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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2013

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file no. 001-13831

Quanta Services, Inc.

(Exact name of registrant as specified in its charter)

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

2800 Post Oak Boulevard, Suite 2600
Houston, Texas 77056
(Address of principal executive offices, including zip code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of April 30, 2013, the number of outstanding shares of Common Stock of the Registrant was 209,441,254. As of the same date, 3,500,000 Exchangeable Shares and one share of Series F Preferred Stock were outstanding.

QUANTA SERVICES, INC. AND SUBSIDIARIES

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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements.***

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)
(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 366,619	$ 394,701
Accounts receivable, net of allowances of $5,426 and $5,447	1,283,739	1,328,081
Costs and estimated earnings in excess of billings on uncompleted contracts	407,080	342,777
Inventories	37,666	38,261
Prepaid expenses and other current assets	90,561	97,907
Total current assets	2,185,665	2,201,727
Property and equipment, net of accumulated depreciation of $569,821 and $555,030	1,071,972	1,045,983
Other assets, net	182,871	171,566
Other intangible assets, net of accumulated amortization of $202,780 and $198,082	178,515	183,836
Goodwill	1,535,795	1,537,645
Total assets	$ 5,154,818	$ 5,140,757
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 666,650	$ 707,294
Billings in excess of costs and estimated earnings on uncompleted contracts	163,236	173,885
Total current liabilities	829,886	881,179
Deferred income taxes	227,692	225,050
Insurance and other non-current liabilities	266,419	262,612
Total liabilities	1,323,997	1,368,841
Commitments and Contingencies		
Equity:		
Common stock, $.00001 par value, 600,000,000 shares authorized, 221,384,192 and 220,917,050 shares issued, and 209,440,854 and 209,270,586 shares outstanding	2	2
Exchangeable Shares, no par value, 3,500,000 and 3,909,110 shares issued and outstanding	—	—
Series F Preferred Stock, $.00001 par value, 1 share authorized, issued and outstanding	—	—
Additional paid-in capital	3,298,026	3,287,086
Retained earnings	740,237	668,156
Accumulated other comprehensive income	710	14,453
Treasury stock, 11,943,338 and 11,646,464 common shares, at cost	(212,844)	(203,149)
Total stockholders' equity	3,826,131	3,766,548
Noncontrolling interests	4,690	5,368
Total equity	3,830,821	3,771,916
Total liabilities and equity	$ 5,154,818	$ 5,140,757

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share information)
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenues	$ 1,585,710	$ 1,328,764
Cost of services (including depreciation)	1,347,437	1,142,700
Gross profit	238,273	186,064
Selling, general and administrative expenses	113,681	98,108
Amortization of intangible assets	5,301	9,165
Operating income	119,291	78,791
Interest expense	(502)	(575)
Interest income	522	408
Other income (expense), net	(513)	130
Income from continuing operations before income taxes	118,798	78,754
Provision for income taxes	41,941	28,669
Net income from continuing operations	76,857	50,085
Loss from discontinued operations, net of taxes	—	(91)
Net income	76,857	49,994
Less: Net income attributable to noncontrolling interests	4,776	4,287
Net income attributable to common stock	$ 72,081	$ 45,707
Amounts attributable to common stock:		
Net income from continuing operations	$ 72,081	$ 45,798
Net loss from discontinued operations	—	(91)
Net income attributable to common stock	$ 72,081	$ 45,707
Earnings per share attributable to common stock—basic and diluted:		
Continuing operations	$ 0.34	$ 0.22
Discontinued operations	—	—
Net income attributable to common stock	$ 0.34	$ 0.22
Shares used in computing earnings per share:		
Weighted average basic shares outstanding	213,453	211,481
Weighted average diluted shares outstanding	213,512	211,592

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net income	$ 76,857	$ 49,994
Other comprehensive income (loss), net of tax provision:		
Foreign currency translation adjustment, net of tax of $0 and $0	(13,743)	11,318
Other, net of tax of $0 and $1	—	5
Other comprehensive income (loss)	(13,743)	11,323
Comprehensive income	63,114	61,317
Less: Comprehensive income attributable to noncontrolling interests	4,776	4,287
Total comprehensive income attributable to Quanta shareholders	$ 58,338	$ 57,030

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

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QUANTA SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Cash Flows from Operating Activities:		
Net income	$ 76,857	$ 49,994
Loss from discontinued operations	—	91
Adjustments to reconcile net income to net cash provided by (used in) operating activities —		
Depreciation	31,880	29,026
Amortization of intangible assets	5,301	9,165
Amortization of debt issuance costs	218	223
Amortization of deferred revenues	(2,505)	(2,586)
(Gain) loss on sale of property and equipment	(282)	137
Foreign currency (gain) loss	502	(273)
Provision for doubtful accounts	1,508	1,736
Deferred income tax provision (benefit)	(1,122)	4,988
Non-cash stock-based compensation	8,036	5,889
Tax impact of stock-based equity awards	—	(2,910)
Changes in operating assets and liabilities, net of non-cash transactions —		
(Increase) decrease in —		
Accounts and notes receivable	30,843	(38,591)
Costs and estimated earnings in excess of billings on uncompleted contracts	(65,030)	(103,391)
Inventories	497	3,202
Prepaid expenses and other current assets	13,548	6,868
Increase (decrease) in —		
Accounts payable and accrued expenses and other non-current liabilities	(47,634)	(45,535)
Billings in excess of costs and estimated earnings on uncompleted contracts	(10,504)	10,929
Other, net	2,019	(2,443)
Net cash provided by (used in) operating activities of continuing operations	44,132	(73,481)
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	1,544	613
Additions of property and equipment	(57,637)	(31,868)
Cash paid for acquisitions, net of cash acquired	(977)	(41,904)
Investments in unconsolidated affiliates	(8,545)	(4,906)
Net cash used in investing activities of continuing operations	(65,615)	(78,065)
Cash Flows from Financing Activities:		
Distributions to noncontrolling interests	(5,454)	(2,490)
Tax impact of stock-based equity awards	—	2,910
Exercise of stock options	497	479
Net cash provided by (used in) financing activities of continuing operations	(4,957)	899
Discontinued operations:		
Net cash provided by operating activities	—	13,263
Net cash used in investing activities	—	(2,890)
Net cash provided by discontinued operations	—	10,373
Effect of foreign exchange rate changes on cash and cash equivalents	(1,642)	2,292
Net decrease in cash and cash equivalents	(28,082)	(137,982)
Cash and cash equivalents, beginning of period	394,701	315,349
Cash and cash equivalents, end of period	$ 366,619	$ 177,367
Supplemental disclosure of cash flow information:		
Cash (paid) received during the period for —		
Interest paid	$ (462)	$ (356)
Income taxes paid	$ (91,581)	$ (47,594)
Income tax refunds	$ 6	$ 1,305

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BUSINESS AND ORGANIZATION:

Quanta Services, Inc. (Quanta) is a leading provider of specialty contracting services, offering infrastructure solutions primarily to the electric power and natural gas and oil pipeline industries in North America and in select international markets. Quanta reports its results under three reportable segments: (1) Electric Power Infrastructure Services, (2) Natural Gas and Pipeline Infrastructure Services and (3) Fiber Optic Licensing and Other.

Electric Power Infrastructure Services Segment

The Electric Power Infrastructure Services segment provides comprehensive network solutions to customers in the electric power industry. Services performed by the Electric Power Infrastructure Services segment generally include the design, installation, upgrade, repair and maintenance of electric power transmission and distribution networks and substation facilities along with other engineering and technical services. This segment also provides emergency restoration services, including the repair of infrastructure damaged by inclement weather, the energized installation, maintenance and upgrade of electric power infrastructure utilizing unique bare hand and hot stick methods and Quanta’s proprietary robotic arm technologies, and the installation of “smart grid” technologies on electric power networks. In addition, this segment designs, installs and maintains renewable energy generation facilities, in particular solar and wind, and related switchyards and transmission networks. To a lesser extent, this segment provides services such as the design, installation, maintenance and repair of commercial and industrial wiring, installation of traffic networks and the installation of cable and control systems for light rail lines.

Natural Gas and Pipeline Infrastructure Services Segment

The Natural Gas and Pipeline Infrastructure Services segment provides comprehensive network solutions to customers involved in the transportation of natural gas, oil and other pipeline products. Services performed by the Natural Gas and Pipeline Infrastructure Services segment generally include the design, installation, repair and maintenance of pipeline transmission and distribution systems, gathering systems and compressor and pump stations, as well as related trenching, directional boring and automatic welding services. In addition, this segment’s services include pipeline protection, integrity testing, rehabilitation and replacement, and fabrication of pipeline support systems and related structures and facilities. To a lesser extent, this segment designs, installs and maintains airport fueling systems as well as water and sewer infrastructure.

Fiber Optic Licensing and Other Segment

The Fiber Optic Licensing and Other segment designs, procures, constructs, maintains and owns fiber optic telecommunications infrastructure in select markets and licenses the right to use these point-to-point fiber optic telecommunications facilities to its customers pursuant to licensing agreements, typically with terms from five to twenty-five years, inclusive of certain renewal options. Under these agreements, customers are provided the right to use a portion of the capacity of a fiber optic network, with the network owned and maintained by Quanta. The Fiber Optic Licensing and Other segment provides services to enterprise, education, carrier, financial services and healthcare customers, as well as other entities with high bandwidth telecommunication needs. The telecommunication services provided through this segment are subject to regulation by the Federal Communications Commission and certain state public utility commissions. The Fiber Optic Licensing and Other segment also provides various telecommunication infrastructure services on a limited basis primarily to Quanta’s customers in the electric power industry.

Acquisitions

In the first quarter of 2012, Quanta acquired three businesses, which included an electric power infrastructure services company and a natural gas and pipeline infrastructure services company based in the United States and one electric power infrastructure services company based in Canada. These businesses have been reflected in Quanta's condensed consolidated financial statements as of their respective acquisition dates. The aggregate consideration for these acquisitions consisted of approximately $37.2 million in cash, 1,264,687 shares of Quanta common stock valued at approximately $24.8 million and the repayment of $5.1 million in debt. These acquisitions allow Quanta to expand its capabilities and scope of services internationally and in the United States. The financial results of these businesses are generally included in the corresponding segment.

In the second quarter of 2012, Quanta acquired an electric power infrastructure services company with operations primarily in the Southeastern United States. This business has been reflected in Quanta's condensed consolidated financial statements as of April 12, 2012. The aggregate consideration for this acquisition consisted of approximately $20.3 million in cash, 662,426 shares of Quanta common stock valued at approximately $12.5 million and the repayment of $5.9 million in debt. This acquisition allows Quanta to expand its capabilities and scope of services in the United States. The financial results of this business are generally included in Quanta's Electric Power Infrastructure Services segment.

In the first quarter of 2013, Quanta acquired an electric power infrastructure services company. The results of operations related to this acquisition are not material and have been reflected in Quanta's condensed consolidated financial statements beginning as of the date of the acquisition.

Dispositions

On December 3, 2012, Quanta sold substantially all of its domestic telecommunications infrastructure services operations and related subsidiaries to Dycom Industries, Inc. for net proceeds of approximately $265.0 million. Accordingly, Quanta has presented the results of operations, financial position and cash flows of such telecommunications subsidiaries as discontinued operations for the 2012 period presented in the accompanying consolidated financial statements.

Summarized financial information for discontinued operations is shown below (in thousands):

	Three Months Ended March 31, 2012
Revenues	$ 96,413
Income from discontinued operations before taxes	710
Provision for income taxes	(801)
Loss from discontinued operations, net of taxes	$ (91)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements of Quanta include the accounts of Quanta Services, Inc. and its wholly owned subsidiaries, which are also referred to as its operating units. The consolidated financial statements also include the accounts of certain of Quanta's investments in joint ventures, which are either consolidated or proportionately consolidated, as discussed in the following summary of significant accounting policies. Investments in affiliated entities in which Quanta does not have a controlling financial interest, but over which Quanta has significant influence, usually because Quanta holds a voting interest of 20% to 50%, are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless the context requires otherwise, references to Quanta include Quanta and its consolidated subsidiaries.

Interim Condensed Consolidated Financial Information

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to those rules and regulations. Quanta 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 state the financial position, results of operations, comprehensive income and cash flows with respect to the interim condensed consolidated financial statements have been included. The results of operations and comprehensive income for the interim periods are not necessarily indicative of the results for the entire fiscal year. The results of Quanta have historically been subject to significant seasonal fluctuations.

Quanta recommends that these unaudited condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto of Quanta and its subsidiaries included in Quanta's Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on March 1, 2013.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amount of revenues and expenses recognized during the periods presented. Quanta reviews all significant estimates affecting its consolidated financial statements on a recurring basis and records the effect of any necessary adjustments prior to their publication. Judgments and estimates are based on Quanta's beliefs and assumptions derived from information available at the time such judgments and estimates are made. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements. Estimates are primarily used in Quanta's assessment of the allowance for doubtful accounts, valuation of inventory, useful lives of assets, fair value assumptions in analyzing goodwill, other intangibles and long-lived asset impairments, equity investments, loan receivables, purchase price allocations, liabilities for self-insured and other claims, multi-employer pension plan withdrawal liabilities, revenue recognition for construction contracts and fiber optic licensing, share-based compensation, operating results of reportable segments, as well as the provision for income taxes and the calculation of uncertain tax positions.

Reclassifications

Certain reclassifications have been made in prior years' condensed consolidated balance sheet and segment disclosures to conform to classifications used in the current year.

Cash and Cash Equivalents

Quanta had cash and cash equivalents of $366.6 million and $394.7 million as of March 31, 2013 and December 31, 2012. Cash consisting of interest-bearing demand deposits is carried at cost, which approximates fair value. Quanta considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, which are carried at fair value. At March 31, 2013 and December 31, 2012, cash equivalents were $189.8 million and $92.5 million, which consisted primarily of money market mutual funds and investment grade commercial paper and are discussed further in "*Fair Value Measurements*" below. As of March 31, 2013 and December 31, 2012, cash and cash equivalents held in domestic bank accounts were approximately $254.7 million and $254.1 million, and cash and cash equivalents held in foreign bank accounts were approximately $111.9 million and $140.6 million.

Current and Long-Term Accounts and Notes Receivable and Allowance for Doubtful Accounts

Quanta provides an allowance for doubtful accounts when collection of an account or note receivable is considered doubtful, and receivables are written off against the allowance when deemed uncollectible. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, the customer's access to capital, the customer's willingness or ability to pay, general economic and market conditions and the ongoing relationship with the customer. Quanta considers accounts receivable delinquent after 30 days but does not generally include delinquent accounts in its analysis of the allowance for doubtful accounts unless the accounts receivable have been outstanding for at least 90 days. In addition to balances that have been outstanding for 90 days or more, Quanta also includes accounts receivable balances that relate to customers in bankruptcy or with other known difficulties in its analysis of the allowance for doubtful accounts. Material changes in Quanta's customers' business or cash flows, which may be impacted by negative economic and market conditions, could affect Quanta's ability to collect amounts due from them. As of March 31, 2013 and December 31, 2012, Quanta had total allowances for doubtful accounts of approximately $5.4 million, all of which were included as a reduction of net current accounts receivable. Should customers experience financial difficulties or file for bankruptcy, or should anticipated recoveries relating to receivables in existing bankruptcies or other workout situations fail to materialize, Quanta could experience reduced cash flows and losses in excess of current allowances provided.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally due upon completion of the contracts and acceptance by the customer. Based on Quanta's experience with similar contracts in recent years, the majority of the retainage balances at each balance sheet date are expected to be collected within the next twelve months. Current retainage balances as of March 31, 2013 and December 31, 2012 were approximately $192.3 million and $180.6 million and are included in accounts receivable. Retainage balances with settlement dates beyond the next twelve months are included in other assets, net, and as of March 31, 2013 and December 31, 2012 were $29.3 million and $22.5 million.

Within accounts receivable, Quanta recognizes unbilled receivables in circumstances such as when revenues have been earned and recorded but the amount cannot be billed under the terms of the contract until a later date; costs have been incurred but are yet to be billed under cost-reimbursement type contracts; or amounts arise from routine lags in billing (for example, work completed one month but not billed until the next month). These balances do not include revenues accrued for work performed under fixed-price contracts as these amounts are recorded as costs and estimated earnings in excess of billings on uncompleted contracts. At March 31, 2013 and December 31, 2012, the balances of unbilled receivables included in accounts receivable were approximately $144.3 million and $127.5 million.

Goodwill and Other Intangibles

Quanta has recorded goodwill in connection with its acquisitions. Goodwill is subject to an annual assessment for impairment, which Quanta performs at the operating unit level. Each of Quanta's operating units is organized into one of three internal divisions, which are closely aligned with Quanta's reportable segments, based on the predominant type of work performed by the operating unit at the point in time the divisional designation is made. Because separate measures of assets and cash flows are not produced or utilized by management to evaluate segment performance, Quanta's impairment assessments of its goodwill do not include any consideration of assets and cash flows by reportable segment. As a result, Quanta has determined that its individual operating units represent its reporting units for the purpose of assessing goodwill impairments.

Quanta has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step fair value-based impairment test described below. If Quanta believes that, as a result of its qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. Quanta can choose to perform the qualitative assessment on none, some or all of its reporting units. Quanta can also bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test, and then resume performing the qualitative assessment in any subsequent period. Qualitative indicators including deterioration in macroeconomic conditions, declining financial performance, or a sustained decrease in share price, among other things, may trigger the need for annual or interim impairment testing of goodwill associated with one or all of the reporting units.

Quanta's goodwill impairment assessment is performed at year-end, or more frequently if events or circumstances arise which indicate that goodwill may be impaired. For instance, a decrease in Quanta's market capitalization below book value, a significant change in business climate or loss of a significant customer, as well as the qualitative indicators referenced above, may trigger the need for interim impairment testing of goodwill for one or all of its reporting units. The first step of the two-step fair value-based test involves comparing the fair value of each of Quanta's reporting units with its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the reporting unit's goodwill to the implied fair value of its goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss would be recorded as a reduction to goodwill with a corresponding charge to operating expense.

Quanta determines the fair value of its reporting units using a weighted combination of the discounted cash flow, market multiple and market capitalization valuation approaches, with heavier weighting on the discounted cash flow method, as in management's opinion, this method currently results in the most accurate calculation of a reporting unit's fair value. Determining the fair value of a reporting unit requires judgment and the use of significant estimates and assumptions. Such estimates and assumptions include revenue growth rates, operating margins, discount rates, weighted average costs of capital and future market conditions, among others. Quanta believes the estimates and assumptions used in its impairment assessments are reasonable and based on available market information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

Under the discounted cash flow method, Quanta determines fair value based on the estimated future cash flows of each reporting unit, discounted to present value using risk-adjusted industry discount rates, which reflect the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. Cash flow projections are derived from budgeted amounts and operating forecasts (typically a two-year model) plus an estimate of later period cash flows, all of which are evaluated by management. Subsequent period cash flows are developed for each reporting unit using growth rates that management believes are reasonably likely to occur, along with a terminal value derived from the reporting unit's earnings before interest, taxes, depreciation and amortization (EBITDA). The EBITDA multiples for each reporting unit are based on trailing twelve-month comparable industry data.

Under the market multiple and market capitalization approaches, Quanta determines the estimated fair value of each of its reporting units by applying transaction multiples to each reporting unit's projected EBITDA and then averaging that estimate with similar historical calculations using either a one, two or three year average. For the market capitalization approach, Quanta adds a reasonable control premium, which is estimated as the premium that would be received in a sale of the reporting unit in an orderly transaction between market participants.

For recently acquired reporting units, a step one impairment test may indicate an implied fair value that is substantially similar to the reporting unit's carrying value. Such similarities in value are generally an indication that management's estimates of future cash flows associated with the recently acquired reporting unit remain relatively consistent with the assumptions that were used to derive its initial fair value. During the fourth quarter of 2012, a goodwill impairment analysis was performed for each of Quanta's reporting units, which indicated that the implied fair value of each of Quanta's reporting units, other than recently acquired reporting units, was substantially in excess of its carrying value. Following the analysis, management concluded that no impairment was indicated at any reporting unit. As discussed generally above, when evaluating the 2012 step one impairment test results, management considered many factors in determining whether or not an impairment of goodwill for any reporting unit was reasonably likely to occur in future periods, including future market conditions and the economic environment in which Quanta's reporting units were operating. Additionally, management considered the sensitivity of its fair value estimates to changes in certain valuation assumptions and, after giving consideration to at least a 10% decrease in the fair value of each of Quanta's reporting units, the results of the assessment at December 31, 2012 did not change. However, circumstances such as market declines, unfavorable economic conditions, the loss of a major customer or other factors could impact the valuation of goodwill in future periods.

Quanta's intangible assets include customer relationships, backlog, trade names, non-compete agreements, patented rights and developed technology, all subject to amortization, along with other intangible assets not subject to amortization. The value of customer relationships is estimated as of the date a business is acquired based on the value-in-use concept utilizing the income approach, specifically the excess earnings method. The excess earnings analysis consists of discounting to present value the projected cash flows attributable to the customer relationships, with consideration given to customer contract renewals, the importance or lack thereof of existing customer relationships to Quanta's business plan, income taxes and required rates of return. Quanta values backlog for acquired businesses as of the acquisition date based upon the contractual nature of the backlog within each service line, using the income approach to discount back to present value the cash flows attributable to the backlog. The value of trade names is estimated using the relief-from-royalty method of the income approach. This approach is based on the assumption that in lieu of ownership, a company would be willing to pay a royalty in order to exploit the related benefits of this intangible asset.

