PRO FORMA COMBINED EARNINGS PER SHARE --	
BASIC(g)	30,625
DILUTED(g)	34,369

</TABLE>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

Three Months Ended March 31, 1999

(a) Adjusts compensation expense to the level the previous owners of the Purchased Companies that were acquired from January 1, 1999 through June 14, 1999 have agreed to receive as employees of the Company subsequent to their acquisition.

(b) Adjusts goodwill amortization expense to reflect the acquisitions of the Purchased Companies that were acquired from January 1, 1999 through June 14, 1999, over a 40 year estimated life.

(c) Records incremental interest expense on the debt incurred to fund the cash portion of the consideration paid for the acquisition of the Purchased Companies that were acquired from January 1, 1999 through June 14, 1999, offset by the reduction in interest expense related to the repayment of debt from proceeds of the follow-on offering of common stock completed in January 1999. The additional interest expense was calculated utilizing an annual effective interest rate of approximately 7.0%.

(d) Reflects the incremental provision for federal and state income taxes at an approximate 44.0 percent overall tax rate.

(e) The computation of pro forma basic and diluted earnings per share for the three months ended March 31, 1999 is based upon the historical shares of common stock outstanding at March 31, 1999, adjusted for the issuance of approximately 1.6 million shares related to the acquisition of six businesses subsequent to March 31, 1999 and through June 14, 1999. Diluted earnings per share additionally includes the dilution attributable to the assumed conversion of the Convertible Subordinated Notes and dilution attributable to outstanding options to purchase common stock, using the treasury stock method.

Year Ended December 31, 1998

(a) Reflects the elimination of revenues between certain of the Acquired Businesses prior to their acquisition by Quanta and the elimination of the revenues for a division of one of the Purchased Companies because the Company did not purchase that division.

(b) Reflects the elimination of expenses between certain of the Acquired Businesses prior to their acquisition by Quanta and the elimination of the expenses for a division of one of the Purchased Companies because the Company did not purchase that division.

(c) Adjusts compensation expense to the level the previous owners of the Acquired Businesses have agreed to receive as employees of the Company subsequent to their acquisition.

(d) Adjusts goodwill amortization expense to reflect the acquisitions of the Founding Companies and the Purchased Companies, over a 40 year estimated life.

(e) Records incremental interest expense on the debt incurred to fund the cash portion of the consideration paid for the acquisition of the Purchased Companies, the incremental interest expense and amortization of deferred financing costs incurred as a result of the issuance of the Convertible Subordinated Notes, offset by the reduction in interest expense related to the repayment of debt from proceeds of the follow-on offering of common stock completed in January 1999. The additional interest expense was calculated utilizing an annual effective interest rate of approximately 7.0%.

(f) Reflects the incremental provision for federal and state income taxes at an approximate 44.0 percent overall tax rate.

(g) The computation of pro forma basic and diluted earnings per share for the year ended December 31, 1998 is based upon the historical shares of common stock outstanding at December 31, 1998, adjusted for the issuance of approximately 4.1 million shares related to the acquisition of fourteen businesses from January 1, 1999 through June 14, 1999 and the issuance of 4.6 million shares of common stock from the follow-on offering completed in January, 1999. Diluted earnings per share additionally includes the dilution attributable to the assumed conversion of the Convertible Subordinated Notes and dilution attributable to outstanding options to purchase common stock, using the treasury stock method.

SIGNATURES

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.
Date: June 17, 1999

By: /s/ DERRICK JENSEN

Derrick Jensen
Vice President, Controller and
Chief Accounting Officer

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
23.1	-- Consent of Arthur Andersen LLP
23.2	-- Consent of Kirkland Albrecht and Company P.C.
23.3	-- Consent of Joseph Decosimo and Company, LLP
23.4	-- Consent of Ganim, Meder, Childers & Hoering, P.C.
23.5	-- Consent of Nathan Wechsler & Company

</TABLE>

- ---------------

Filed herewith

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports on the financial statements of the following businesses included in or made a part of this Current Report on Form 8-K; report dated June 7, 1999 on the consolidated financial statements of Quanta Services, Inc. and Subsidiaries; our report dated May 7, 1999 on the combined financial statements of Driftwood Electrical Contractors, Inc.; and our report dated June 3, 1999 on H.L. Chapman Construction Group and to the incorporation by reference of said reports into Quanta Services, Inc.'s previously filed Registration Statements on Form S-8 (File Nos. 333-47069 and 333-56849).

ARTHUR ANDERSEN LLP

Houston, Texas
June 15, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report, dated February 3, 1999, on the financial statements of The Ryan Co., Inc., included in this Current Form 8-K of Quanta Services, Inc. and to the incorporation by reference of said report into Quanta Services, Inc.'s previously filed Registration Statements on Form S-8 (FILE NOS. 339-47069 and 333-56849).

/s/ KIRKLAND ALBRECHT AND COMPANY

Kirkland Albrecht and Company
Braintree, Massachusetts
June 16, 1999

EXHIBIT 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report, dated August 24, 1998, on the financial statements of Dillard Smith Construction Company included in this Current Form 8-K of Quanta Services, Inc. and to the incorporation by reference of said report into Quanta Services, Inc.'s previously filed Registration Statements on Form S-8 (FILE NOS. 333-47069 and 333-56849).

/s/ JOSEPH DECOSIMO AND COMPANY, LLP

JOSEPH DECOSIMO AND COMPANY, LLP

Chattanooga, Tennessee
June 16, 1999

EXHIBIT 23.4

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report, dated September 15, 1998, on the financial statements of Tom Allen Construction Company included in the Current Form 8-K of Quanta Services, Inc. and to the incorporation by reference of said report into Quanta Services, Inc.'s previously filed Registration Statements on Form S-8 (FILE NOS. 333-47069 and 333-56849).

/s/ GANIM, MEDER, CHILDERS & HOERING, P.C.
GANIM, MEDER, CHILDERS & HOERING, P.C.

Belleville, Illinois
June 14, 1999

EXHIBIT 23.5

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report, dated January 27, 1999, on the financial statements of Seaward Corporation and subsidiaries included in this Current Form 8-K of Quanta Services, Inc. and to the incorporation by reference of said report into Quanta Services, Inc.'s previously filed Registration Statements on Form S-8 (FILE NOS. 333-47069 and 333-56849).

/s/ NATHAN WECHSLER & COMPANY

Nathan Wechsler & Company
Concord, New Hampshire
June 15, 1999