Quanta amortizes intangible assets based upon the estimated consumption of the economic benefits of each intangible asset, or on a straight-line basis if the pattern of economic benefits consumption cannot otherwise be reliably estimated. Intangible assets subject to amortization are reviewed for impairment and are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For instance, a significant change in business climate or a loss of a significant customer, among other things, may trigger the need for interim impairment testing of intangible assets. An impairment loss would be recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

Investments in Affiliates and Other Entities

In the normal course of business, Quanta enters into various types of investment arrangements, each having unique terms and conditions. These investments may include equity interests held by Quanta in business entities, including general or limited partnerships, contractual joint ventures, or other forms of equity participation. These investments may also include Quanta's participation in different finance structures such as the extension of loans to project specific entities, the acquisition of convertible notes issued by project specific entities, or other strategic financing arrangements. Quanta determines whether such investments involve a variable interest entity (VIE) based on the characteristics of the subject entity. If the entity is determined to be a VIE, then management determines if Quanta is the primary beneficiary of the entity and whether or not consolidation of the VIE is required. The primary beneficiary consolidating the VIE must normally have both (i) the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, in either case that could potentially be significant to the VIE. When Quanta is deemed to be the primary beneficiary, the VIE is consolidated and the other party's equity interest in the VIE is accounted for as a noncontrolling interest. In cases where Quanta determines that it has an undivided interest in the assets, liabilities, revenues and profits of an unincorporated VIE (e.g., a general partnership interest), such amounts are consolidated on a basis proportional to Quanta's ownership interest in the unincorporated entity.

Investments in entities of which Quanta is not the primary beneficiary, but over which Quanta has the ability to exercise significant influence, are accounted for using the equity method of accounting. Quanta's share of net income or losses from unconsolidated equity investments is included in equity in earnings of unconsolidated affiliates in the consolidated statements of operations when applicable. Equity investments are reviewed for impairment by assessing whether any decline in the fair value of the investment below the carrying value is other than temporary. In making this determination, factors such as the ability to recover the carrying amount of the investment and the inability of the investee to sustain an earnings capacity are evaluated in determining whether a loss in value should be recognized. Any impairment losses would be recognized in other expense. Equity method investments are carried at original cost and are included in other assets, net in the consolidated balance sheet and are adjusted for Quanta's proportionate share of the investees' income, losses and distributions.

Quanta holds an equity ownership interest of approximately 31% in Howard Midstream Energy Partners, LLC (HEP). HEP is engaged in the business of owning, operating and constructing midstream plant and pipeline assets in the natural gas and oil pipeline industry. Quanta accounts for this investment using the equity method of accounting. During the first quarter of 2013, we invested an additional $8.5 million, along with other HEP members, to provide capital for planned midstream expansion projects. The carrying value of Quanta's investment in HEP was approximately $99.0 million and $90.5 million at March 31, 2013 and December 31, 2012.

Revenue Recognition

Infrastructure Services — Through its Electric Power Infrastructure Services and Natural Gas and Pipeline Infrastructure Services segments, Quanta designs, installs and maintains networks for customers in the electric power and natural gas and oil pipeline industries. These services may be provided pursuant to master service agreements, repair and maintenance contracts and fixed price and non-fixed price installation contracts. Pricing under these contracts may be competitive unit price, cost-plus/hourly (or time and materials basis) or fixed price (or lump sum basis), and the final terms and prices of these contracts are frequently negotiated with the customer. Under unit-based contracts, the utilization of an output-based measurement is appropriate for revenue recognition. Under these contracts, Quanta recognizes revenue as units are completed based on pricing established between Quanta and the customer for each unit of delivery, which best reflects the pattern in which the obligation to the customer is fulfilled. Under cost-plus/hourly and time and materials type contracts, Quanta recognizes revenue on an input basis, as labor hours are incurred and services are performed.

Revenues from fixed price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. These contracts provide for a fixed amount of revenues for the entire project. Such contracts provide that the customer accept completion of progress to date and compensate Quanta for services rendered, which may be measured in terms of units installed, hours expended or some other measure of progress. Contract costs include all direct materials, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Much of the material associated with Quanta's work is owner-furnished and is therefore not included in contract revenues and costs. The cost estimation process is based on professional knowledge and experience of Quanta's engineers, project managers and financial professionals. Changes in job performance, job conditions and final contract settlements are factors that influence management's assessment of total contract value and the total estimated costs to complete those contracts and therefore Quanta's profit recognition. Changes in these factors may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. Provisions for losses on uncompleted contracts are made in the period in which such losses are determined to be probable and the amount can be reasonably estimated.

Quanta may incur costs subject to change orders, whether approved or unapproved by the customer, and/or claims related to certain contracts. Quanta determines the probability that such costs will be recovered based upon evidence such as past practices with the customer, specific discussions or preliminary negotiations with the customer or verbal approvals. Quanta treats items as a cost of contract performance in the period incurred if it is not probable that the costs will be recovered or will recognize revenue if it is probable that the contract price will be adjusted and can be reliably estimated. As of March 31, 2013 and December 31, 2012, Quanta had approximately $222.4 million and $205.0 million of change orders and/or claims that had been included as contract price adjustments on certain contracts which were in the process of being negotiated in the normal course of business. These contract price adjustments represent management's best estimate of additional contract revenues which have been earned and which management believes are probable of collection. The amounts ultimately realized by Quanta upon final acceptance by its customers could be higher or lower than such estimated amounts.

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

Fiber Optic Licensing — The fiber optic licensing business constructs and licenses the right to use fiber optic telecommunications facilities to its customers pursuant to licensing agreements, typically with terms from five to twenty-five years, inclusive of certain renewal options. Under those agreements, customers are provided the right to use a portion of the capacity of a fiber optic facility, with the facility owned and maintained by Quanta. Revenues, including any initial fees or advance billings, are recognized ratably over the expected length of the agreements, including probable renewal periods. As of March 31, 2013 and December 31, 2012, initial fees and advance billings on these licensing agreements not yet recorded in revenue were $46.3 million and $46.4 million and are recognized as deferred revenue, with $37.1 million and $37.7 million considered to be long-term and included in other non-current liabilities. Minimum future licensing revenues expected to be recognized by Quanta pursuant to these agreements at March 31, 2013 are as follows (in thousands):

	Minimum Future Licensing Revenues
Year Ending December 31 —	
Remainder of 2013	$ 65,836
2014	64,776
2015	42,392
2016	33,085
2017	24,975
Thereafter	128,314
Fixed non-cancelable minimum licensing revenues	$ 359,378

Income Taxes

Quanta follows the liability method of accounting for income taxes. Under this method, deferred tax 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 are expected to be in effect when the underlying assets or liabilities are recovered or settled.

Quanta regularly evaluates valuation allowances established for deferred tax assets for which future realization is uncertain. The estimation of required valuation allowances includes estimates of future taxable income. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Quanta considers projected future taxable income and tax planning strategies in making this assessment. If actual future taxable income differs from these estimates, Quanta may not realize deferred tax assets to the extent estimated.

Quanta records reserves for income taxes related to certain tax positions in those instances where Quanta considers it more likely than not that additional taxes may be due in excess of amounts reflected on income tax returns filed. When recording reserves for expected tax consequences of uncertain positions, Quanta assumes that taxing authorities have full knowledge of the position and all relevant facts. Quanta continually reviews exposure to additional tax obligations, and as further information is known or events occur, changes in tax reserves may be recorded. To the extent interest and penalties may be assessed by taxing authorities on any underpayment of income tax, such amounts have been accrued and are classified in the provision for income taxes.

As of March 31, 2013, the total amount of unrecognized tax benefits relating to uncertain tax positions was $53.5 million, an increase from December 31, 2012 of $2.3 million. This increase in unrecognized tax benefits primarily relates to tax positions expected to be taken for 2013. Certain subsidiaries are under examination by various state and Canadian tax authorities for multiple periods. Quanta believes that it is reasonably possible that within the next 12 months unrecognized tax benefits may decrease up to $11.5 million as a result of settlements of these audits or as a result of the expiration of certain statutes of limitations.

The income tax laws and regulations are voluminous and are often ambiguous. As such, Quanta is required to make many subjective assumptions and judgments regarding its tax positions that could materially affect amounts recognized in its future consolidated balance sheets, statements of operations and comprehensive income.

Earnings Per Share

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period, and diluted earnings per share is computed using the weighted average number of common shares outstanding during the period adjusted for all potentially dilutive common stock equivalents, except in cases where the effect of the common stock equivalent would be antidilutive.

Collective Bargaining Agreements

Several of Quanta's operating units are parties to various collective bargaining agreements with unions that represent certain of their employees. The collective bargaining agreements expire at various times and have typically been renegotiated and renewed on terms similar to those in the expiring agreements. The agreements require the operating units to pay specified wages, provide certain benefits to their union employees and contribute certain amounts to multi-employer pension plans and employee benefit trusts. Quanta's multi-employer pension plan contribution rates generally are specified in the collective bargaining agreements (usually on an annual basis), and contributions are made to the plans on a "pay-as-you-go" basis based on its union employee payrolls, which cannot be determined for future periods because the location and number of union employees that Quanta employs at any given time and the plans in which they may participate vary depending on the projects Quanta has ongoing at any time and the need for union resources in connection with those projects.

Stock-Based Compensation

Quanta recognizes compensation expense for restricted stock and restricted stock units (RSUs) to be settled in stock based on the fair value of the awards granted, net of estimated forfeitures, at the date of grant. The fair value of restricted stock awards and RSUs to be settled in stock is determined based on the number of shares or RSUs granted and the closing price of Quanta's common stock on the date of grant. An estimate of future forfeitures is required in determining the period expense. Quanta uses historical data to estimate the forfeiture rate; however, these estimates are subject to change and may impact the value that will ultimately be realized as compensation expense. The resulting compensation expense from discretionary awards is recognized on a straight-line basis over the requisite service period, which is generally the vesting period, while compensation expense from performance-based awards is recognized using the graded vesting method over the requisite service period. Restricted stock awards and RSUs to be settled in stock are subject to forfeiture, restrictions on transfer and certain other conditions until vesting. During the restriction period, holders of restricted stock are entitled to vote and receive dividends on such shares. The cash flows resulting from the tax deductions in excess of the compensation expense recognized for restricted stock, RSUs to be settled in stock and stock options (excess tax benefit) are classified as financing cash flows.

Compensation expense associated with liability based awards such as RSUs that are expected to be settled in cash is recognized based on a remeasurement of the fair value of the award at the end of each reporting period. RSUs to be settled in cash granted by Quanta under the Plans are intended to provide plan participants with cash performance incentives that are substantially equivalent to the risks and rewards of equity ownership in Quanta. RSUs to be settled in cash vest over a designated period, typically three years, and are subject to forfeiture under certain conditions, primarily termination of service. Upon vesting of RSUs to be settled in cash, the holders receive for each vested RSU an amount in cash equal to the fair market value on the vesting date of one share of Quanta common stock, as specified in the applicable award agreement. Generally, RSUs granted to plan participants residing in the U.S. provide for settlement in shares of common stock, and RSUs granted to plan participants residing outside the U.S. provide for settlement in cash.

Functional Currency and Translation of Financial Statements

The U.S. dollar is the functional currency for the majority of Quanta's operations, which are primarily located within the United States. The functional currency for Quanta's foreign operations, which are primarily located in Canada, is typically the currency of the country in which the foreign operating unit is located. Generally, the currency in which the operating unit transacts a majority of its activities, including billings, financing, payroll and other expenditures, would be considered the functional currency. Under the relevant accounting guidance, the treatment of foreign currency translation gains or losses is dependent upon management's determination of the functional currency of each operating unit, which involves consideration of all relevant economic facts and circumstances affecting the operating unit. In preparing the consolidated financial statements, Quanta translates the financial statements of its foreign operating units from their functional currency into U.S. dollars. Statements of operations, comprehensive income and cash flows are translated at average monthly rates, while balance sheets are translated at the month-end exchange rates. The translation of the balance sheets at the month-end exchange rates results in translation gains or losses. If transactions are denominated in the operating units' functional currency, the translation gains and losses are included as a separate component of equity under the caption "Accumulated other comprehensive income (loss)." If transactions are not denominated in the operating units' functional currency, the translation gains and losses are included within the statement of operations.

Comprehensive Income

Components of comprehensive income include all changes in equity during a period except those resulting from changes in Quanta's capital related accounts. Quanta records other comprehensive income (loss), net of tax, for foreign currency translation adjustments related to its foreign operations and for other revenues, expenses, gains and losses that are included in comprehensive income, but excluded from net income.

Litigation Costs and Reserves

Quanta records reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Costs incurred for litigation are expensed as incurred. Further details are presented in Note 9.

Fair Value Measurements

The carrying values of cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of these instruments. For disclosure purposes, qualifying assets and liabilities are categorized into three broad levels based on the priority of the inputs used to determine their fair values. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). All of Quanta's cash equivalents are categorized as Level 1 assets at March 31, 2013 and December 31, 2012, as all values are based on unadjusted quoted prices for identical assets in an active market that Quanta has the ability to access.

In connection with Quanta's acquisitions, identifiable intangible assets acquired include goodwill, backlog, customer relationships, trade names, covenants not-to-compete, patented rights and developed technology. Quanta utilizes the fair value premise as the primary basis for its valuation procedures, which is a market-based approach to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Quanta periodically engages the services of an independent valuation firm when a new business is acquired to assist management with this valuation process, including assistance with the selection of appropriate valuation methodologies and the development of market-based valuation assumptions. Based on these considerations, management utilizes various valuation methods, including an income approach, a market approach and a cost approach, to determine the fair value of intangible assets acquired based on the appropriateness of each method in relation to the type of asset being valued. The assumptions used in these valuation methods are analyzed and compared, where possible, to available market data, such as industry-based weighted average costs of capital and discount rates, trade name royalty rates, public company valuation multiples and recent market acquisition multiples. The level of inputs used for these fair value measurements is the lowest level (Level 3). Quanta believes that these valuation methods appropriately represent the methods that would be used by other market participants in determining fair value.

Quanta uses fair value measurements on a routine basis in its assessment of assets classified as goodwill, other intangible assets and long-lived assets held and used. In accordance with its annual impairment test during the quarter ended December 31, 2012, the carrying amounts of such assets, including goodwill, were compared to their fair values. The inputs used for fair value measurements for goodwill, other intangible assets and long-lived assets held and used are the lowest level (Level 3) inputs, and Quanta uses the assistance of third party specialists to develop valuation assumptions.

Quanta also uses fair value measurements in connection with the valuation of its investments in private company equity interests and financing instruments. These valuations require significant management judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. Typically, the initial costs of these investments are considered to represent fair market value, as such amounts are negotiated between willing market participants. On a quarterly basis, Quanta performs an evaluation of its investments to determine if an other-than-temporary decline in the value of each investment has occurred and whether the recorded amount of each investment will be realizable. If an other-than-temporary decline in the value of an investment occurs, a fair value analysis would be performed to determine the degree to which the investment was impaired and a corresponding charge to earnings would be recorded during the period. These types of fair market value assessments are similar to other nonrecurring fair value measures used by Quanta, which include the use of significant judgment and available relevant market data. Such market data may include observations of the valuation of comparable companies, risk adjusted discount rates and an evaluation of the expected performance of the underlying portfolio asset, including historical and projected levels of profitability or cash flows. In addition, a variety of additional factors will be reviewed by management, including, but not limited to, contemporaneous financing and sales transactions with third parties, changes in market outlook and the third-party financing environment.

3. NEW ACCOUNTING PRONOUNCEMENTS:

Adoption of New Accounting Pronouncements

On January 1, 2013, Quanta adopted an update that gives entities an option to first assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that its indefinite-lived intangible assets are impaired. If, based on its qualitative assessment, an entity concludes that it is more likely than not that the fair value of its indefinite-lived intangible assets is less than their carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. The adoption of this standard did not have a material effect on Quanta's consolidated financial statements.

Accounting Standards Not Yet Adopted

There were no significant accounting pronouncements issued but not yet adopted as of March 31, 2013.

4. GOODWILL AND OTHER INTANGIBLE ASSETS:

A summary of changes in Quanta's goodwill is as follows (in thousands):

	Electric Power Division	Natural Gas and Pipeline Division	Fiber Optic Licensing Division	Total
Goodwill balance at December 31, 2012	$ 1,065,152	$ 137,703	$ 334,790	$ 1,537,645
Goodwill acquired during 2013	1,052	—	—	1,052
Foreign currency translation related to goodwill	(2,941)	39	—	(2,902)
Goodwill balance at March 31, 2013	$ 1,063,263	$ 137,742	$ 334,790	$ 1,535,795

As described in Note 2, Quanta's operating units are organized into one of Quanta's three internal divisions and accordingly, Quanta's goodwill associated with each of its operating units has been aggregated on a divisional basis and reported in the table above. These divisions are closely aligned with Quanta's reportable segments based on the predominant type of work performed by the operating units within the divisions. From time to time, operating units may be reorganized among Quanta's internal divisions, as Quanta periodically re-evaluates strategies to better align its operations as business environments evolve.

Activity in Quanta's intangible assets consists of the following (in thousands):

	As of December 31, 2012		Three Months Ended March 31, 2013			As of March 31, 2013	
	Intangible Assets	Accumulated Amortization	Amortization Expense	Additions	Foreign Currency Adjustments	Intangible Assets, Net	Remaining Weighted Average Amortization Period in Years
Customer relationships	$170,465	$ (47,777)	$ (2,804)	$ 483	$ (727)	$119,640	10.9
Backlog	126,057	(119,068)	(1,104)	393	(14)	6,264	2.0
Trade names	32,559	(3,014)	(271)	—	(102)	29,172	27.0
Non-compete agreements	27,406	(20,706)	(589)	44	(67)	6,088	3.0
Patented rights and developed technology	20,931	(7,517)	(533)	—	(30)	12,851	6.7
Total intangible assets subject to amortization	377,418	(198,082)	(5,301)	920	(940)	174,015	12.7
Other intangible assets not subject to amortization	4,500	—	—	—	—	4,500	N/A
Total intangible assets	$381,918	$ (198,082)	$ (5,301)	$ 920	$ (940)	$178,515	N/A

Amortization expense for intangible assets was $5.3 million and $9.2 million for the three months ended March 31, 2013 and 2012. The estimated future aggregate amortization expense of intangible assets as of March 31, 2013 is set forth below (in thousands):

For the Fiscal Year Ending December 31 —	
Remainder of 2013	$ 15,161
2014	18,363
2015	15,961
2016	15,093
2017	14,110
Thereafter	95,327
Total	$ 174,015

5. PER SHARE INFORMATION:

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period, and diluted earnings per share is computed using the weighted average number of common shares outstanding during the period adjusted for all potentially dilutive common stock equivalents, except in cases where the effect of the common stock equivalent would be antidilutive. The amounts used to compute the basic and diluted earnings per share for the three months ended March 31, 2013 and 2012 are illustrated below (in thousands):

	Three Months Ended March 31,	
	2013	2012
AMOUNTS ATTRIBUTABLE TO COMMON STOCK:		
Net income from continuing operations	$ 72,081	$ 45,798
Net loss from discontinued operations	—	(91)
Net income attributable to common stock	$ 72,081	$ 45,707
WEIGHTED AVERAGE SHARES:		
Weighted average shares outstanding for basic earnings per share	213,453	211,481
Effect of dilutive stock options	59	111
Weighted average shares outstanding for diluted earnings per share	213,512	211,592

For purposes of calculating diluted earnings per share, there were no adjustments required to derive Quanta's net income attributable to common stock. For the three months ended March 31, 2013 and 2012, a nominal number of stock options were excluded from the computation of diluted earnings per share because the exercise prices of the stock options were greater than the average market price of Quanta's common stock. The outstanding exchangeable shares of a Canadian subsidiary of Quanta that were issued pursuant to the acquisition of Valard Construction LP and certain of its affiliated entities (Valard) on October 25, 2010, which are exchangeable on a one-for-one basis with shares of Quanta common stock, are included in weighted average shares outstanding for basic and diluted earnings per share for the three months ended March 31, 2013 and 2012.

6. DEBT OBLIGATIONS:

Credit Facility

Quanta has a credit agreement with various lenders that provides for a $700.0 million senior secured revolving credit facility maturing on August 2, 2016. Up to $100.0 million of the facility is available for revolving loans and letters of credit in certain alternative currencies in addition to the U.S. dollar. Borrowings under the credit agreement are to be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes.

As of March 31, 2013, Quanta had approximately $183.6 million of letters of credit issued and no outstanding borrowings under the credit facility. The remaining $516.4 million was available for borrowings or issuing new letters of credit.

Amounts borrowed under the credit agreement in U.S. dollars bear interest, at Quanta's option, at a rate equal to either (a) the Eurocurrency Rate (as defined in the credit agreement) plus 1.25% to 2.50%, as determined based on Quanta's Consolidated Leverage Ratio (as described below), plus, if applicable, any Mandatory Cost (as defined in the credit agreement) required to compensate lenders for the cost of compliance with certain European regulatory requirements, or (b) the Base Rate (as described below) plus 0.25% to 1.50%, as determined based on Quanta's Consolidated Leverage Ratio. Amounts borrowed under the credit agreement in any currency other than U.S. dollars bear interest at a rate equal to the Eurocurrency Rate plus 1.25% to 2.50%, as determined based on Quanta's Consolidated Leverage Ratio, plus, if applicable, any Mandatory Cost. Standby letters of credit issued under the credit agreement are subject to a letter of credit fee of 1.25% to 2.50%, based on Quanta's Consolidated Leverage Ratio, and Performance Letters of Credit (as defined in the credit agreement) issued under the credit agreement in support of certain contractual obligations are subject to a letter of credit fee of 0.75% to 1.50%, based on Quanta's Consolidated Leverage Ratio. Quanta is also subject to a commitment fee of 0.20% to 0.45%, based on Quanta's Consolidated Leverage Ratio, on any unused availability under the credit agreement. The Consolidated Leverage Ratio is the ratio of Quanta's total funded debt to Consolidated EBITDA (as defined in the credit agreement). For purposes of calculating both the Consolidated Leverage Ratio and the maximum senior debt to Consolidated EBITDA ratio discussed below, total funded debt and total senior debt are reduced by all unrestricted cash and Cash Equivalents (as defined in the credit agreement) held by Quanta in excess of $25.0 million. The Base Rate equals the highest of (i) the Federal Funds Rate (as defined in the credit agreement) plus 1/2 of 1%, (ii) Bank of America's prime rate and (iii) the Eurocurrency Rate plus 1.00%.

Subject to certain exceptions, the credit agreement is secured by substantially all of the assets of Quanta and its wholly owned U.S. subsidiaries, and by a pledge of all of the capital stock of Quanta's wholly owned U.S. subsidiaries and 65% of the capital stock of the direct foreign subsidiaries of Quanta or its wholly owned U.S. subsidiaries. Quanta's wholly owned U.S. subsidiaries also guarantee the repayment of all amounts due under the credit agreement. Subject to certain conditions, at any time Quanta maintains a corporate credit rating that is BBB- (stable) or higher by Standard & Poor's Rating Services and a corporate family rating that is Baa3 (stable) or higher by Moody's Investors Services, all collateral will be automatically released from these liens.

The credit agreement contains certain covenants, including a maximum Consolidated Leverage Ratio and a minimum interest coverage ratio, in each case as specified in the credit agreement. The credit agreement also contains a maximum senior debt to Consolidated EBITDA ratio, as specified in the credit agreement, which will be in effect at any time that the collateral securing the credit agreement has been and remains released. The credit agreement limits certain acquisitions, mergers and consolidations, indebtedness, capital expenditures, asset sales and prepayments of indebtedness and, subject to certain exceptions, prohibits liens on assets. The credit agreement also includes limits on the payment of dividends and stock repurchase programs in any fiscal year except those payments or other distributions payable solely in capital stock. As of March 31, 2013, Quanta was in compliance with all of the covenants in the credit agreement.

The credit agreement provides for customary events of default and includes cross-default provisions with Quanta's underwriting, continuing indemnity and security agreement with its sureties and all of Quanta's other debt instruments exceeding $30.0 million in borrowings or availability. If an event of default (as defined in the credit agreement) occurs and is continuing, on the terms and subject to the conditions set forth in the credit agreement, amounts outstanding under the credit agreement may be accelerated and may become or be declared immediately due and payable.

7. EQUITY:

Exchangeable Shares and Series F Preferred Stock

In connection with the acquisition of Valard on October 25, 2010, certain former owners of Valard received exchangeable shares of a Canadian subsidiary of Quanta which may be exchanged at the option of the holder for Quanta common stock on a one-for-one basis. The holders of exchangeable shares can make an exchange only once in any calendar quarter and must exchange a minimum of either 50,000 shares or, if less, the total number of remaining exchangeable shares registered in the name of the holder making the request. Quanta also issued one share of Quanta Series F preferred stock to a voting trust on behalf of the holders of the exchangeable shares. The Series F preferred stock provides the holders of the exchangeable shares voting rights in Quanta common stock equivalent to the number of exchangeable shares outstanding at any time. The combination of the exchangeable shares and the share of Series F preferred stock gives the holders of the exchangeable shares rights equivalent to Quanta common stockholders with respect to dividends, voting and other economic rights. During the quarter ended March 31, 2013, 409,110 exchangeable shares were exchanged for Quanta common stock.

Treasury Stock

Under the stock incentive plans described in Note 8, the tax withholding obligations of employees upon vesting of restricted stock awards and RSUs to be settled in common stock are typically satisfied by Quanta making such tax payments and withholding a number of vested shares having a value on the date of vesting equal to the tax withholding obligation. As a result, Quanta withheld 296,874 and 283,366 shares of Quanta common stock during the three months ended March 31, 2013 and 2012, with a total market value of $9.7 million and $6.0 million, in each case for settlement of employee tax liabilities. These shares and the related cost to acquire them were accounted for as an adjustment to the balance of treasury stock.

Noncontrolling Interests

Quanta holds investments in several joint ventures that provide infrastructure services under specific customer contracts. Each joint venture is owned equally by its members. Quanta has determined that certain of these joint ventures are variable interest entities, with Quanta providing the majority of the infrastructure services to the joint venture, which management believes most significantly influences the economic performance of the joint venture. Management has concluded that Quanta is the primary beneficiary of each of these joint ventures and has accounted for each on a consolidated basis. The other parties' equity interests in these joint ventures have been accounted for as a noncontrolling interest in the condensed consolidated financial statements. Income attributable to the other joint venture members has been accounted for as a reduction of reported net income attributable to common stock in the amount of $4.8 million and $4.3 million for the three months ended March 31, 2013 and 2012. Equity in the consolidated assets and liabilities of these joint ventures that is attributable to the other joint venture members has been accounted for as a component of noncontrolling interests within total equity in the accompanying balance sheets.

The carrying value of the investments held by Quanta in all of its variable interest entities was approximately $4.7 million and $5.4 million at March 31, 2013 and December 31, 2012. The carrying value of investments held by the noncontrolling interests in these variable interest entities at March 31, 2013 and December 31, 2012 was $4.7 million and $5.4 million. During the three months ended March 31, 2013 and 2012, distributions to noncontrolling interests were $5.5 million and $2.5 million. There were no other changes in equity as a result of transfers to/from the noncontrolling interests during the three months ended March 31, 2013 or 2012. See Note 9 for further disclosures related to Quanta's joint venture arrangements.

8. EQUITY-BASED COMPENSATION:

Stock Incentive Plans

On May 19, 2011, Quanta's stockholders approved the Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan (the 2011 Plan). The 2011 Plan provides for the award of non-qualified stock options, incentive (qualified) stock options (ISOs), stock appreciation rights, restricted stock, RSUs, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. The purpose of the 2011 Plan is to provide participants with additional performance incentives by increasing their proprietary interest in Quanta. Employees, directors, officers, consultants or advisors of Quanta or its affiliates are eligible to participate in the 2011 Plan, as are prospective employees, directors, officers, consultants or advisors of Quanta who have agreed to serve Quanta in those capacities. An aggregate of 11,750,000 shares of Quanta common stock may be issued pursuant to awards granted under the 2011 Plan.

Additionally, pursuant to the Quanta Services, Inc. 2007 Stock Incentive Plan (the 2007 Plan), which was adopted on May 24, 2007, Quanta may award restricted stock, incentive stock options and non-qualified stock options to eligible employees, directors, and certain consultants and advisors. An aggregate of 4,000,000 shares of common stock may be issued pursuant to awards granted under the 2007 Plan. Quanta also has a Restricted Stock Unit Plan (the RSU Plan), pursuant to which RSUs may be awarded to certain employees and consultants of Quanta's Canadian operations.

Equity awards also remain outstanding under a prior plan adopted by Quanta, as well as under plans assumed by Quanta in connection with its acquisition of InfraSource Services, Inc. in 2007. While no further awards may be made under these plans, the awards outstanding under the plans continue to be governed by their terms. These plans, together with the 2011 Plan, the 2007 Plan and the RSU Plan, are referred to as the Plans.

Restricted Stock and Restricted Stock Units To Be Settled in Common Stock

During the three months ended March 31, 2013 and 2012, Quanta granted 1.3 million and 1.1 million shares of restricted stock and RSUs to be settled in common stock under the Plans with a weighted average grant date fair value of $29.47 and $21.65. The grant date fair value for awards of restricted stock and RSUs to be settled in common stock is based on the market value of Quanta common stock on the date of grant. Restricted stock and RSU awards to be settled in common stock are subject to forfeiture, restrictions on transfer and certain other conditions until vesting, which generally occurs over three years in equal annual installments. During the restriction period, holders are entitled to vote and receive dividends on such shares.

During the three months ended March 31, 2013 and 2012, 0.9 million and 0.8 million shares of restricted stock vested, with an approximate fair value at the time of vesting of $24.3 million and $16.6 million.

As of March 31, 2013, there was approximately $45.2 million of total unrecognized compensation cost related to unvested restricted stock and RSUs to be settled in common stock granted to both employees and non-employees. This cost is expected to be recognized over a weighted average period of 2.30 years.

Restricted Stock Units To Be Settled in Cash

Certain RSUs granted by Quanta under the Plans are intended to provide plan participants with cash performance incentives that are substantially equivalent to the risks and rewards of equity ownership in Quanta. These RSUs to be settled in cash vest over a designated period, typically three years, and are subject to forfeiture under certain conditions, primarily termination of service. Upon vesting of these RSUs, the holders receive for each vested RSU an amount in cash equal to the fair market value on the vesting date of one share of Quanta common stock, as specified in the applicable award agreement. Generally, RSUs granted to plan participants residing in the U.S. provide for settlement in shares of common stock, and RSUs granted to plan participants residing outside the U.S. provide for settlement in cash.

Compensation expense related to RSUs to be settled in cash was $0.6 million and $0.4 million for the three months ended March 31, 2013 and 2012. Such expense is recorded in selling, general and administrative expenses. RSUs that may be settled only in cash are not included in the calculation of earnings per share, and the estimated earned value of such RSUs is classified as a liability. Quanta paid $0.5 million and $0.3 million to settle liabilities related to RSUs in the three months ended March 31, 2013 and 2012. Liabilities recorded for the estimated earned value of the RSUs outstanding to be settled in cash were $0.9 million and $0.8 million at March 31, 2013 and December 31, 2012.

9. COMMITMENTS AND CONTINGENCIES:

Investments in Affiliates and Other Entities

As described in Note 7, Quanta holds investments in certain joint ventures with third parties for the purpose of providing infrastructure services under certain customer contracts. Losses incurred by these joint ventures are shared equally by the joint venture members. However, each member of the joint venture is jointly and severally liable for all of the obligations of the joint venture under the contract with the customer and therefore can be liable for full performance of the contract with the customer. In circumstances where Quanta's participation in a joint venture qualifies as a general partnership, the joint venture partners are jointly and severally liable for all of the obligations of the joint venture including obligations owed to the customer or any other person or entity. Quanta is not aware of circumstances that would lead to future claims against it for material amounts in connection with these joint and several liabilities.

In the joint venture arrangements entered into by Quanta, each joint venturer indemnifies the other party for any liabilities incurred in excess of the liabilities such other party is obligated to bear under the respective joint venture agreement. It is possible, however, that Quanta could be required to pay or perform obligations in excess of its share if the other joint venturer failed or refused to pay or perform its share of the obligations. Quanta is not aware of circumstances that would lead to future claims against it for material amounts that would not be indemnified.

Leases

Quanta leases certain land, buildings and equipment under non-cancelable lease agreements, including related party leases. The terms of these agreements vary from lease to lease, including some with renewal options and escalation clauses. The following schedule shows the future minimum lease payments under these leases as of March 31, 2013 (in thousands):

	Operating Leases
Year Ending December 31 —	
Remainder of 2013	$ 20,603
2014	21,498
2015	17,091
2016	13,583
2017	8,280
Thereafter	17,376
Total minimum lease payments	$ 98,431

Rent expense related to operating leases was approximately $24.3 million and $21.8 million for the three months ended March 31, 2013 and 2012.

Quanta has guaranteed the residual value on certain of its equipment operating leases. Quanta has agreed to pay any difference between this residual value and the fair market value of the underlying asset at the date of termination of the leases. At March 31, 2013, the maximum guaranteed residual value was approximately $239.0 million. Quanta believes that no significant payments will be made as a result of the difference between the fair market value of the leased equipment and the guaranteed residual value. However, there can be no assurance that significant payments will not be required in the future.

Committed Capital Expenditures

Quanta has committed capital for the expansion of its fiber optic network, although Quanta typically does not commit capital to new network expansions until it has a committed licensing arrangement in place with at least one customer. The amounts of committed capital expenditures are estimates of costs required to build the networks under contract. The actual capital expenditures related to building the networks could vary materially from these estimates. As of March 31, 2013, Quanta estimates these committed capital expenditures to be approximately $32.9 million for the period April 1, 2013 through December 31, 2013, $2.9 million for 2014 and $0.4 million for 2015. Quanta also committed capital for the expansion of its vehicle fleet in order to accommodate manufacturer lead times on certain types of vehicles. As of March 31, 2013, production orders for approximately $20.5 million had been issued with delivery dates expected to occur throughout 2013. Although Quanta has committed to purchase these vehicles at the time of their delivery, Quanta intends that these orders will be assigned to third party leasing companies and made available to Quanta under certain of its master equipment lease agreements, which will release Quanta from its capital commitment.

Litigation and Claims

Quanta is from time to time party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, employment-related damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, Quanta records a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In addition, Quanta discloses matters for which management believes a material loss is at least reasonably possible. Except as otherwise stated below, none of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on Quanta's consolidated financial position, results of operations or cash flows. In all instances, management has assessed the matter based on current information and made a judgment concerning its potential outcome, giving due consideration to the nature of the claim, the amount and nature of damages sought and the probability of success. Management's judgment may prove materially inaccurate, and such judgment is made subject to the known uncertainties of litigation.

California Fire Claim — Amador County. In October 2004, a wildfire in Amador County, California, burned 16,800 acres. The United States Forest Service alleged that the fire originated as a result of the activities of a Quanta subsidiary crew performing vegetation management under a contract with Pacific Gas & Electric Co. (PG&E). In November 2007, the United States Department of Agriculture (USDA) sent a written demand to the Quanta subsidiary for payment of fire suppression costs of approximately $8.5 million. Quanta recorded a liability and corresponding insurance recovery receivable of approximately $8.5 million associated with this matter based on the written demand received from the USDA.

The USDA informally communicated that it also intends to seek past and future restoration and other damages of approximately $51.3 million, as well as other unspecified damages. PG&E tendered defense and indemnification for the matter to Quanta in 2010. On August 3, 2012, the USDA filed suit in the United States

District Court, Eastern District of California, against Quanta, its subsidiary and PG&E, seeking unspecified damages for fire suppression costs, rehabilitation and restoration expenses, and loss of timber, habitat and environmental values, among other things, including recovery of fees and expenses.

Quanta notified its insurers, and two insurers participated under a reservation of rights. Two other insurers also participated but did not state a position regarding coverage. In January 2013, Quanta and its subsidiary filed a lawsuit in Amador County seeking a declaration that the insurers have a duty at their respective levels to pay any damages resulting from the USDA claims. The parties attended mediation in January 2013. While a resolution was not reached at the mediation, the parties continued negotiating through the mediator. As a result of those continued negotiations, a settlement-in-principle was reached with the USDA, subject to approval by the United States Department of Justice, for an amount within Quanta's available insurance coverages. However, should the terms of the settlement-in-principle fail to be agreed in writing by the parties and approved by the Department of Justice, these claims could result in a significant uninsured loss and a material adverse effect on Quanta's consolidated financial condition, results of operations and cash flows.

National Gas Company of Trinidad and Tobago Arbitration. On October 1, 2010, Mears Group, Inc. (Mears), a wholly owned subsidiary of Quanta, filed a request for arbitration with the International Chamber of Commerce (ICC) in London against the National Gas Company of Trinidad and Tobago (NGC). The request for arbitration arises out of a contract between Mears and NGC for horizontal directional drilling (HDD) services in connection with a shore approach of a natural gas pipeline. During pullback of the pipeline, a component on the drill rig operated by Mears failed, and the pipeline was lodged downhole. Subsequent efforts to salvage the pipeline by NGC, Mears, and other parties failed to dislodge the pipeline. NGC subsequently hired a separate HDD contractor to complete reworks.

Mears alleges breach of contract, among other things, and seeks recovery for works performed, standby costs, demobilization costs, and other expenses, totaling approximately $16.5 million, including taxes, and additionally seeks recovery of pre-judgment interest and attorneys' fees and expenses. Mears contends in the arbitration that NGC breached the contract between the parties by providing a pipeline with insufficient buoyancy, weighing significantly more than the weight specified in the contract. In addition, Mears argues that NGC failed to provide a contractually required builders all-risk insurance policy naming Mears as an additional insured, which would have covered losses associated with a pullback failure. Moreover, Mears asserts that NGC agreed to indemnify Mears for losses to NGC's equipment for events occurring during the project, and that any recovery by NGC is therefore barred.

NGC counterclaimed in the arbitration, asserting that Mears breached the contract and performed negligently by failing to provide a drilling component capable of withstanding loads during pullback and providing a hole of insufficient cleanliness such that debris and other materials contributed to excess forces experienced during Mears' pullback of the pipeline. NGC seeks recovery for the costs of the salvage operations, the cost of the reworks, as well as other costs, totaling approximately $79.5 million, and additionally seeks recovery of pre-judgment interest and attorneys' fees and expenses.

The arbitration hearings were completed during the third quarter of 2012, but no decision has been rendered. Mears also notified its insurers of the counterclaims, and although coverage was denied, Mears is continuing to pursue its insurers for coverage. Due to the nature of these claims, however, an adverse result in these proceedings could result in a significant uninsured loss that could have a material adverse effect on Quanta's consolidated financial condition, results of operations and cash flows.

Concentrations of Credit Risk

Quanta is subject to concentrations of credit risk related primarily to its cash and cash equivalents and accounts receivable, including amounts related to unbilled accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts. Substantially all of Quanta's cash investments are managed by what it believes to be high credit quality financial institutions. In accordance with Quanta's investment policies, these institutions are authorized to invest this cash in a diversified portfolio of what Quanta believes to be high quality investments, which consist primarily of interest-bearing demand deposits, money market mutual funds and investment grade commercial paper with original maturities of three months or less. Although Quanta does not currently believe the principal amount of these investments is subject to any material risk of loss, changes in economic conditions could impact the interest income Quanta receives from these investments. In addition, Quanta grants credit under normal payment terms, generally without collateral, to its customers, which include electric power, natural gas and oil pipeline companies, governmental entities, general contractors, and builders, owners and managers of commercial and industrial properties located primarily in the United States and Canada. Consequently, Quanta is subject to potential credit risk related to changes in business and economic factors throughout the United States and Canada, which may be heightened as a result of uncertain economic and financial market conditions that have existed in recent years. However, Quanta generally has certain statutory lien rights with respect to services provided. Historically, some of Quanta's customers have experienced significant financial difficulties, and others may experience financial difficulties in the future. These difficulties expose Quanta to increased risk related to collectability of billed and unbilled receivables and costs and estimated earnings in excess of billings on uncompleted contracts for services Quanta has performed. As of March 31 2013, two customers accounted for approximately 19% and 11% of consolidated billed and accrued accounts receivable. As of December 31, 2012, two customers accounted for approximately 16% and 11% of consolidated billed and accrued accounts receivable. Substantially all of the balance for the customer with 11% of consolidated billed and accrued accounts receivable as of March 31, 2013 and December 31, 2012 relates to one contract and is comprised primarily of certain contract change orders for which the customer acceptance process is ongoing. The services provided to these customers with billed and accrued accounts receivable balances greater than 10% of the consolidated balance relate primarily to Quanta's Electric Power Infrastructure Services segment. For the three months ended March 31, 2013, one customer accounted for approximately 14% of consolidated revenues. The services provided to this customer relate primarily to Quanta's Electric Power Infrastructure Services segment. No other customers represented 10% or more of revenues for the three months ended March 31, 2013 and 2012 or of billed and accrued accounts receivable as of March 31, 2013 and December 31, 2012.

Self-Insurance

Quanta is insured for employer's liability, general liability, auto liability and workers' compensation claims. Since August 1, 2009, all policy deductible levels are $5.0 million per occurrence, other than employer's liability, which is subject to a deductible of $1.0 million. Quanta also has employee health care benefit plans for most employees not subject to collective bargaining agreements, of which the primary plan is subject to a deductible of $375,000 per claimant per year.

Losses under all of these insurance programs are accrued based upon Quanta's estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries. These insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the extent of damage, the determination of Quanta's liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals are adequate. As of March 31, 2013 and December 31, 2012, the gross amount accrued for insurance claims totaled $167.9 million and $160.8 million, with $125.7 million and $120.2 million considered to be long-term and included in other non-current liabilities. Related insurance recoveries/receivables as of March 31, 2013 and December 31, 2012 were $22.4 million and $22.2 million, of which $2.2 million and $2.3 million are included in prepaid expenses and other current assets and $20.2 million and $19.9 million are included in other assets, net.

Quanta renews its insurance policies on an annual basis, and therefore deductibles and levels of insurance coverage may change in future periods. In addition, insurers may cancel Quanta's coverage or determine to exclude certain items from coverage, or Quanta may elect not to obtain certain types or incremental levels of insurance if it believes that the cost to obtain such coverage exceeds the additional benefits obtained. In any such event, Quanta's overall risk exposure would increase, which could negatively affect its results of operations, financial condition and cash flows.

Letters of Credit

Certain of Quanta's vendors require letters of credit to ensure reimbursement for amounts they are disbursing on its behalf, such as to beneficiaries under its self-funded insurance programs. In addition, from time to time, certain customers require Quanta to post letters of credit to ensure payment to its subcontractors and vendors and to guarantee performance under its contracts. Such letters of credit are generally issued by a bank or similar financial institution, typically pursuant to Quanta's credit facility. Each letter of credit commits the issuer to pay specified amounts to the holder of the letter of credit if the holder demonstrates that Quanta has failed to perform specified actions. If this were to occur, Quanta would be required to reimburse the issuer of the letter of credit. Depending on the circumstances of such a reimbursement, Quanta may also be required to record a charge to earnings for the reimbursement. Quanta does not believe that it is likely that any material claims will be made under a letter of credit in the foreseeable future.

As of March 31, 2013, Quanta had $183.6 million in letters of credit outstanding under its credit facility primarily to secure obligations under its casualty insurance program. These are irrevocable stand-by letters of credit with maturities generally expiring at various times throughout 2013 and 2014. Upon maturity, it is expected that the majority of these letters of credit will be renewed for subsequent one-year periods.

Performance Bonds and Parent Guarantees

In certain circumstances, Quanta is required to provide performance bonds in connection with its contractual commitments. Quanta has indemnified its sureties for any expenses paid out under these performance bonds. As of March 31, 2013, the total amount of outstanding performance bonds was approximately $2.12 billion, and the estimated cost to complete these bonded projects was approximately $500.3 million.

Quanta, from time to time, guarantees the obligations of its wholly owned subsidiaries, including obligations under certain contracts with customers, certain lease obligations and, in some states, obligations in connection with obtaining contractors' licenses. Quanta is not aware of any material obligations for performance or payment asserted against it under any of these guarantees.

Employment Agreements

Quanta has various employment agreements with certain executives and other employees, which provide for compensation and certain other benefits and for severance payments under certain circumstances. Certain employment agreements also contain clauses that become effective upon a change of control of Quanta. Quanta may be obligated to pay certain amounts to such employees upon the occurrence of any of the defined events in the various employment agreements.

Collective Bargaining Agreements

Several of Quanta's operating units are parties to various collective bargaining agreements with unions that represent certain of their employees. The collective bargaining agreements expire at various times and have typically been renegotiated and renewed on terms similar to those in the expiring agreements. The agreements require the operating units to pay specified wages, provide certain benefits to their union employees and contribute certain amounts to multi-employer pension plans and employee benefit trusts. Quanta's multiemployer pension plan contribution rates generally are specified in the collective bargaining agreements (usually on an annual basis), and contributions are made to the plans on a "pay-as-you-go" basis based on its union employee payrolls, which cannot be determined for future periods because the location and number of union employees that

Quanta employs at any given time and the plans in which they may participate vary depending on the projects Quanta has ongoing at any time and the need for union resources in connection with those projects.

The Pension Protection Act of 2006 (PPA) also added special funding and operational rules generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as “endangered,” “seriously endangered” or “critical” status based on multiple factors (including, for example, the plan’s funded percentage, cash flow position and whether it is projected to experience a minimum funding deficiency). Plans in these classifications must adopt measures to improve their funded status through a funding improvement or rehabilitation plan, as applicable, which may require additional contributions from employers (which may take the form of a surcharge on benefit contributions) and/or modifications to retiree benefits. Certain plans to which Quanta contributes or may contribute in the future are in “endangered,” “seriously endangered” or “critical” status. The amount of additional funds, if any, that Quanta may be obligated to contribute to these plans in the future cannot be estimated due to uncertainty of the future levels of work that require the specific use of union employees covered by these plans, as well as the future contribution levels and possible surcharges on contributions applicable to these plans.

Quanta may be subject to additional liabilities imposed by law as a result of its participation in multi-employer defined benefit pension plans. For example, the Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon an employer who is a contributor to a multi-employer pension plan if the employer withdraws from the plan or the plan is terminated or experiences a mass withdrawal. These liabilities include an allocable share of the unfunded vested benefits in the plan for all plan participants, not merely the benefits payable to a contributing employer’s own retirees. As a result, participating employers may bear a higher proportion of liability for unfunded vested benefits if other participating employers cease to contribute or withdraw, with the reallocation of liability being more acute in cases when a withdrawn employer is insolvent or otherwise fails to pay its withdrawal liability. Other than as described below, Quanta is not aware of any material amounts of withdrawal liability that have been incurred as a result of a withdrawal by any of Quanta’s operating units from any multi-employer defined benefit pension plans.

In the fourth quarter of 2011, Quanta recorded a partial withdrawal liability of approximately $32.6 million related to the withdrawal by certain Quanta subsidiaries from the Central States, Southeast and Southwest Areas Pension Plan (the Central States Plan). The partial withdrawal liability recognized by Quanta was based on estimates received from the Central States Plan during 2011 for a complete withdrawal by all Quanta companies participating in the Central States Plan. The withdrawal followed an amendment to a collective bargaining agreement with the International Brotherhood of Teamsters that eliminated obligations to contribute to the Central States Plan, which is in critical status and is significantly underfunded as to its vested benefit obligations. The amendment was negotiated by the Pipe Line Contractors Association (PLCA) on behalf of its members, which include the Quanta subsidiaries that withdrew from the Central States Plan. Quanta believed that withdrawing from the Central States Plan in the fourth quarter of 2011 was advantageous because it limited Quanta’s exposure to increased liabilities from a future withdrawal if the underfunded status of the Central States Plan deteriorates further. Quanta and other PLCA members now contribute to a different multi-employer pension plan on behalf of Teamsters employees.

The Central States Plan has asserted that the withdrawal of the PLCA members was not effective in 2011, although Quanta believes that a legally effective withdrawal occurred in the fourth quarter of 2011. During the third quarter of 2012, the Central States Plan provided Quanta with an estimate of the potential withdrawal liability, indicating that the withdrawal liability is approximately $32.8 million based on a partial withdrawal in the fourth quarter of 2011, approximately $39.7 million based on a partial withdrawal in the first quarter of 2012, or approximately $40.1 million based on a complete withdrawal in 2012. Quanta continues to dispute the assertions of the Central States Plan regarding the effective date of the partial withdrawal. Once an assessment is received, Quanta may seek to challenge and further negotiate the amount of the assessment. As a result, the final partial withdrawal liability cannot yet be determined with certainty and could be materially higher or lower than the $32.6 million Quanta recognized in the fourth quarter of 2011.

Certain other Quanta subsidiaries continued to participate in the Central States Plan through the end of 2012. The consequences of withdrawal of these subsidiaries from the plan will depend on various factors, including negotiation of the terms of the collective bargaining agreements under which the subsidiaries participate and whether exemptions from withdrawal liability applicable to construction industry employers will be available. Given the unknown nature of some of these factors, the amount or timing of any liability upon withdrawal of the subsidiaries remaining in the Central States Plan is uncertain. However, Quanta currently does not expect the incremental liability upon withdrawal of the subsidiaries remaining in the Central States Plan to be material.

Indemnities

Quanta generally indemnifies its customers for the services it provides under its contracts, as well as other specified liabilities, which may subject Quanta to indemnity claims and liabilities and related litigation. Quanta has also indemnified various parties against specified liabilities that those parties might incur in the future in connection with Quanta's previous acquisition or disposition of certain companies. The indemnities under acquisition or disposition agreements are usually contingent upon the other party incurring liabilities that reach specified thresholds. As of March 31, 2013, except as otherwise set forth above in *Litigation and Claims*, Quanta does not believe any material liabilities for asserted claims exist against it in connection with any of these indemnity obligations.

10. SEGMENT INFORMATION:

Quanta presents its operations under three reportable segments: (1) Electric Power Infrastructure Services, (2) Natural Gas and Pipeline Infrastructure Services and (3) Fiber Optic Licensing and Other. This structure is generally based on the broad end-user markets for Quanta's services. See Note 1 for additional information regarding Quanta's reportable segments.

Quanta's segment results are derived from the types of services provided across its operating units in each of the end user markets described above. Quanta's entrepreneurial business model allows each of its operating units to serve the same or similar customers and to provide a range of services across end user markets. Quanta's operating units are organized into one of three internal divisions, namely, the electric power division, natural gas and pipeline division and fiber optic licensing division. These internal divisions are closely aligned with the reportable segments described above based on their operating units' predominant type of work.

Reportable segment information, including revenues and operating income by type of work, is gathered from each operating unit for the purpose of evaluating segment performance in support of Quanta's market strategies. These classifications of Quanta's operating unit revenues by type of work for segment reporting purposes can at times require judgment on the part of management. Quanta's operating units may perform joint infrastructure service projects for customers in multiple industries, deliver multiple types of network services under a single customer contract or provide service across industries, for example, joint trenching projects to install distribution lines for electric power and natural gas customers.

In addition, Quanta's integrated operations and common administrative support at each of its operating units require that certain allocations, including allocations of shared and indirect costs, such as facility costs, indirect operating expenses, including depreciation, and general and administrative costs, to determine operating segment profitability. Corporate costs, such as payroll and benefits, employee travel expenses, facility costs, professional fees, acquisition costs and amortization related to certain intangible assets are not allocated.

Summarized financial information for Quanta's reportable segments is presented in the following tables (in thousands):

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenues:		
Electric Power	$ 1,180,983	$ 932,213
Natural Gas and Pipeline	358,932	356,967
Fiber Optic Licensing and Other	45,795	39,584
Consolidated	$ 1,585,710	$ 1,328,764
Operating income (loss):		
Electric Power	$ 132,550	$ 114,214
Natural Gas and Pipeline	10,357	(10,535)
Fiber Optic Licensing and Other	16,883	14,540
Corporate and non-allocated costs	(40,499)	(39,428)
Consolidated	$ 119,291	$ 78,791
Depreciation:		
Electric Power	$ 14,923	$ 13,368
Natural Gas and Pipeline	11,265	10,356
Fiber Optic Licensing and Other	4,051	3,675
Corporate and non-allocated costs	1,641	1,627
Consolidated	$ 31,880	$ 29,026

Separate measures of Quanta's assets and cash flows by reportable segment, including capital expenditures, are not produced or utilized by management to evaluate segment performance. Quanta's fixed assets, including operating machinery, equipment and vehicles, as well as office equipment, buildings and leasehold improvements, which are held at the operating unit level, are used on an interchangeable basis across its reportable segments. As such, for reporting purposes, total depreciation expense is allocated each quarter among Quanta's reportable segments based on the ratio of each reportable segment's revenue contribution to consolidated revenues.

Foreign Operations

During the three months ended March 31, 2013 and 2012, Quanta derived $299.2 million and $249.8 million of its revenues from foreign operations. Of Quanta's foreign revenues, approximately 96% was earned in Canada during each of the three months ended March 31, 2013 and 2012. In addition, Quanta held property and equipment of $156.5 million and $151.9 million in foreign countries, primarily Canada, as of March 31, 2013 and December 31, 2012.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the Securities and Exchange Commission (SEC) on March 1, 2013 and is available on the SEC's website at www.sec.gov and on our website, which is www.quantaservices.com. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified under the headings "Uncertainty of Forward-Looking Statements and Information" below in this Item 2 and "*Risk Factors*" in Item 1A of Part II of this Quarterly Report.

Introduction

We are a leading provider of specialty contracting services, offering infrastructure solutions primarily to the electric power and natural gas and oil pipeline industries in North America and in select international markets. The services we provide include the design, installation, upgrade, repair and maintenance of infrastructure within each of the industries we serve, such as electric power transmission and distribution networks, substation facilities, renewable energy facilities and pipeline transmission and distribution systems and facilities. We also own fiber optic telecommunications infrastructure in select markets and license the right to use these point-to-point fiber optic telecommunications facilities to customers.

We report our results under three reportable segments: (1) Electric Power Infrastructure Services, (2) Natural Gas and Pipeline Infrastructure Services and (3) Fiber Optic Licensing and Other. This structure is generally focused on broad end-user markets for our services. Our consolidated revenues for the three months ended March 31, 2013 were approximately $1.59 billion, of which 74.5% was attributable to the Electric Power Infrastructure Services segment, 22.6% to the Natural Gas and Pipeline Infrastructure Services segment and 2.9% to the Fiber Optic Licensing and Other segment.

Our customers include many of the leading companies in the industries we serve. We have developed strong strategic alliances with numerous customers and strive to develop and maintain our status as a preferred vendor to our customers. We enter into various types of contracts, including competitive unit price, hourly rate, cost-plus (or time and materials basis), and fixed price (or lump sum basis), the final terms and prices of which we frequently negotiate with the customer. Although the terms of our contracts vary considerably, most are made on either a unit price or fixed price basis in which we agree to do the work for a price per unit of work performed (unit price) or for a fixed amount for the entire project (fixed price). We complete a substantial majority of our fixed price projects, other than certain large transmission projects, within one year, while we frequently provide maintenance and repair work under open-ended unit price or cost-plus master service agreements that are renewable periodically.

We recognize revenue on our unit price and cost-plus contracts as units are completed or services are performed. For our fixed price contracts, we record revenues as work on the contract progresses on a percentage-of-completion basis. Under this method, revenue is recognized based on the percentage of total costs incurred to date in proportion to total estimated costs to complete the contract. Fixed price contracts generally include retainage provisions under which a percentage of the contract price is withheld until the project is complete and has been accepted by our customer.

For internal management purposes, we are organized into three internal divisions, namely, the electric power division, the natural gas and pipeline division and the fiber optic licensing division. These internal divisions are closely aligned with the reportable segments described above based on the predominant type of work provided by the operating units within each division.

Reportable segment information, including revenues and operating income by type of work, is gathered from each operating unit for the purpose of evaluating segment performance in support of our market strategies. These classifications of our operating unit revenues by type of work for segment reporting purposes can at times require judgment on the part of management. Our operating units may perform joint infrastructure service projects for customers in multiple industries, deliver multiple types of infrastructure services under a single customer contract or provide services across industries — for example, joint trenching projects to install distribution lines for electric power and natural gas customers. Our integrated operations and common administrative support at each of our operating units requires that certain allocations, including allocations of shared and indirect costs, such as facility costs, indirect operating expenses including depreciation, and general and administrative costs, be made to determine operating segment profitability. Corporate costs, such as payroll and benefits, employee travel expenses, facility costs, professional fees, acquisition costs and amortization related to certain intangible assets are not allocated.

The Electric Power Infrastructure Services segment provides comprehensive network solutions to customers in the electric power industry. Services performed by the Electric Power Infrastructure Services segment generally include the design, installation, upgrade, repair and maintenance of electric power transmission and distribution networks and substation facilities along with other engineering and technical services. This segment also provides emergency restoration services, including the repair of infrastructure damaged by inclement weather, the energized installation, maintenance and upgrade of electric power infrastructure utilizing unique bare hand and hot stick methods and our proprietary robotic arm technologies, and the installation of “smart grid” technologies on electric power networks. In addition, this segment designs, installs and maintains renewable energy generation facilities, in particular solar and wind, and related switchyards and transmission networks. To a lesser extent, this segment provides services such as the design, installation, maintenance and repair of commercial and industrial wiring, installation of traffic networks and the installation of cable and control systems for light rail lines.

The Natural Gas and Pipeline Infrastructure Services segment provides comprehensive network solutions to customers involved in the transportation of natural gas, oil and other pipeline products. Services performed by the Natural Gas and Pipeline Infrastructure Services segment generally include the design, installation, repair and maintenance of pipeline transmission and distribution systems, gathering systems and compressor and pump stations, as well as related trenching, directional boring and automatic welding services. In addition, this segment’s services include pipeline protection, integrity testing, rehabilitation and replacement, and fabrication of pipeline support systems and related structures and facilities. To a lesser extent, this segment designs, installs and maintains airport fueling systems as well as water and sewer infrastructure.

The Fiber Optic Licensing and Other segment designs, procures, constructs, maintains and owns fiber optic telecommunications infrastructure in select markets and licenses the right to use these point-to-point fiber optic telecommunications facilities to our customers pursuant to licensing agreements, typically with terms from five to twenty-five years, inclusive of certain renewal options. Under those agreements, customers are provided the right to use a portion of the capacity of a fiber optic network, with the network owned and maintained by us. The Fiber Optic Licensing and Other segment provides services to enterprise, education, carrier, financial services and healthcare customers, as well as other entities with high bandwidth telecommunication needs. The telecommunication services provided through this segment are subject to regulation by the Federal Communications Commission and certain state public utility commissions. The Fiber Optic Licensing and Other segment also provides various telecommunication infrastructure services on a limited and ancillary basis, primarily to our customers in the electric power industry.

Recent Investments, Acquisitions and Divestitures

On December 3, 2012, substantially all of Quanta’s domestic telecommunications infrastructure services operations and related subsidiaries were sold to Dycom Industries, Inc. for net proceeds of approximately $265.0 million.

In the first and second quarters of 2012, we acquired four businesses, which included one electric power infrastructure services company based in Canada, two electric power infrastructure services companies based in the United States and one natural gas and pipeline infrastructure services company based in the United States. These businesses have been reflected in our consolidated financial statements as of their respective acquisition dates. The aggregate consideration for these acquisitions consisted of approximately $57.5 million in cash, 1,927,113 shares of our common stock valued at approximately $37.3 million and the repayment of $11.0 million in debt. These acquisitions allow us to further expand our capabilities and scope of services internationally and in the United States. The financial results of these businesses are generally included in the corresponding segment.

In the first quarter of 2013, we acquired an electric power infrastructure services company. The results of operations related to this acquisition are not material and have been reflected in Quanta's condensed consolidated financial statements beginning as of the date of the acquisition.

During 2011 and 2012, we acquired an equity ownership interest of approximately 31% in Howard Midstream Energy Partners, LLC (HEP). HEP is engaged in the business of owning, operating and constructing midstream plant and pipeline assets in the natural gas and oil pipeline industry. Our investment in HEP is expected to provide strategic growth opportunities in the ongoing development of the Texas Eagle Ford shale region. We account for this investment using the equity method of accounting. During the first quarter of 2013, we invested an additional $8.5 million, along with other HEP members, to provide capital for planned midstream expansion projects. The carrying value of Quanta's investment in HEP was approximately $99.0 million and $90.5 million at March 31, 2013 and December 31, 2012.

Backlog

Backlog represents the amount of revenue that we expect to realize from work to be performed in the future on uncompleted contracts, including new contractual agreements on which work has not begun. Our backlog includes estimates of revenues to be realized under long-term maintenance contracts in addition to construction contracts. We determine the amount of backlog for work under long-term maintenance contracts, or master service agreements (MSAs), by using recurring historical trends inherent in the current MSAs, factoring in seasonal demand and projected customer needs based upon ongoing communications with the customer. The following tables present our total backlog by reportable segment as of March 31, 2013 and December 31, 2012, along with an estimate of the backlog amounts expected to be realized within 12 months of each balance sheet date (in thousands):

	Backlog as of March 31, 2013		Backlog as of December 31, 2012	
	12 Month	Total	12 Month	Total
Electric Power Infrastructure Services	$ 2,766,346	$ 4,836,707	$ 2,864,870	$ 4,918,178
Natural Gas and Pipeline Infrastructure Services	918,777	1,659,040	797,044	1,566,316
Fiber Optic Licensing and Other	137,608	544,256	145,039	502,523
Total	$ 3,822,731	$ 7,040,003	$ 3,806,953	$ 6,987,017

As discussed above, our backlog includes estimates of revenues to be realized under MSAs. Generally, our customers are not contractually committed to specific volumes of services under our MSAs, and many of our contracts may be terminated with notice, typically 30 to 90 days, even if we are not in default under the contract. There can be no assurance as to our customers' requirements or that our estimates are accurate. In addition, many of our MSAs, as well as contracts for fiber optic licensing, are subject to renewal options. For purposes of calculating backlog, we have included future renewal options only to the extent the renewals can reasonably be expected to occur. Projects included in backlog can be subject to delays as a result of commercial issues, regulatory requirements, adverse weather and other factors, which could cause revenue amounts to be realized in periods later than originally expected.

Seasonality; Fluctuations of Results; Economic Conditions

Our revenues and results of operations can be subject to seasonal and other variations. These variations are influenced by weather, customer spending patterns, bidding seasons, project timing and schedules, and holidays. Typically, our revenues are lowest in the first quarter of the year because cold, snowy or wet conditions can cause delays on projects. In addition, many of our customers develop their capital budgets for the coming year during the first quarter and do not begin infrastructure projects in a meaningful way until their capital budgets are finalized. Second quarter revenues are typically higher than those in the first quarter, as some projects begin, but continued cold and wet weather can often impact second quarter productivity. Third quarter revenues are typically the highest of the year, as a greater number of projects are underway, and weather is more accommodating. Generally, revenues during the fourth quarter of the year are lower than the third quarter but higher than the second quarter. Many projects are completed in the fourth quarter, and revenues are often impacted positively by customers seeking to spend their capital budgets before the end of the year; however, the holiday season and inclement weather can sometimes cause delays, reducing revenues and increasing costs. Any quarter may be positively or negatively affected by atypical weather patterns in a given part of the country, such as severe weather, excessive rainfall or warmer winter weather, making it difficult to predict these variations and their effect on particular projects quarter to quarter. The timing of project awards and unanticipated changes in project schedules as a result of delays or accelerations can also create variations in the level of operating activity from quarter to quarter.

Additionally, our industry can be highly cyclical. As a result, our volume of business may be adversely affected by declines or delays in new projects in various geographic regions in the United States and Canada. Project schedules, particularly in connection with larger, longer-term projects, can also create fluctuations in the services provided, which may adversely affect us in a given period. The financial condition of our customers and their access to capital, variations in the margins of projects performed during any particular period, regional, national and global economic and market conditions, timing of acquisitions, the timing and magnitude of acquisition and integration costs associated with acquisitions, dispositions, fluctuations in our equity in earnings of unconsolidated affiliates and interest rate fluctuations are examples of items that may also materially affect quarterly results. Accordingly, our operating results in any particular period may not be indicative of the results that can be expected for any other period.

We and our customers continue to operate in an uncertain business environment, with heightened regulatory and environmental requirements, stringent permitting processes and only gradual recovery in the economy from recessionary levels. We are closely monitoring our customers and the effect that changes in economic and market conditions have had or may have on them. Certain of our customers have reduced or delayed spending over the past three years, which we attribute primarily to regulatory and permitting hurdles and negative economic and market conditions, and we anticipate that these issues may continue to affect demand for some of our services in the near-term. However, we believe that most of our customers, many of whom are regulated utilities, remain financially stable in general and will be able to continue with their business plans in the long-term. You should read “Outlook” and “Understanding Margins” for additional discussion of trends and challenges that may affect our financial condition, results of operations and cash flows.

Understanding Margins

Our gross margin is gross profit expressed as a percentage of revenues, and our operating margin is operating income expressed as a percentage of revenues. Cost of services, which is subtracted from revenues to obtain gross profit, consists primarily of salaries, wages and benefits to employees, depreciation, fuel and other equipment expenses, equipment rentals, subcontracted services, insurance, facilities expenses, materials and parts and supplies. Selling, general and administrative expenses and amortization of intangible assets are then subtracted from gross profit to obtain operating income. Various factors — some controllable, some not — impact our margins on a quarterly or annual basis.

Seasonal and geographical. As discussed previously, seasonal patterns can have a significant impact on margins. Generally, business is slower in the winter months versus the warmer months of the year, resulting in lower productivity and consequently reducing our ability to cover fixed costs. This can be offset somewhat by increased demand for electrical service and repair work resulting from severe weather. Additionally, project schedules, including when projects begin and when they are completed, may impact margins. The mix of business conducted in different parts of the country will also affect margins, as some parts of the country offer the opportunity for higher margins than others due to the geographic characteristics associated with the physical location where the work is being performed. Such characteristics include whether the project is performed in an urban versus a rural setting or in a mountainous area or in open terrain. Site conditions, including unforeseen underground conditions, can also impact margins.

Weather. Adverse or favorable weather conditions can impact gross margins in a given period. For example, snow or rainfall in the areas in which we operate may negatively impact our revenues and margins due to reduced productivity, as projects may be delayed or temporarily placed on hold until weather conditions improve. Conversely, in periods when weather remains dry and temperatures are accommodating, more work can be done, sometimes with less cost, which would have a favorable impact on margins. In some cases, severe weather, such as hurricanes and ice storms, can provide us with higher margin emergency restoration service work, which generally has a positive impact on margins.

Revenue mix. The mix of revenues derived from the industries we serve will impact margins, as certain industries provide higher margin opportunities. Additionally, changes in our customers' spending patterns in each of the industries we serve can cause an imbalance in supply and demand and, therefore, affect margins and mix of revenues by industry served.

Service and maintenance versus installation. Installation work is often performed on a fixed price basis, while maintenance work is often performed under pre-established or negotiated prices or cost-plus pricing arrangements. Margins for installation work may vary from project to project, and may be higher than maintenance work, as work obtained on a fixed price basis has higher risk than other types of pricing arrangements. We typically derive approximately 30% of our annual revenues from maintenance work, but a higher portion of installation work in any given period may affect our gross margins for that period.

Subcontract work. Work that is subcontracted to other service providers generally yields lower margins. An increase in subcontract work in a given period may contribute to a decrease in margins. We typically subcontract approximately 20% to 25% of our work to other service providers.

Materials versus labor. Typically, our customers are responsible for supplying their own materials on projects; however, for some of our contracts, we may agree to procure all or part of the required materials. Margins may be lower on projects where we furnish a significant amount of materials, as our mark-up on materials is generally lower than on our labor costs. In a given period, an increase in the percentage of work with higher materials procurement requirements may decrease our overall margins.

Depreciation. We include depreciation in cost of services. This is common practice in our industry, but it can make comparability of our margins to those of other companies difficult. This must be taken into consideration when comparing us to other companies.

Insurance. Margins could be impacted by fluctuations in insurance accruals as additional claims arise and as circumstances and conditions of existing claims change. We are insured for employer's liability, general liability, auto liability and workers' compensation claims. Since August 1, 2009, all policy deductible levels are $5.0 million per occurrence, other than employer's liability, which is subject to a deductible of $1.0 million. We also have employee health care benefit plans for most employees not subject to collective bargaining agreements, of which the primary plan is subject to a deductible of $375,000 per claimant per year.

Performance risk. Margins may fluctuate because of the volume of work and the impacts of pricing and job productivity, which can be affected both favorably and negatively by weather, geography, customer decisions and crew productivity. For example, when comparing a service contract between a current quarter and the comparable prior year's quarter, factors affecting the gross margins associated with the revenues generated by the contract may include pricing under the contract, the volume of work performed under the contract, the mix of the type of work specifically being performed and the productivity of the crews performing the work. Productivity can be influenced by many factors, including where the work is performed (*e.g.,* rural versus urban area or mountainous or rocky area versus open terrain), whether the work is on an open or encumbered right of way, the impacts of inclement weather or the effects of environmental restrictions or regulatory delays. These types of factors are not practicable to quantify through accounting data, but each of these items may individually or in the aggregate have a direct impact on the gross margin of a specific project.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of compensation and related benefits to management, administrative salaries and benefits, marketing, office rent and utilities, communications, professional fees, bad debt expense, acquisition costs, gains and losses on the sale of property and equipment, letter of credit fees and maintenance, training and conversion costs related to the implementation of an information technology solution.

Results of Operations

As previously discussed, we have acquired certain businesses, the results of which have been included in the following results of operations beginning on their respective acquisition dates. Additionally, the results of operations of the telecommunications subsidiaries disposed of on December 3, 2012 have been reclassified from continuing operations to loss from discontinued operations for the three months ended March 31, 2012. The following table sets forth selected statements of operations data and such data as a percentage of revenues for the three month periods indicated (dollars in thousands):

Consolidated Results

	Three Months Ended March 31,			
	2013		2012	
Revenues	$ 1,585,710	100.0%	$ 1,328,764	100.0%
Cost of services (including depreciation)	1,347,437	85.0	1,142,700	86.0
Gross profit	238,273	15.0	186,064	14.0
Selling, general and administrative expenses	113,681	7.2	98,108	7.4
Amortization of intangible assets	5,301	0.3	9,165	0.7
Operating income	119,291	7.5	78,791	5.9
Interest expense	(502)	—	(575)	—
Interest income	522	—	408	—
Other income (expense), net	(513)	—	130	—
Income from continuing operations before income taxes	118,798	7.5	78,754	5.9
Provision for income taxes	41,941	2.7	28,669	2.2
Net income from continuing operations	76,857	4.8	50,085	3.7
Loss from discontinued operations, net of taxes	—	—	(91)	—
Net income	76,857	4.8	49,994	3.7
Less: Net income attributable to noncontrolling interests	4,776	0.3	4,287	0.3
Net income attributable to common stock	$ 72,081	4.5%	$ 45,707	3.4%
Amounts attributable to common stock:				
Net income from continuing operations	$ 72,081	4.5%	$ 45,798	3.4%
Net loss from discontinued operations	—	—	(91)	—
Net income attributable to common stock	$ 72,081	4.5%	$ 45,707	3.4%

Three months ended March 31, 2013 compared to the three months ended March 31, 2012

Consolidated Results

Revenues. Revenues increased $256.9 million, or 19.3%, to $1.59 billion for the three months ended March 31, 2013. This increase was primarily due to higher revenues from electric power infrastructure services projects which increased $248.8 million, or 26.7%, to $1.18 billion primarily as a result of increases in capital spending by our customers. Also contributing to this increase were additional revenues from natural gas and pipeline infrastructure services which increased $2.0 million, or 0.6%, and revenues from fiber optic licensing and other services which increased $6.2 million, or 15.7%, from the three months ended March 31, 2012. Revenues from emergency restoration services were relatively consistent between periods with approximately $33.4 million occurring in the first quarter of 2013 and approximately $32.0 million occurring in the first quarter of 2012. Emergency restoration service revenues in both periods resulted primarily from winter storms in various regions of the United States.

Gross profit. Gross profit increased $52.2 million, or 28.1%, to $238.3 million for the three months ended March 31, 2013. This increase was primarily due to the impact of higher revenues earned from electric power infrastructure services during the current period as well as from higher profits earned from the Natural Gas and Pipeline Infrastructure Services segment during the current period. Gross profit as a percentage of revenues increased to 15.0% for the three months ended March 31, 2013 from 14.0% for the three months ended March 31, 2012. This increase in gross margin was primarily as a result of overall performance improvements in the Natural Gas and Pipeline Infrastructure Services segment during the three months ended March 31, 2013 as compared to the losses incurred during the three months ended March 31, 2012, which also improved this segment's ability to cover fixed operating costs.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $15.6 million, or 15.9%, to $113.7 million for the three months ended March 31, 2013. The increase was primarily attributable to approximately $11.6 million in higher salary and incentive compensation costs associated with increased levels of operating activity and profitability. Also contributing to the overall increase was approximately $1.3 million in higher costs associated with various development initiatives. Selling, general and administrative expenses as a percentage of revenues decreased from 7.4% for the three months ended March 31, 2012 to 7.2% for the three months ended March 31, 2013 primarily due to the impact of higher overall revenues described above.

Amortization of intangible assets. Amortization of intangible assets decreased $3.9 million to $5.3 million for the three months ended March 31, 2013. This decrease was primarily due to reduced amortization expense from previously acquired intangible assets as certain of these assets became fully amortized, partially offset by increased amortization of intangibles associated with a business acquired during the second quarter of 2012.

Interest expense. Interest expense decreased $0.1 million to $0.5 million for the three months ended March 31, 2013.

Interest income. Interest income was $0.5 million and $0.4 million for the three months ended March 31, 2013 and 2012. The slight increase is due to higher average cash balances during the quarter ended March 31, 2013 compared to the quarter ended March 31, 2012, the impact of which was partially offset by lower interest rates.

Provision for income taxes. The provision for income taxes was $41.9 million for the three months ended March 31, 2013, with an effective tax rate of 35.3%. The provision for income taxes was $28.7 million for the three months ended March 31, 2012, with an effective tax rate of 36.4%. The lower annual estimated effective tax rate for the three months ended March 31, 2013 was primarily due to a higher proportion of income before taxes earned from international jurisdictions, which are taxed at lower statutory rates.

Segment Results

The following table sets forth segment revenues and segment operating income (loss) for the periods indicated (dollars in thousands):

	Three Months Ended March 31,			
	2013		2012	
	(Dollars in thousands)			
Revenues:				
Electric Power	$ 1,180,983	74.5%	$ 932,213	70.1%
Natural Gas and Pipeline	358,932	22.6	356,967	26.9
Fiber Optic Licensing and Other	45,795	2.9	39,584	3.0
Consolidated revenues from external customers	$ 1,585,710	100.0%	$ 1,328,764	100.0%
Operating income (loss):				
Electric Power	$ 132,550	11.2%	$ 114,214	12.3%
Natural Gas and Pipeline	10,357	2.9	(10,535)	(3.0)
Fiber Optic Licensing and Other	16,883	36.9	14,540	36.7
Corporate and non-allocated costs	(40,499)	N/A	(39,428)	N/A
Consolidated operating income	$ 119,291	7.5%	$ 78,791	5.9%

Three months ended March 31, 2013 compared to the three months ended March 31, 2012

Electric Power Infrastructure Services Segment Results

Revenues for this segment increased $248.8 million, or 26.7%, to $1.18 billion for the three months ended March 31, 2013. Revenues were positively impacted by increased activity in electric power transmission and distribution projects, which resulted primarily from increased capital spending by our customers. Revenues were also positively impacted by the timing of production on certain renewable energy projects.

Operating income increased $18.3 million, or 16.1%, to $132.6 million for the three months ended March 31, 2013. The increase in operating income was primarily due to the increase in segment revenues described above. Operating income as a percentage of segment revenues decreased to 11.2% for the quarter ended March 31, 2013 from 12.3% for the quarter ended March 31, 2012. The decrease in operating margin was primarily due to lower margins earned on certain major transmission projects that were ongoing during the first quarter of 2013 as compared to those ongoing during the first quarter of 2012. Operating margins for the quarter ended March 31, 2012 were positively impacted by favorable winter weather conditions, which contributed to better production on certain electric power projects.

Natural Gas and Pipeline Infrastructure Services Segment Results

Revenues for this segment increased $2.0 million, or 0.6%, to $358.9 million for the three months ended March 31, 2013. Revenues in the first quarter of 2013 from mainline gas pipeline services and from gas distribution services occurred at similar levels when compared to the first quarter of 2012, with revenues from gas distribution services being positively impacted by increased spending by our customers in certain areas of the United States.

Operating income increased $20.9 million to $10.4 million for the quarter ended March 31, 2013 from an operating loss of $10.5 million for the quarter ended March 31, 2012. Operating income as a percentage of segment revenues increased to 2.9% for the quarter ended March 31, 2013 from a negative 3.0% for the quarter ended March 31, 2012. The operating loss for the quarter ended March 31, 2012 was primarily due to increased project costs as a result of performance issues caused by adverse weather conditions on certain projects which did not recur to the same extent during the quarter ended March 31, 2013.

Fiber Optic Licensing and Other Segment Results

Revenues for this segment increased $6.2 million, or 15.7%, to $45.8 million for the three months ended March 31, 2013. This increase in revenues was primarily due to the volume of work associated with the installation of a statewide fiber optic network in Pennsylvania and from increases in revenues from licensing the right to use point-to-point fiber optic telecommunications facilities as a result of our continued network expansion activities.

Operating income increased $2.3 million, or 16.1%, to $16.9 million for the three months ended March 31, 2013 as compared to the three months ended March 31, 2012, primarily due to the revenue increases described above. Operating income as a percentage of segment revenues for the quarter ended March 31, 2013 remained relatively constant at 36.9% compared to 36.7% for the quarter ended March 31, 2012.

Corporate and Non-allocated Costs

Certain selling, general and administrative expenses and amortization of intangible assets are not allocated to segments. Corporate and non-allocated costs for the quarter ended March 31, 2013 increased $1.1 million to $40.5 million. This increase was primarily as a result of a $5.0 million increase in various overhead expenses, the largest of which was $2.6 million in higher salary and incentive compensation costs associated with current levels of operating activity and profitability. These increases were partially offset by reduced amortization expense of $3.9 million from previously acquired intangible assets that became fully amortized.

Liquidity and Capital Resources

Cash Requirements

Our cash and cash equivalents totaled $366.6 million as of March 31, 2013. As of March 31, 2013 and December 31, 2012, cash and cash equivalents in domestic bank accounts were approximately $254.7 million and $254.1 million, and cash and cash equivalents held in foreign bank accounts were approximately $111.9 million and $140.6 million. We anticipate that our cash and cash equivalents on hand, existing borrowing capacity under our credit facility, and our future cash flows from operations will provide sufficient funds to enable us to meet our future operating needs and our planned capital expenditures, as well as facilitate our ability to grow in the foreseeable future.

Our industry is capital intensive, and we expect the need for substantial capital expenditures to continue into the foreseeable future to meet the anticipated demand for our services. Capital expenditures are expected to total $210 million to $225 million for 2013, of which we spent approximately $57.6 million through March 31, 2013. Approximately $35 million to $45 million of the expected 2013 capital expenditures are targeted for the expansion of our fiber optic networks.

We also evaluate opportunities for strategic acquisitions from time to time that may require cash, as well as opportunities to make investments in customer-sponsored projects where we anticipate performing services such as project management, engineering, procurement or construction services. These investment opportunities exist in the markets and industries we serve and may require the use of cash in the form of debt or equity investments.

Management continues to monitor the financial markets and general national and global economic conditions. We consider our cash investment policies to be conservative in that we maintain a diverse portfolio of what we believe to be high-quality cash investments with short-term maturities. We were in compliance with our covenants under our credit facility at March 31, 2013. Accordingly, we do not anticipate that any weakness in the capital markets will have a material impact on the principal amounts of our cash investments or our ability to rely upon our credit facility for funds. To date, we have experienced no loss of or lack of access to our cash or cash equivalents or funds under our credit facility; however, we can provide no assurances that access to our invested cash and cash equivalents or availability under our credit facility will not be impacted in the future by adverse conditions in the financial markets.

Sources and Uses of Cash

As of March 31, 2013, we had cash and cash equivalents of $366.6 million and working capital of $1.36 billion. We also had $183.6 million of letters of credit outstanding and no revolving loans outstanding under our credit facility, with $516.4 million available for borrowing or issuing new letters of credit under our credit facility.

Operating Activities

Cash flow from operations is primarily influenced by demand for our services, operating margins and the type of services we provide but can also be influenced by working capital needs, in particular on larger projects, due to the timing of collection of receivables and the settlement of payables and other obligations. Working capital needs are generally higher during the summer and fall months due to increased demand for our services when favorable weather conditions exist in many of the regions in which we operate. Conversely, working capital assets are typically converted to cash during the winter months; however, these seasonal trends can be offset by changes in the timing of major projects and other economic factors that may affect customer spending.

Operating activities from continuing operations provided net cash to us of $44.1 million during the three months ended March 31, 2013 as compared to $73.5 million net cash used by us during the three months ended March 31, 2012. The positive cash flow provided by operating activities during the three months ended March 31, 2013 was primarily a result of collections on receivables during the first quarter of 2013 attributable to significantly higher levels of emergency restoration services provided in the fourth quarter of 2012 as compared to the fourth quarter of 2011.

Investing Activities

During the three months ended March 31, 2013, we used net cash in investing activities from continuing operations of $65.6 million as compared to $78.1 million in the three months ended March 31, 2012. Investing activities from continuing operations in the first quarter of 2013 included $57.6 million used for capital expenditures, $8.5 million used for additional investments in unconsolidated affiliates and $1.0 million used in connection with acquisitions, partially offset by $1.5 million of proceeds from the sale of equipment. Investing activities from continuing operations in the first quarter of 2012 included $41.9 million used in connection with acquisitions, $31.9 million used for capital expenditures and $4.9 million used for additional investments in unconsolidated affiliates, partially offset by $0.6 million of proceeds from the sale of equipment. Our industry is capital intensive, and we expect the need for substantial capital expenditures to continue into the foreseeable future to meet the anticipated demand for our services. In addition, we expect to continue to pursue strategic acquisitions and investments, although we cannot predict the timing or magnitude of the potential cash outlays for these initiatives.

Financing Activities

During the three months ended March 31, 2013, net cash used by financing activities was $5.0 million as compared to $0.9 million provided by financing activities in the three months ended March 31, 2012. Financing activities in the first quarters of 2013 and 2012 included $5.5 million and $2.5 million of cash payments to noncontrolling interests as distributions of joint venture profits. Additionally, the first quarter of 2012 included the positive impact of $2.9 million related to the tax impact of stock-based equity awards.

Debt Instruments

Credit Facility

We have a credit agreement that provides for a $700.0 million senior secured revolving credit facility maturing on August 2, 2016. The entire amount of the facility is available for the issuance of letters of credit. Up to $100.0 million of the facility is available for borrowings and letters of credit in certain alternative currencies in addition to the U.S. dollar. Borrowings under the credit agreement are to be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes.

As of March 31, 2013, we had approximately $183.6 million of letters of credit issued and no outstanding borrowings under the credit facility. The remaining $516.4 million was available for borrowings or issuing new letters of credit. Amounts borrowed under the credit agreement in U.S. dollars bear interest, at our option, at a rate equal to either (a) the Eurocurrency Rate (as defined in the credit agreement) plus 1.25% to 2.50%, as determined based on our Consolidated Leverage Ratio (as described below), plus, if applicable, any Mandatory Cost (as defined in the credit agreement) required to compensate lenders for the cost of compliance with certain European regulatory requirements, or (b) the Base Rate (as described below) plus 0.25% to 1.50%, as determined based on our Consolidated Leverage Ratio. Amounts borrowed under the credit agreement in any currency other than U.S. dollars bear interest at a rate equal to the Eurocurrency Rate plus 1.25% to 2.50%, as determined based on our Consolidated Leverage Ratio, plus, if applicable, any Mandatory Cost. Standby letters of credit issued under the credit agreement are subject to a letter of credit fee of 1.25% to 2.50%, based on our Consolidated Leverage Ratio, and Performance Letters of Credit (as defined in the credit agreement) issued under the credit agreement in support of certain contractual obligations are subject to a letter of credit fee of 0.75% to 1.50%, based on our Consolidated Leverage Ratio. We are also subject to a commitment fee of 0.20% to 0.45%, based on our Consolidated Leverage Ratio, on any unused availability under the credit agreement. The Consolidated Leverage Ratio is the ratio of our total funded debt to Consolidated EBITDA (as defined in the credit agreement). For purposes of calculating both the Consolidated Leverage Ratio and the maximum senior debt to Consolidated EBITDA ratio discussed below, total funded debt and total senior debt are reduced by all cash and Cash Equivalents (as defined in the credit agreement) held by us in excess of $25.0 million. The Base Rate equals the highest of (i) the Federal Funds Rate (as defined in the credit agreement) plus 1/2 of 1%, (ii) Bank of America’s prime rate and (iii) the Eurocurrency Rate plus 1.00%.

Subject to certain exceptions, the credit agreement is secured by substantially all of our assets and the assets of our wholly owned U.S. subsidiaries, and by a pledge of all of the capital stock of our wholly owned U.S. subsidiaries and 65% of the capital stock of our direct foreign subsidiaries and the direct foreign subsidiaries of our wholly owned U.S. subsidiaries. Our wholly owned U.S. subsidiaries also guarantee the repayment of all amounts due under the credit agreement. Subject to certain conditions, at any time we maintain a corporate credit rating that is BBB- (stable) or higher by Standard & Poor’s Rating Services and a corporate family rating that is Baa3 (stable) or higher by Moody’s Investors Services, all collateral will be automatically released from these liens.

The credit agreement contains certain covenants, including a maximum Consolidated Leverage Ratio and a minimum interest coverage ratio, in each case as specified in the credit agreement. The credit agreement also contains a maximum senior debt to Consolidated EBITDA ratio, as specified in the credit agreement, that will be in effect at any time that the collateral securing the credit agreement has been and remains released. The credit agreement limits certain acquisitions, mergers and consolidations, indebtedness, capital expenditures, asset sales and prepayments of indebtedness and, subject to certain exceptions, prohibits liens on assets. The credit agreement also includes limits on the payment of dividends and stock repurchase programs in any fiscal year except those payments or other distributions payable solely in capital stock. As of March 31, 2013, we were in compliance with all of the covenants in the credit agreement.

The credit agreement provides for customary events of default and includes cross-default provisions with our underwriting, continuing indemnity and security agreement with our sureties and all of our other debt instruments exceeding $30.0 million in borrowings or availability. If an event of default (as defined in the credit agreement) occurs and is continuing, on the terms and subject to the conditions set forth in the credit agreement, amounts outstanding under the credit agreement may be accelerated and may become or be declared immediately due and payable.

Off-Balance Sheet Transactions

As is common in our industry, we have entered into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected in our balance sheets. Our significant off-balance sheet transactions include liabilities associated with non-cancelable operating leases, letter of credit obligations, commitments to expand our fiber optic networks, commitments to purchase equipment, surety guarantees, multi-employer pension plan liabilities and obligations relating to our joint venture arrangements. Certain joint venture structures involve risks not directly reflected in our balance sheets. For certain joint ventures, we have guaranteed all of the obligations of the joint venture under a contract with the customer. Additionally, other joint venture arrangements qualify as a general partnership, for which we are jointly and severally liable for all of the obligations of the joint venture. In our joint venture arrangements, each joint venturer indemnifies the other party for any liabilities incurred in excess of the liabilities such other party is obligated to bear under the respective joint venture agreement. Other than as previously discussed, we have not engaged in any material off-balance sheet financing arrangements through special purpose entities, and we have no material guarantees of the work or obligations of third parties.

Leases

We enter into non-cancelable operating leases for many of our facility, vehicle and equipment needs. These leases allow us to conserve cash by paying a monthly lease rental fee for use of facilities, vehicles and equipment rather than purchasing them. We may decide to cancel or terminate a lease before the end of its term, in which case we are typically liable to the lessor for the remaining lease payments under the term of the lease.

We have guaranteed the residual value of the underlying assets under certain of our equipment operating leases at the date of termination of such leases. We have agreed to pay any difference between this residual value and the fair market value of each underlying asset as of the lease termination date. As of March 31, 2013, the maximum guaranteed residual value was approximately $239.0 million. We believe that no significant payments will be made as a result of the difference between the fair market value of the leased equipment and the guaranteed residual value. However, there can be no assurance that future significant payments will not be required.

Letters of Credit

Certain of our vendors require letters of credit to ensure reimbursement for amounts they are disbursing on our behalf, such as to beneficiaries under our self-funded insurance programs. In addition, from time to time, certain customers require us to post letters of credit to ensure payment to our subcontractors and vendors under those contracts and to guarantee performance under our contracts. Such letters of credit are generally issued by a bank or similar financial institution, typically pursuant to our credit facility. Each letter of credit commits the issuer to pay specified amounts to the holder of the letter of credit if the holder demonstrates that we have failed to perform specified actions. If this were to occur, we would be required to reimburse the issuer of the letter of credit. Depending on the circumstances of such a reimbursement, we may also be required to record a charge to earnings for the reimbursement. We do not believe that it is likely that any material claims will be made under a letter of credit in the foreseeable future.

As of March 31, 2013, we had $183.6 million in letters of credit outstanding under our credit facility primarily to secure obligations under our casualty insurance program. These are irrevocable stand-by letters of credit with maturities generally expiring at various times throughout 2013 and 2014. Upon maturity, it is expected that the majority of these letters of credit will be renewed for subsequent one-year periods.

Performance Bonds and Parent Guarantees

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a financial institution known as a surety. These bonds provide a guarantee to the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. If we fail to perform under a contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the surety for any expenses or outlays it incurs. Under our underwriting, continuing indemnity and security agreement with our sureties and with the consent of our lenders under our credit facility, we have granted security interests in certain of our assets to collateralize our obligations to the sureties. Subject to certain conditions and consistent with terms of our credit facility, these security interests will be automatically released if we maintain a corporate credit rating that is BBB- (stable) or higher by Standard & Poor's Rating Services and a corporate family rating that is Baa3 (stable) or higher by Moody's Investors Services. We may be required to post letters of credit or other collateral in favor of the sureties or our customers in the future. Posting letters of credit in favor of the sureties or our customers would reduce the borrowing availability under our credit facility. To date, we have not been required to make any reimbursements to our sureties for bond-related costs. We believe that it is unlikely that we will have to fund significant claims under our surety arrangements in the foreseeable future. As of March 31, 2013, the total amount of outstanding performance bonds was approximately $2.12 billion, and the estimated cost to complete these bonded projects was approximately $500.3 million.

From time to time, we guarantee the obligations of our wholly owned subsidiaries, including obligations under certain contracts with customers, certain lease obligations, certain joint venture arrangements and, in some states, obligations in connection with obtaining contractors' licenses. We are not aware of any material obligations for performance or payment asserted against us under any of these guarantees.

Contractual Obligations

As of March 31, 2013, our future contractual obligations are as follows (in thousands):

	Total	Remainder of 2013	2014	2015	2016	2017	Thereafter
Operating lease obligations	$ 98,431	$ 20,603	$ 21,498	$ 17,091	$ 13,583	$ 8,280	$ 17,376
Equipment purchase commitments	20,478	20,478	—	—	—	—	—
Capital commitment related to investment in unconsolidated affiliates	8,333	8,333	—	—	—	—	—
Committed capital expenditures for fiber optic networks under contracts with customers	36,073	32,850	2,873	350	—	—	—
Total	$ 163,315	$ 82,264	$ 24,371	$ 17,441	$ 13,583	$ 8,280	$ 17,376

The committed capital expenditures for fiber optic networks represent commitments related to signed contracts with customers. The amounts are estimates of costs required to build the networks under contract. The actual capital expenditures related to building the networks could vary materially from these estimates. We have also committed capital for the expansion of our vehicle fleet in order to accommodate manufacturer lead times on certain types of vehicles. As of March 31, 2013, production orders for approximately $20.5 million had been issued with delivery dates expected to occur throughout 2013. Although we have committed to the purchase of these vehicles at the time of their delivery, we intend that these orders will be assigned to third party leasing companies and made available to us under certain of our master equipment lease agreements, which will release us from our capital commitment. The capital commitment related to investment in unconsolidated affiliates refers to a capital commitment with HEP for the planned midstream expansion projects and is expected to be funded in the second quarter of 2013.

As of March 31, 2013, the total unrecognized tax benefits related to uncertain tax positions was $53.5 million. Although the Internal Revenue Service completed its examination related to calendar year 2009 during 2012, certain of our subsidiaries remain under examination by various state and Canadian tax authorities for multiple periods, and the amount of unrecognized tax benefits could therefore increase or decrease as a result of the expiration of certain statutes of limitations or settlements of these audits. We believe it is reasonably possible that within the next 12 months unrecognized tax benefits may decrease up to $11.5 million due to the expiration of certain statutes of limitations or settlements of the audits.

The previously presented table of estimated contractual obligations does not reflect obligations under the multi-employer pension plans in which our union employees participate. Several of our operating units are parties to various collective bargaining agreements that require us to provide to the employees subject to these agreements specified wages and benefits, as well as to make contributions to multi-employer pension plans. Our multi-employer pension plan contribution rates generally are specified in the collective bargaining agreements (usually on an annual basis), and contributions are made to the plans on a “pay-as-you-go” basis based on our union employee payrolls. Our obligations for contributions to multi-employer pension plans cannot be determined for future periods because the location and number of union employees that we have employed at any given time and the plans in which they may participate vary depending on the projects we have ongoing at any time and the need for union resources in connection with those projects.

We may also have additional liabilities imposed by law as a result of our participation in multi-employer defined benefit pension plans. 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 if the employer withdraws from the plan or the plan is terminated or experiences a mass withdrawal. These liabilities include an allocable share of the unfunded vested benefits in the plan for all plan participants, not merely the benefits payable to a contributing employer’s own retirees. Other than as noted below, we are not aware of any material amounts of withdrawal liability that have been or are expected to be incurred as a result of a withdrawal by any of our operating units from any multi-employer defined benefit pension plans.

We may also be required to make additional contributions to our multi-employer pension plans if they become underfunded, and these additional contributions will be determined based on our union employee payrolls. The Pension Protection Act of 2006 added special funding and operational rules generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as “endangered,” “seriously endangered” or “critical” status. Plans in these classifications must adopt measures to improve their funded status through a funding improvement or rehabilitation plan, as applicable, which may require additional contributions from employers (which may take the form of a surcharge on benefit contributions) and/or modifications to retiree benefits. A number of multi-employer plans to which our operating units contribute or may contribute in the future are in “endangered,” “seriously endangered” or “critical” status. The amount of additional funds, if any, that we may be obligated to contribute to these plans in the future cannot be reasonably estimated and is not included in the above table due to uncertainty of the future levels of work that require the specific use of the union employees covered by these plans, as well as the future contribution levels and possible surcharges on contributions applicable to these plans.

We recorded a partial withdrawal liability of approximately $32.6 million in the fourth quarter of 2011 related to the withdrawal by certain of our subsidiaries from the Central States, Southeast and Southwest Areas Pension Plan (the Central States Plan). The partial withdrawal liability we recognized is based on estimates received from the Central States Plan during 2011 for a complete withdrawal by all of our subsidiaries participating in the Central States Plan. During the third quarter of 2012, the Central States Plan provided an estimate of the potential withdrawal liability, indicating that the withdrawal liability is approximately $32.8 million based on a partial withdrawal in the fourth quarter of 2011, approximately $39.7 million based on a partial withdrawal in the first quarter of 2012, or approximately $40.1 million based upon a complete withdrawal in 2012. However, we continue to dispute the assertions of the Central States Plan regarding the effective date of the withdrawal.

We expect to receive a formal assessment of the partial withdrawal liability from the Central States Plan and may seek to challenge and further negotiate the assessment at that time. As a result, the final partial withdrawal liability cannot yet be determined with certainty and could be materially higher or lower than the charges we have recognized. Following the formal assessment, we will be required to pay the assessed amount over a period of years, although the number of years is not certain and we may also negotiate a lump-sum payment. As a result of these various factors, the estimated partial withdrawal liability of $32.6 million has not been included in the Contractual Obligations table. For additional information regarding the partial withdrawal liability, see Note 9 of the Notes to Condensed Consolidated Financial Statements in Item 1. “Financial Statements.”

Also excluded from the Contractual Obligations table is interest associated with letters of credit fees and commitment fees under our credit facility because the outstanding letters of credit, availability and applicable interest rates and fees are variable. For additional information regarding the interest rates under our credit facility, see Note 6 of the Notes to Condensed Consolidated Financial Statements in Item 1. “Financial Statements.”

Self-Insurance

We are insured for employer’s liability, general liability, auto liability and workers’ compensation claims. Since August 1, 2009, policy deductible levels are $5.0 million per occurrence, other than employer’s liability, which is subject to a deductible of $1.0 million. We also have employee health care benefit plans for most employees not subject to collective bargaining agreements, of which the primary plan is subject to a deductible of $375,000 per claimant per year.

Losses under all of these insurance programs are accrued based upon our estimate of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries. These insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the extent of damage, the determination of our liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals are adequate. As of March 31, 2013 and December 31, 2012, the gross amount accrued for insurance claims totaled $167.9 million and $160.8 million, with $125.7 million and $120.2 million considered to be long-term and included in other non-current liabilities. Related insurance recoveries/receivables as of March 31, 2013 and December 31, 2012 were $22.4 million and $22.2 million, of which $2.2 million and $2.3 million are included in prepaid expenses and other current assets and $20.2 million and $19.9 million are included in other assets, net.

We renew our insurance policies on an annual basis, and therefore deductibles and levels of insurance coverage may change in future periods. In addition, insurers may cancel our coverage or determine to exclude certain items from coverage, or we may elect not to obtain certain types or incremental levels of insurance if we believe that the cost to obtain such coverage exceeds the additional benefits obtained. In any such event, our overall risk exposure would increase, which could negatively affect our results of operations, financial condition and cash flows.

Concentration of Credit Risk

We are subject to concentrations of credit risk related primarily to our cash and cash equivalents and our accounts receivable, including amounts related to unbilled accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts. Substantially all of our cash investments are managed by what we believe to be high credit quality financial institutions. In accordance with our investment policies, these institutions are authorized to invest this cash in a diversified portfolio of what we believe to be high quality investments, which primarily include interest-bearing demand deposits, money market mutual funds and investment grade commercial paper with original maturities of three months or less. Although we do not currently believe the principal amount of these investments is subject to any material risk of loss, changes in economic conditions could impact the interest income we receive from these investments. In addition, we grant credit under normal payment terms, generally without collateral, to our customers, which include electric power, natural gas and oil pipeline companies, governmental entities, general contractors, and builders, owners and managers of commercial and industrial properties located primarily in the United States and Canada. Consequently, we are subject to potential credit risk related to changes in business and economic factors throughout the United States and Canada, which may be heightened as a result of uncertain economic and financial market conditions that have existed in recent years. However, we generally have certain statutory lien rights with respect to services provided. Historically, some of our customers have experienced significant financial difficulties, and others may experience financial difficulties in the future. These difficulties expose us to increased risk related to collectability of billed and unbilled receivables and costs and estimated earnings in excess of billings on uncompleted contracts for services we have performed. As of March 31 2013, two customers accounted for approximately 19% and 11% of consolidated billed and accrued accounts receivable. As of December 31, 2012, two customers accounted for approximately 16% and 11% of consolidated billed and accrued accounts receivable. Substantially all of the balance for the customer with 11% of consolidated billed and accrued accounts receivable as of March 31, 2013 and December 31, 2012 relates to one contract and is comprised primarily of certain contract change orders for which the customer acceptance process is ongoing. The services provided to these customers, with billed and accrued accounts receivable balances greater than 10% of the consolidated balance, relate primarily to our Electric Power Infrastructure Services segment. For the three months ended March 31, 2013, one customer accounted for approximately 14% of consolidated revenues. The services provided to this customer relate primarily to Quanta's Electric Power Infrastructure Services segment. No other customers represented 10% or more of revenues for the three months ended March 31, 2013 and 2012 or of billed and accrued accounts receivable as of March 31, 2013 and December 31, 2012.

Litigation and Claims

We are from time to time party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, employment-related damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, we record a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In addition, we disclose matters for which management believes a material loss is at least reasonably possible. See Note 9 of the Notes to Condensed Consolidated Financial Statements in Item 1. "Financial Statements" for additional information regarding litigation and claims.

Related Party Transactions

In the normal course of business, we enter into transactions from time to time with related parties. These transactions typically take the form of facility leases with prior owners of certain acquired companies.

New Accounting Pronouncements

Adoption of New Accounting Pronouncements.

On January 1, 2013, we adopted an update that gives entities an option to first assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that its indefinite-lived intangible assets are impaired. If, based on its qualitative assessment, an entity concludes that it is more likely than not that the fair value of its indefinite-lived intangible assets is less than their carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. We do not expect that the adoption of this standard will have a material effect on our consolidated financial statements.

Accounting Standards Not Yet Adopted.

There were no significant accounting pronouncements issued but not yet adopted as of March 31, 2013.

Outlook

We currently see growth opportunities across all the industries we serve. However, we and our customers continue to operate in a difficult business environment, with gradual improvement in the economy and continuing uncertainty in the marketplace. Our customers are also facing stringent regulatory and environmental requirements as they implement projects to enhance and expand their infrastructure. These economic and regulatory factors have negatively affected our results in the past and may continue to create some uncertainty as to the timing of anticipated customer spending. We believe that our financial and operational strengths will enable us to manage these challenges and uncertainties, and we remain optimistic about our long-term opportunities.

Electric Power Infrastructure Services Segment

The North American electric grid is aging and requires significant upgrades and maintenance to meet current and future demands for power. Over the past several years, many utilities across North America have begun to implement plans to improve their transmission systems, improve reliability and reduce congestion, and new construction, structure change-outs, line upgrades and maintenance projects on many transmission systems are occurring or planned to occur. In addition, state renewable portfolio standards, which set required or voluntary standards for how much power is to be generated from renewable energy sources, can result in the need for additional transmission lines and substations to transport the power from these facilities, which are often in remote locations, to demand centers. Other factors, such as the reliability standards issued by the North American Electric Reliability Corporation (NERC) and other regulatory actions, are also driving transmission system upgrades and expansions. We believe these factors create strong opportunities for our transmission infrastructure services.

We believe that utilities remain committed to the expansion and strengthening of their transmission infrastructure with planning, engineering and funding for many of their projects in place. The regulatory and environmental permitting processes remain a hurdle for some proposed transmission and renewable energy projects, and these factors continue to create uncertainty as to timing of this spending. The timing and scope of projects can also be affected by other factors such as siting, right-of-way and unfavorable economic and market conditions. We anticipate many of these issues to be overcome and spending on transmission projects to be active over the next few years, resulting in a continued shift over the near- and long-term in our electric power services mix to a greater proportion of high-voltage electric power transmission and substation projects. We currently have a number of these projects underway, and we expect this segment’s backlog to remain strong throughout 2013 and into 2014.

The economic feasibility of renewable energy projects, and therefore, the attractiveness of investment in the projects, may depend on the availability of tax incentive programs or the ability of the projects to take advantage of such incentives, and there is no assurance that the government will extend existing tax incentives or create new incentive or funding programs in the future. Although we see additional developments of renewable energy projects, primarily utility-scale solar facilities which could create increased opportunities for our engineering, procurement and construction services, we believe there is some uncertainty with these projects advancing towards award and construction.

We benefited from increases in distribution spending throughout 2011 and 2012 despite continued economic and election-year political uncertainties. However, as a result of reduced spending by utilities on their distribution systems during 2009 and 2010, combined with the need to meet reliability requirements, we believe there is an ongoing need for utilities to resume sustained investment in their distribution systems in order to properly maintain their systems. We also anticipate that utilities will continue to integrate “smart grid” technologies into their transmission and distribution systems over time to improve grid management and create efficiencies. Development and installation of smart grid technologies and other energy efficiency initiatives have benefited from stimulus funding under the ARRA, as well as the implementation of grid management initiatives by utilities and the desire by consumers for more efficient energy use.

Several existing, pending or proposed legislative or regulatory actions may also positively affect demand for the services provided by this segment in the long term, particularly in connection with electric power infrastructure and renewable energy spending. For example, legislative or regulatory action that alleviates some of the siting and right-of-way challenges that impact transmission projects would potentially accelerate future transmission line construction. The Federal Energy Regulatory Commission (FERC) recently issued FERC Order No. 1000 to promote more efficient and cost-effective development of new transmission facilities. The order establishes transmission planning and cost allocation requirements intended to facilitate multi-state electric transmission lines and to encourage competition by removing, under certain conditions, federal rights of first refusal from FERC-approved tariffs and agreements. We believe FERC Order No. 1000, which was affirmed by FERC in May 2012 with the issuance of FERC Order No. 1000-A, will have a favorable impact on electric transmission line development, although the impact of its implementation is not expected to occur for several years. We also anticipate increased infrastructure spending by our customers as a result of legislation requiring the power industry to meet federal reliability standards for its transmission and distribution systems and providing incentives to the industry to invest in and improve maintenance on its systems. Developments in environmental regulations concerning fossil fuel power generation plants are expected to result in the need to retire or upgrade older coal-fired generation facilities to comply with new environmental and emission rules. Much of the electricity previously generated from retired coal-fired generation facilities is expected to be replaced over the coming years by newly developed natural gas-fired generation facilities. We believe this “coal to gas” dynamic may require old transmission lines to be updated, rebuilt or replaced with higher voltage transmission infrastructure as well as the construction of new transmission infrastructure to connect new natural gas-fired generation facilities to the grid.

Several industry and market trends are also prompting customers in the electric power industry to seek outsourcing partners. These trends include an aging utility workforce, increasing costs and labor availability issues. We believe the economic recession in the United States slowed employee retirements by many utility workers, causing the growth trend in outsourcing to temporarily pause. As the economy and financial markets continue to recover, we believe utility employee retirements could return to normal levels, which should result in an increase in outsourcing opportunities. The need to ensure available labor resources for larger projects also drives strategic relationships with customers.

Natural Gas and Pipeline Infrastructure Services Segment

We see growth opportunities in our natural gas and oil pipeline operations, primarily in the installation and maintenance of mainline pipe, gathering systems and related facilities, as well as pipeline integrity and specialty services such as horizontal directional drilling. We believe opportunities for this segment exist as a result of the increase in the ongoing development of unconventional shale formations that produce natural gas, natural gas liquids and/or crude oil, as well as the development of Canadian oil sands, which will require the construction of mainline pipe infrastructure to connect production with demand centers and the development of midstream gathering infrastructure within areas of production. We also believe the goals of clean energy and energy independence for North America, as well as more stringent environmental regulations, will make abundant, low-cost natural gas the fuel of choice to replace coal for power generation over time, creating the need for continued investment in natural gas infrastructure. We believe our position as a leading provider of mainline pipe and gathering system infrastructure services in North America will allow us to capitalize on these opportunities.

The natural gas and oil pipeline industry is cyclical and subject to volatility as a result of fluctuations in natural gas, natural gas liquids and oil prices. In the past, sustained periods of low prices for these products have negatively impacted the development of these natural resources and related infrastructure. In addition, environmental scrutiny, stringent regulatory requirements and cumbersome permitting processes have caused delays in some mainline pipe projects during the past several years. These dynamics resulted in below average mainline pipe construction opportunities for us and the industry in 2011 and 2012.

The lack of mainline pipe opportunities in 2011 and 2012 negatively impacted our natural gas and pipeline segment margins, in part as a result of our inability to cover certain fixed costs. Margins for our mainline pipe projects are also subject to significant performance risk, which can arise from adverse weather conditions, challenging geography, customer decisions and crew productivity. Our specific opportunities in the mainline pipe business are sometimes difficult to predict because of the seasonality of the bidding and construction cycles within the industry.

A number of large mainline pipe projects are proposed from the Canadian oil sands and U.S. shale developments to refineries and other demand centers. These projects are still developing and have not yet materialized into contract awards to the pipeline construction industry. While there is risk that these projects will not occur, we are encouraged by these proposed mainline pipe development plans, which could create an improved and favorable mainline pipe market in late 2013 and 2014 for us and the industry. We believe we will gain more visibility into this evolving dynamic during the remainder of 2013.

To address some of the cyclicality of the mainline pipe business, we have diversified our service offerings for the segment by focusing on midstream gathering infrastructure opportunities. We have increased our presence in areas where unconventional shale formations are located, including through the establishment of offices in several areas, to better position us to successfully pursue projects associated with midstream gathering infrastructure development. The relatively consistent nature of this work could offset some of the cyclical nature of the mainline pipe business while also providing us growth opportunities. We see steady activity and more opportunities in the liquid-rich unconventional shales and are strategically focusing our efforts to provide services for midstream gathering systems in these shales.

We also see growth potential in some of our other pipeline services. The U.S. Department of Transportation has implemented significant regulatory legislation through the Pipeline and Hazardous Materials Safety Administration relating to pipeline integrity requirements that we expect will increase the demand for our pipeline integrity, rehabilitation and replacement services over the long-term. As pipeline integrity testing requirements increase in stringency and frequency, we believe more information will be gathered about the condition of the nation's pipeline infrastructure and will result in an increase in spending by our customers on pipeline integrity initiatives. In early 2012, we acquired an engineering, research and development business that develops and owns pipeline inspection tools, enhancing our pipeline integrity capabilities. We believe that our ability to offer a complete pipeline integrity turnkey solution to pipeline companies and gas utilities provides us an advantageous position in providing these services to our customers.

Over the past several years, our natural gas and pipeline infrastructure operations have been challenged, in part by lower margins in connection with our natural gas distribution services, which were significantly affected by the economic downturn. To improve our ability to be competitive and to generate improved margins from natural gas distribution projects, we restructured our natural gas distribution operations in 2011 to better align our cost structure to the competitive environment, which has resulted in improved margins in these operations. We believe margins on natural gas distribution projects will continue to improve over time.

Overall, we are optimistic about this segment's operations in the future. We continue to believe that mainline pipe opportunities can provide strong profitability, although these projects and the profits they generate are often subject to more cyclicality than our other service offerings. We have also taken steps to diversify our operations in this segment through other services, such as pipeline integrity and gathering system opportunities, and to restructure our gas distribution operations to improve margins. We believe these measures, together with the potential for mainline pipe opportunities, will position us for profitable growth in this segment over the long-term.

Fiber Optic Licensing and Other Segment

Our Fiber Optic Licensing and Other segment is experiencing growth primarily through geographic expansion, with a focus on markets where secure high-speed networks are important, such as markets where enterprises, communications carriers and educational, financial services and healthcare institutions are prevalent.

We continue to see opportunities for growth both in the markets we currently serve and new markets. Our growth opportunities, however, have been affected in the education markets primarily due to challenging economic conditions, which have in the past comprised a significant portion of this segment's revenues. We believe the slowdown in the education market is due to budgetary constraints, although these constraints appear to be easing somewhat. Our Fiber Optic Licensing and Other segment typically generates higher margins than our other operations, but we can give no assurance that the Fiber Optic Licensing and Other segment margins will continue at historical levels. Additionally, we anticipate the need for continued capital expenditures to support the build-out of our networks and growth of this business. The Fiber Optic Licensing and Other segment also provides various telecommunications infrastructure services on a limited and ancillary basis, primarily to our customers in the electric power industry. Due to the disposition of our telecommunications subsidiaries, telecommunications services are no longer a strategic priority for the company. We will continue to provide these services to utility customers on an as needed basis. However, we believe that expected increases in this segment's revenues associated with fiber optic licensing services could be offset by decreases in other telecommunications infrastructure service revenues.

Conclusion

We continue to see growth opportunities in all of the industry segments we serve, despite continuing challenges from restrictive regulatory requirements and uncertain economic conditions. Constraints in the capital markets have also negatively affected some of our customers' plans for projects in the past and may do so in the future, which could delay, reduce or suspend future projects if funding is not available.

We are benefiting from utilities' increased spending on projects to upgrade and expand their electric power transmission infrastructure to improve system reliability and to deliver renewable electricity from new generation sources to demand centers. Favorable industry legislation is also creating incentives and a positive environment for utilities to invest in their electrical infrastructure, in particular for transmission infrastructure. Additional environmental regulations concerning fossil fuel power generation emissions create opportunities for transmission lines to be updated, rebuilt or replaced due to "coal to gas" facility replacements. We also expect utilities to outsource more of their work to companies like us, due in part to their aging workforce issues. We believe that we remain the partner of choice for many utilities in need of broad infrastructure expertise, specialty equipment and workforce resources.

We believe that we are one of the largest full-service providers of natural gas and oil pipeline infrastructure services in North America, which positions us to leverage opportunities driven by the development and production of resources from North American unconventional shale developments and the Canadian oil sands. Development activity in liquid-rich shale areas is strong, increasing the need for gathering system infrastructure, and we have seen encouraging indications that mainline pipe project activity could increase in 2013 and 2014. We also believe that our strategy to pursue midstream gathering system opportunities in liquid-rich unconventional shales, as well as the anticipated increase in demand for our pipeline integrity, rehabilitation and replacement services from pipeline integrity initiatives, will create attractive growth potential for us and also further diversify the services provided by our Natural Gas and Pipeline Infrastructure Services segment.

Our electric distribution and gas distribution services were both significantly affected by the uncertain economic conditions that existed during the recent recession. Demand for our electric distribution services has increased over the past two years as the economy has stabilized and spending on maintenance to improve reliability has somewhat returned. We are optimistic that continued implementation of electric distribution reliability programs and the potential for improvement in the housing market will facilitate moderate growth in demand for our electric distribution services. We expect recovery in gas distribution spending to be driven primarily by improving economic conditions, as well as increased maintenance needs from more stringent reliability regulations.

Competitive pricing environments, project delays and effects from restrictive regulatory requirements have negatively impacted our margins in the past and could affect our margins in the future. Additionally, margins may be negatively impacted on a quarterly basis due to adverse weather conditions, timing of project starts or completions and other factors as described in “Understanding Margins” above. We continue to focus on the elements of the business we can control, including costs, the margins we accept on projects, collecting receivables, ensuring quality service, rightsizing initiatives as needed to match the markets we serve, and safely executing on the projects we are awarded.

Capital expenditures for 2013 are expected to be between $210 million to $225 million, of which approximately $35 million to $45 million of these expenditures are targeted for fiber optic network expansion, with the majority of the remaining expenditures for operating equipment. We expect 2013 capital expenditures to be funded substantially through internal cash flows, cash on hand and borrowings under our credit facility.

We continue to evaluate potential strategic acquisitions and investments to broaden our customer base, expand our geographic area of operation, grow our portfolio of services and increase opportunities across our operations. We believe that additional attractive acquisition candidates exist primarily as a result of the highly fragmented nature of the industry, the inability of many companies to expand and modernize due to capital constraints, and the desire of owners for liquidity. We also believe that our financial strength and experienced management team are attractive to acquisition candidates.

Certain international regions present significant opportunities for growth over time across many of our operations. We are evaluating ways in which we can strategically apply our expertise to strengthen infrastructure in various foreign countries where infrastructure enhancements are increasingly important. For example, we are actively pursuing opportunities in growth markets where we can leverage our technology or proprietary work methods, such as our energized services, to establish a presence in these markets.

We believe that we are well-positioned to capitalize upon opportunities and trends in the industries we serve because of our proven full-service operations with broad geographic reach, financial strength and technical expertise. Additionally, we believe that these industry opportunities and trends will increase the demand for our services over the long-term; although the actual timing, magnitude or impact of these opportunities and trends on our operating results and financial position can be difficult to predict.

Uncertainty of Forward-Looking Statements and Information

This Quarterly Report on Form 10-Q includes “forward-looking statements” reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “project,” “forecast,” “may,” “will,” “should,” “could,” “expect,” “believe,” “plan,” “intend” and other words of similar meaning. In particular, these include, but are not limited to, statements relating to the following:

- Projected revenues, earnings per share, margins, capital expenditures, and other projections of operating or financial results;
- Expectations regarding our business outlook, growth or opportunities in particular markets;
- The expected value of contracts or intended contracts with customers;
- The scope, services, term and results of any projects awarded or expected to be awarded for services to be provided by us;
- The impact of renewable energy initiatives, including mandated state renewable portfolio standards, the economic stimulus package and other existing or potential energy legislation;

- Potential opportunities that may be indicated by bidding activity or similar discussions with customers;
- The potential benefits from acquisitions;
- The outcome of pending or threatened litigation;
- The business plans or financial condition of our customers;
- Our plans and strategies; and
- The current economic and regulatory conditions and trends in the industries we serve.

These forward-looking statements are not guarantees of future performance and involve or rely on a number of risks, uncertainties, and assumptions that are difficult to predict or beyond our control. These forward-looking statements reflect our beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that actual outcomes and results may differ materially from what is expressed, implied or forecasted by our forward-looking statements and that any or all of our forward-looking statements may turn out to be wrong. Those statements can be affected by inaccurate assumptions and by known or unknown risks and uncertainties, including the following:

- The effects of industry, economic or political conditions outside our control;
- Quarterly variations in our operating results;
- Adverse economic and financial conditions, including weakness in the capital markets;
- Trends and growth opportunities in relevant markets;
- Delays, reductions in scope or cancellations of anticipated, pending or existing projects, including as a result of weather, regulatory or environmental processes, project performance issues, or our customers' capital constraints;
- The successful negotiation, execution, performance and completion of anticipated, pending and existing contracts, including the ability to obtain awards of projects on which we bid or are otherwise discussing with customers;
- Our ability to attract skilled labor and retain key personnel and qualified employees;
- The potential shortage of skilled employees;
- Our dependence on fixed price contracts and the potential to incur losses with respect to these contracts;
- Estimates relating to our use of percentage-of-completion accounting;
- Adverse impacts from weather;
- Our ability to generate internal growth;
- Competition in our business, including our ability to effectively compete for new projects and market share;
- Potential failure of renewable energy initiatives, the economic stimulus package or other existing or potential legislative actions to result in increased demand for our services;
- Liabilities associated with multi-employer pension plans, including underfunding of liabilities and termination or withdrawal liabilities;
- The possibility of an increase in the liability associated with our partial withdrawal in the fourth quarter of 2011 from a multi-employer pension plan;
- Liabilities for claims that are self-insured or not insured;
- Unexpected costs or liabilities that may arise from lawsuits or indemnity claims asserted against us;

- Risks relating to the potential unavailability or cancellation of third party insurance, the exclusion of coverage for certain losses, and potential increases in premiums for coverage deemed beneficial to us;
- Cancellation provisions within our contracts and the risk that contracts expire and are not renewed or are replaced on less favorable terms;
- Loss of customers with whom we have long-standing or significant relationships;
- The potential that participation in joint ventures exposes us to liability and/or harm to our reputation for acts or omissions by our partners;
- Our inability or failure to comply with the terms of our contracts, which may result in unexcused delays, warranty claims, failure to meet performance guarantees, damages or contract terminations;
- The effect of natural gas, natural gas liquids and oil prices on our operations and growth opportunities;
- The future development of natural resources in shale areas;
- The inability of our customers to pay for services;
- The failure to recover on payment claims against project owners or to obtain adequate compensation for customer-requested change orders;
- The failure of our customers to comply with regulatory requirements applicable to their projects, including those related to awards of stimulus funds, which may result in project delays and cancellations;
- Budgetary or other constraints that may reduce or eliminate tax incentives for or government funding of projects, including stimulus projects, which may result in project delays or cancellations;
- Estimates and assumptions in determining our financial results and backlog;
- Our ability to realize our backlog;
- Risks associated with operating in international markets, including instability of foreign governments, currency fluctuations, tax and investment strategies and compliance with the laws of foreign jurisdictions, as well as the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery and anti-corruption laws;
- Our ability to successfully identify, complete, integrate and realize synergies from acquisitions;
- The potential adverse impact resulting from uncertainty surrounding acquisitions, including the ability to retain key personnel from the acquired businesses and the potential increase in risks already existing in our operations;
- The adverse impact of impairments of goodwill and other intangible assets or investments;
- Our growth outpacing our decentralized management and infrastructure;
- Requirements relating to governmental regulation and changes thereto;
- Inability to enforce our intellectual property rights or the obsolescence of such rights;
- Risks related to the implementation of an information technology solution;
- The impact of our unionized workforce on our operations, including labor stoppages or interruptions due to strikes or lockouts;
- Potential liabilities relating to occupational health and safety matters;
- Our dependence on suppliers, subcontractors and equipment manufacturers;
- Risks associated with our fiber optic licensing business, including regulatory and tax changes and the potential inability to realize a return on our capital investments;

- Beliefs and assumptions about the collectability of receivables;
- The cost of borrowing, availability of credit, fluctuations in the price and volume of our common stock, debt covenant compliance, interest rate fluctuations and other factors affecting our financing and investing activities;
- The ability to access sufficient funding to finance desired growth and operations;
- Our ability to obtain performance bonds;
- Potential exposure to environmental liabilities;
- Our ability to continue to meet the requirements of the Sarbanes-Oxley Act of 2002;
- Rapid technological and structural changes that could reduce the demand for our services;
- The impact of increased healthcare costs arising from healthcare reform legislation; and
- The other risks and uncertainties as are described elsewhere herein and under Item 1A. *"Risk Factors"* in our Annual Report on Form 10-K for the year ended December 31, 2012 and as may be detailed from time to time in our other public filings with the SEC.

All of our forward-looking statements, whether written or oral, are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements or that are otherwise included in this report. In addition, we do not undertake and expressly disclaim any obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this report or otherwise.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

The information in this section should be read in connection with the information on financial market risk related to changes in interest rates and currency exchange rates in Part II, Item 7A. "*Quantitative and Qualitative Disclosures About Market Risk,*" in our Annual Report on Form 10-K for the year ended December 31, 2012. Our primary exposure to market risk relates to unfavorable changes in concentration of credit risk, interest rates and currency exchange rates.

Credit Risk. We are subject to concentrations of credit risk related to our cash and cash equivalents and our accounts receivable, including amounts related to unbilled accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts. Substantially all of our cash investments are managed by what we believe to be high credit quality financial institutions. In accordance with our investment policies, these institutions are authorized to invest this cash in a diversified portfolio of what we believe to be high-quality investments, which primarily include interest-bearing demand deposits, money market mutual funds and investment grade commercial paper with original maturities of three months or less. Although we do not currently believe the principal amounts of these investments are subject to any material risk of loss, changes in economic conditions could impact the interest income we receive from these investments. In addition, as we grant credit under normal payment terms, generally without collateral, we are subject to potential credit risk related to our customers' ability to pay for services provided. This risk may be heightened as a result of the depressed economic and financial market conditions that have existed in recent years. However, we believe the concentration of credit risk related to trade accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts is limited because of the diversity of our customers. We perform ongoing credit risk assessments of our customers and financial institutions, and in some cases, we obtain collateral or other security from our customers.

Interest Rate and Market Risk. Currently, we do not have any significant assets or obligations with exposure to significant interest rate and market risk. Although we had credit facility borrowings outstanding at various times in 2012 which exposed us to interest rate risk, there were no credit facility borrowings outstanding as of or for the three months ended March 31, 2013.

Currency Risk. We conduct operations primarily in the U.S. and Canada. Future earnings are subject to change due to fluctuations in foreign currency exchange rates when transactions are denominated in currencies other than our functional currencies. To minimize the need for foreign currency forward contracts to hedge this exposure, our objective is to manage foreign currency exposure by maintaining a minimal consolidated net asset or net liability position in a currency other than the functional currency.

We may enter into foreign currency derivative contracts to manage some of our foreign currency exposures. These exposures may include revenues generated in foreign jurisdictions and anticipated purchase transactions, including foreign currency capital expenditures and lease commitments. There were no open foreign currency derivative contracts at March 31, 2013.

Item 4. *Controls and Procedures.*

Attached as exhibits to this quarterly report on Form 10-Q are certifications of Quanta's Chief Executive Officer and Chief Financial Officer that are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the Exchange Act). This "*Controls and Procedures*" section includes information concerning the controls and controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

Our management has established and maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, such as this quarterly report, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. The disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this quarterly report, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, these officers have concluded that, as of March 31, 2013, our disclosure controls and procedures were effective to provide reasonable assurance of achieving their objectives.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Design and Operation of Control Systems

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and breakdowns can occur because of simple errors or mistakes. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings.*

We are from time to time party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, employment-related damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, we record a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In addition, we disclose matters for which management believes a material loss is at least reasonably possible. See *Litigation and Claims* in Note 9 of the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report, which is incorporated by reference in this Item 1 of Part II, for additional information regarding legal proceedings.

Item 1A. *Risk Factors.*

As of the date of this filing, there have been no material changes from the risk factors previously disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Annual Report). An investment in our common stock or other equity securities involves various risks. When considering an investment in our company, you should carefully consider all of the risk factors described herein and in our 2012 Annual Report. The matters specifically identified are not the only risks and uncertainties we face, and there may be additional matters that are not known to us or that we currently consider immaterial. All of these risks and uncertainties could adversely affect our business, financial condition or future results and, thus, the value of an investment in our company.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds.*

Unregistered Sales of Equity Securities

On January 11, 2013, we issued 36,798 shares of common stock in partial consideration for the acquisition of a consulting business. On March 26, 2013, we issued 409,110 shares of common stock to two former owners of Valard in exchange for exchangeable shares of one of our Canadian subsidiaries. All of such shares of common stock were issued in reliance upon the exemption from registration provide by Section 4(2) of the Securities Act of 1933, as amended (the Securities Act), as the shares were issued to the former owners of businesses acquired in privately negotiated transactions not involving any public offering or solicitation.

Issuer Purchases of Equity Securities

The following table contains information about our purchases of equity securities during the three months ended March 31, 2013.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased Under the Plans or Programs
January 1-31, 2013	—	$ —	—	
February 1-28, 2013	296,786(1)	$ 28.04	—	
March 1-31, 2013	88(1)	$ 29.43	—	
Total	296,874		—	$ —

(1) Represents shares purchased from employees to satisfy tax withholding obligations in connection with the vesting of restricted stock awards.

Item 3. ***Defaults Upon Senior Securities.***

None.

Item 4. ***Mine Safety Disclosures.***

None.

Item 5. ***Other Information.***

None.

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Item 6. ***Exhibits.***

Exhibit No.		Description
3.1	—	Restated Certificate of Incorporation of Quanta Services, Inc. (previously filed as Exhibit 3.3 to the Company's Form 8-K (No. 001-13831) filed May 25, 2011 and incorporated herein by reference)
3.2	—	Bylaws of Quanta Services, Inc., as amended and restated August 16, 2012 (previously filed as Exhibit 3.2 to the Company's Form 8-K (No. 001-13831) filed August 21, 2012 and incorporated herein by reference)
10.1+	—	2013 Incentive Bonus Plan (previously filed as Exhibit 10.1 to the Company's Form 8-K (No. 001-13831) filed March 8, 2013 and incorporated herein by reference)
10.2+	—	Form of Restricted Stock Unit Agreement for awards to employees/consultants pursuant to the 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed March 8, 2013 and incorporated herein by reference)
10.3+*	—	Form of Restricted Stock Unit Agreement for awards to non-employee directors pursuant to the 2011 Omnibus Equity Incentive Plan
10.4+*	—	Quanta Services, Inc. Non-Employee Director Deferred Compensation Plan dated effective April 30, 2013, including the Cash Deferral Election Form
10.5+*	—	Restricted Stock Unit Deferral Election Form, pursuant to the Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan
10.6+	—	Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 4.5 to the Company's Form S-8 (No. 333-174374) filed May 20, 2011 and incorporated herein by reference)
10.7+*	—	Director Compensation Summary effective as of 2013 Annual Meeting of the Board of Directors
10.8+*	—	Employment Agreement dated effective March 6, 2013 by and between Quanta Services, Inc. and Gérard J. Sonnier
31.1*	—	Certification by Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2*	—	Certification by Chief Financial Officer pursuant to Rule 13a -14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1*	—	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101 INS*		XBRL Instance Document
101 SCH*		XBRL Taxonomy Extension Schema Document
101 CAL*		XBRL Taxonomy Extension Calculation Linkbase Document
101 LAB*		XBRL Taxonomy Extension Label Linkbase Document
101 PRE*		XBRL Taxonomy Extension Presentation Linkbase Document
101 DEF*		XBRL Taxonomy Extension Definition Linkbase Document

\+ Management contracts or compensatory plans or arrangements
* Filed or furnished herewith

SIGNATURE

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

QUANTA SERVICES, INC.

By: /s/ DERRICK A. JENSEN
Derrick A. Jensen
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Dated: May 8, 2013

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* Filed or furnished herewith

Exhibit 10.3

FORM OF
RESTRICTED STOCK UNIT AGREEMENT

Award to Non-Employee Director
Pursuant to the 2011 Omnibus Equity Incentive Plan

Participant:

Address:

Number of Restricted Stock Units:

Date of Grant:

Vesting of Restricted Stock Units:	Vesting Date	Vested %
		100%

Quanta Services, Inc., a Delaware corporation (the "Company"), hereby grants to Participant, pursuant to the provisions of the Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan, as amended from time to time in accordance with its terms (the "Plan"), an award (this "Award") of the number of restricted stock units (the "Restricted Stock Units") set forth on the Company's electronic stock plan administration platform grant summary report for Participant (the "Grant Summary Report"), effective as of the "Date of Grant" set forth on the Grant Summary Report (the "Date of Grant"), upon and subject to the terms and conditions set forth in this Restricted Stock Unit Agreement (this "Agreement") and in the Plan, which are incorporated herein by reference. Unless otherwise defined in this Agreement, capitalized terms used in this Agreement shall have the meanings assigned to them in the Plan.

1. EFFECT OF THE PLAN. The Restricted Stock Units awarded to Participant are subject to all of the provisions of the Plan and of this Agreement, together with all rules and determinations from time to time issued by the Committee and by the Board pursuant to the Plan. The Company hereby reserves the right to amend, modify, restate, supplement or terminate the Plan without the consent of Participant, so long as such amendment, modification, restatement or supplement shall not materially reduce the rights and benefits available to Participant hereunder, and this Award shall be subject, without further action by the Company or Participant, to such amendment, modification, restatement or supplement unless provided otherwise therein.

2. GRANT. This Agreement shall evidence Participant's rights with respect to the award of Restricted Stock Units. Participant agrees that the Restricted Stock Units shall be subject to all of the terms and conditions set forth in this Agreement and the Plan, including, but not limited to, the forfeiture conditions set forth in Section 4 of this Agreement.

3. VESTING SCHEDULE; SERVICE REQUIREMENT. Except as provided otherwise in Section 4 of this Agreement, one hundred percent (100%) of the Restricted Stock Units shall vest, subject to Participant's continued service as a member of the Board ("Board Service"), on the "Vesting Date" set forth on Participant's Grant Summary Report (the "Vesting Date").

4. CONDITIONS OF FORFEITURE.

(a) Subject to Section 15(g) of the Plan, upon any termination of Participant's Board Service (the "Termination Date") for any reason except as a result of (i) the death of Participant, (ii) Participant's not being nominated for or elected to a new term as a member of the Board (a "Director") or (iii) Participant's resignation at the request and for the convenience of the Board other than for "Cause" (as defined in Section 4(b) of this Agreement) before the Restricted Stock Units become vested, all unvested Restricted Stock Units as of the Termination Date shall, without further action of any kind by the Company or Participant, be forfeited. Unvested Restricted Stock Units that are forfeited shall be deemed to be immediately cancelled without any payment by the Company or action by Participant. Following such forfeiture, Participant shall have no further rights with respect to such forfeited Restricted Stock Units.

(b) Notwithstanding anything to the contrary in this Agreement, the unvested Restricted Stock Units shall become vested (i) on the death of Participant during Participant's Board Service, (ii) on the termination of Participant's Board Service as a result of not being nominated for or elected to a new term as a Director, or (iii) on Participant's resignation as a Director at the request and for the convenience of the Board other than for Cause. In addition, the unvested Restricted Stock Units shall become vested upon the occurrence of a Change in Control during Participant's Board Service. For purposes of this Agreement, "Cause" for termination by the Board of Participant's Board Service shall mean (i) Participant's willful, material and irreparable breach of any agreement that governs the terms and conditions of his or her service to the Company; (ii) Participant's breach of any fiduciary or other material duty to the Company or its stockholders; (iii) Participant's gross negligence or gross incompetence in the performance or intentional nonperformance (continuing for ten days after receipt of written notice of such negligence) of any of Participant's material duties and responsibilities; (iv) Participant's dishonesty, fraud or misconduct with respect to the business or affairs of the Company or an Affiliate; (v) Participant's conviction of a felony crime; or (vi) chronic alcohol abuse or illegal drug abuse by Participant.

5. SETTLEMENT AND DELIVERY OF COMMON SHARES. Settlement of Restricted Stock Units shall be made on the Vesting Date, or, if later, the payment date under the terms of any deferral arrangement as may be established between the Company and Participant (in each case subject to an administrative processing window of up to fifteen (15) days thereafter). Settlement will be made by issuance of Common Shares. Notwithstanding the foregoing, the Company shall not be obligated to issue any Common Shares if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Shares is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the issuance of Common Shares to comply with any such law, rule, regulation or agreement.

6. NON-TRANSFERABILITY. Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise encumber or dispose of any of the Restricted Stock Units, or any right or interest therein, by operation of law or otherwise; provided, however, that Participant may make a gratuitous transfer of Restricted Stock Units to any Permitted Transferee in accordance with Section 15(b) of the Plan. Otherwise, a Restricted Stock Unit is personal to Participant and is non-assignable and non-transferable other than by will or by the laws of descent and distribution in the event of death of Participant. Any transfer in violation of this Section 6 shall be void and of no force or effect.

7. DIVIDEND AND VOTING RIGHTS. Participant shall have no rights to dividends or other rights of a stockholder with respect to the Restricted Stock Units unless and until such time as the Award has been settled by the issuance of Common Shares to Participant. Participant shall have the right to receive a cash dividend equivalent payment with respect to the Restricted Stock Units for cash dividends payable to holders of Common Shares as of a record date designated by the Company that is within the period beginning on the Date of Grant and ending on the date the Common Shares are issued to Participant in settlement of the Restricted Stock Units, which dividend equivalent payment shall be payable to Participant at the same time as cash dividends on Common Shares are paid to Company stockholders. In the event of forfeiture of Restricted Stock Units, Participant shall have no further rights with respect to such Restricted Stock Units.

8. CAPITAL ADJUSTMENTS AND CORPORATE EVENTS. If, from time to time during the term of this Agreement, there is any capital adjustment affecting the outstanding Common Shares as a class without the Company's receipt of consideration, the unvested Restricted Stock Units shall be adjusted in accordance with the provisions of Section 12(a) of the Plan.

9. TAX MATTERS. Participant acknowledges that the tax consequences associated with this Award are complex and that the Company has urged Participant to review with Participant's own tax advisors the federal, state, and local tax consequences of this Award. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of the Award.

10. ENTIRE AGREEMENT; GOVERNING LAW. The Plan and this Agreement constitute the entire agreement of the Company and Participant (collectively, the "Parties") with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Parties with respect to the subject matter hereof. If there is any inconsistency between the provisions of this Agreement and of the Plan, the provisions of the Plan shall govern. Nothing in the Plan and this Agreement (except as expressly provided therein or herein) is intended to confer any rights or remedies on any person other than the Parties. THE PLAN AND THIS AGREEMENT ARE TO BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE-OF-LAW RULE THAT WOULD CAUSE THE

APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE INTERNAL LAWS OF THE STATE OF DELAWARE TO THE RIGHTS AND DUTIES OF THE PARTIES. Should any provision of the Plan or this Agreement relating to the subject matter hereof be determined by a court of law to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

11. INTERPRETIVE MATTERS. Whenever required by the context, pronouns and any variation thereof shall be deemed to refer to the masculine, feminine, or neuter, and the singular shall include the plural, and vice versa. The term “include” or “including” does not denote or imply any limitation. The captions and headings used in this Agreement are inserted for convenience and shall not be deemed a part of this Award or this Agreement for construction or interpretation.

12. DISPUTE RESOLUTION. The provisions of this Section 12 shall be the exclusive means of resolving disputes of the Parties (including any other persons claiming any rights or having any obligations through the Company or Participant) arising out of or relating to the Plan and this Agreement. The Parties shall attempt in good faith to resolve any disputes arising out of or relating to the Plan and this Agreement by negotiation between individuals who have authority to settle the controversy. Negotiations shall be commenced by either Party by a written statement of the Party’s position and the name and title of the individual who will represent the Party. Within thirty (30) days of the written notification, the Parties shall meet at a mutually acceptable time and place, and thereafter as often as both parties reasonably deem necessary, to resolve the dispute. If the dispute has not been resolved by negotiation within ninety (90) days of the written notification of the dispute, either Party may file suit and each Party agrees that any suit, action, or proceeding arising out of or relating to the Plan or this Agreement shall be brought in the United States District Court for the Southern District of Texas, Houston Division (or should such court lack jurisdiction to hear such action, suit or proceeding, in a Texas state court in Harris County, Texas) and that the Parties shall submit to the jurisdiction of such court. The Parties irrevocably waive, to the fullest extent permitted by law, any objection a Party may have to the laying of venue for any such suit, action or proceeding brought in such court. THE PARTIES ALSO EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING. If any one or more provisions of this Section 12 shall for any reason be held invalid or unenforceable, it is the specific intent of the Parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

13. RESTRICTIVE COVENANTS. In consideration for the grant of this Award, (a) Participant hereby agrees to abide by the restrictive covenants set forth in Section 14 of the Plan, and (b) Participant hereby agrees that during Participant’s Board Service and for one year thereafter, Participant shall not solicit any person who is an employee of the Company or any Affiliate for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or any Affiliate.

14. AMENDMENT; WAIVER. This Agreement may be amended or modified only by means of a written document or documents signed by the Company and Participant. Any provision for the benefit of the Company contained in this Agreement may be waived, either generally or in any particular instance, by the Board or by the Committee. A waiver on one occasion shall not be deemed to be a waiver of the same or any other breach on a future occasion.

15. NOTICE. Any notice or other communication required or permitted hereunder shall be given in writing and shall be deemed given, effective, and received upon prepaid delivery in person or by courier or upon the earlier of delivery or the third business day after deposit in the United States mail if sent by certified mail, with postage and fees prepaid, and addressed as applicable, if to the Company, at its corporate headquarters address, Attention: Stock Plan Administration, and if to Participant, at its address on file with the Company's stock plan administration service provider.

16. SECTION 409A. The award of Restricted Stock Units is intended to be (i) exempt from Section 409A of the Code including, but not limited to, by reason of compliance with the short-term deferral exemption as specified in Treas. Reg. § 1.409A-1(b)(4); or (ii) in compliance with Section 409A, and the provisions of this Agreement shall be administered, interpreted and construed accordingly. To the extent required to comply with Section 409A of the Code, any amounts that would otherwise be payable hereunder upon an event described in Section 2(f) of the Plan as nonqualified deferred compensation within the meaning of Section 409A of the Code, such event shall not constitute a "Change in Control" under this Agreement unless and until such event constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A(a)(2)(A)(v) of the Code. The Company makes no commitment or guarantee to Participant that any federal or state tax treatment shall apply or be available to any person eligible for benefits under this Agreement.

17. ACKNOWLEDGMENTS. PARTICIPANT ACKNOWLEDGES AND AGREES THAT (A) THE SHARES SUBJECT TO THIS RESTRICTED STOCK UNIT AWARD SHALL VEST AND THE FORFEITURE RESTRICTIONS SHALL LAPSE, IF AT ALL, ONLY DURING THE PERIOD OF PARTICIPANT'S BOARD SERVICE OR AS OTHERWISE PROVIDED IN THIS AGREEMENT, AND (B) NOTHING IN THIS AGREEMENT OR THE PLAN SHALL CONFER UPON PARTICIPANT ANY RIGHT WITH RESPECT TO FUTURE AWARDS OR CONTINUATION OF PARTICIPANT'S BOARD SERVICE. Participant acknowledges receipt of an electronic copy of this Agreement and the Plan and represents that he or she is familiar with the terms hereof and thereof. Participant has reviewed this Agreement and the Plan, has had an opportunity to obtain the advice of tax and legal counsel prior to accepting the Award and becoming bound by this Agreement, and understands all provisions of this Agreement and the Plan. Participant agrees that all disputes arising out of or relating to this Agreement and the Plan shall be resolved in accordance with Section 12 of this Agreement.

QUANTA SERVICES, INC.

By: ______________________________
James F. O'Neil III
President and Chief Executive Officer

Participant acknowledges receipt of an electronic copy of the Plan and the Award Agreement, represents that he or she has reviewed and is familiar with the terms and provisions thereof, and hereby accepts the Award subject to all of the terms and provisions of the Plan and the Award Agreement, agreeing to be bound thereby.

ACCEPTED:

Dated: ______________________________ *Signed:* ______________________________
[Participant Name]

Participant acknowledges receipt of an electronic copy of the Plan and the Award Agreement, represents that he or she has reviewed and is familiar with the terms and provisions thereof, and hereby rejects the Award.

REJECTED:

Dated: ______________________________ *Signed:* ______________________________
[Participant Name]

Exhibit 10.4

QUANTA SERVICES, INC.
NON-EMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN
Effective April 30, 2013

Article 1 - Introduction

The purpose of the Plan is to provide an opportunity for directors of the Company who are not employees of the Company or a Subsidiary the ability to defer any Eligible Director Fees. Participants in the Plan are permitted to defer all or a portion of their Eligible Director Fees under the Plan, in accordance with the terms and conditions described herein. The Company believes that the Plan enhances its ability to attract and retain directors of outstanding competence.

This Plan is intended to comply with the applicable requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent. To the extent that any payment or benefit hereunder is subject to Section 409A, it shall be paid in a manner that will comply with Section 409A.

Capitalized terms used in the Introduction shall have the meaning set forth in Article 2 of the Plan.

Article 2 - Definitions

2.1 Account – means, with respect to each Participant, the separate recordkeeping account maintained for a Participant which shall reflect any Eligible Director Fees deferred under the Plan pursuant to Article 5 hereof and any earnings (positive or negative) thereon, as determined in accordance with Article 5 hereof.

2.2 Affiliate – means (i) any person or entity that directly or indirectly controls, is controlled by or is under common control with the Company and/or (ii) to the extent provided by the Committee, any person or entity in which the Company has a significant interest. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as applied to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting or other securities, by contract or otherwise.

2.3 Award Date – means the date that Eligible Director Fees would otherwise be paid to a Participant if the Participant did not elect to participate in the Plan.

2.4 Beneficiary – means a beneficiary or beneficiaries designated by the Participant under Article 7.

2.5 Board – means the Board of Directors of the Company.

2.6 Cash Account – means the account to which the Company will make a book entry to credit all or a portion of Eligible Director Fees that a Participant elects to defer under the Plan and, in accordance with Section 5.3 hereof, deems invested in cash equivalents based on the mid-term annual Applicable Federal Rate on the Effective Date, as adjusted on the first day of each subsequent Plan Year.

2.7 Change in Control – means, and shall be deemed to have occurred upon, any of the following events, provided that such an event is a Change in Control Event within the meaning of Code Section 409A:

(i) Any transaction (in one or a series of related transactions during a twelve (12) month period) that results in a "change in ownership" under Code Section 409A of all or substantially all of the assets of the Company;

(ii) Any "person" as such term is used in Section 13(d) and Section 14(d) of the Exchange Act is or becomes, directly or indirectly, the "beneficial owner" as defined in Rule 13d-3 under the Exchange Act of securities of the Company that represent more than 50% of the combined voting power of the Company's then outstanding voting securities (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of the Plan, the following acquisitions shall not constitute a Change in Control: (I) any acquisition directly from the Company, (II) any acquisition by the Company, (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, (IV) any acquisition by any corporation pursuant to a transaction that complies with clause (iv) below, (V) any acquisition involving beneficial ownership of less than a majority of the then-outstanding shares of common stock of the Company "Common Shares" (the "Outstanding Company Common Shares") or the Outstanding Company Voting Securities that is determined by the Board, based on review of public disclosure by the acquiring Person with respect to its passive investment intent, not to have a purpose or effect of changing or influencing the control of the Company; provided, however, that for purposes of this clause (V), any such acquisition in connection with (x) an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents or (y) any "Business Combination" (as defined below) shall be presumed to be for the purpose or with the effect of changing or influencing the control of the Company;

(iii) During any twelve (12) month period, the individuals who at the beginning of such period constituted the Board together with any individuals subsequently elected to the Board whose nomination by the shareholders of the Company was approved by a vote of the then incumbent Board (i.e. those members of the Board who either have been directors from the beginning of such twelve (12) month period or whose election or nomination for election was previously approved by the Board as provided in this clause (iii)) cease for any reason to constitute a majority of the Board; and

(iv) The Board or the shareholders of the Company approve and consummate a merger, amalgamation or consolidation (a "Business Combination") of the Company with any other entity, unless, following such Business Combination, all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Shares and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, 50% or more of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries).

2.8 Code – means the Internal Revenue Code of 1986, as amended from time to time.

2.9 Committee – means the Compensation Committee of the Board. If the Board removes the Committee for any reason, "Committee" means the Board. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3, such noncompliance shall not affect the validity of the Plan or any interpretations or other actions of the Committee.

2.10 Company – means Quanta Services, Inc., a corporation organized under the laws of the State of Delaware (or any successor).

2.11 Deferral Agreement – means an agreement executed by a Participant setting forth his or her election to defer receipt of his or her Eligible Director Fees and an authorization for the Company to credit such amount to a book entry Account maintained by the Company on behalf of the Participant. A Deferral Agreement shall contain such provisions, consistent with the provisions of the Plan, as may be established from time to time by the Company or Committee.

2.12 Disability – means the "disability" of a person as defined in a then effective long-term disability plan maintained by the Company that covers such person, or if such a plan does not exist at any relevant time, "Disability" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. Section 22(e)(3) of the Code provides that an individual is totally and permanently disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

2.13 Effective Date – means the effective date of the Plan as provided in Section 9.10.

2.14 Eligible Director Fees – means (i) the Participant's annual cash retainer, which includes, but is not limited to, compensation for board membership, committee membership, and board/committee leadership, and (ii) any other amounts determined by the Committee in its sole discretion consistent with Section 409A. Eligible Director Fees shall not include expense reimbursements.

2.15 Exchange Act – means the Securities Exchange Act of 1934, as amended.

2.16 Participant – means a director of the Company who satisfies the eligibility requirements under Article 4 of the Plan and elects to participate in the Plan in accordance with its terms.

2.17 Plan – means the Quanta Services, Inc. Non-Employee Director Deferred Compensation Plan, as amended from time to time.

2.18 Plan Year – means the calendar year.

2.19 Rule 16b-3 – means the "short-swing" profit recovery rule pursuant to Rule 16b-3 promulgated under Section 16(b) of the Exchange Act or any successor provision.

2.20 Section 409A – means Section 409A of the Code, including the final regulations promulgated thereunder or any other guidance issued by the Secretary of the Treasury or the Internal Revenue Service with respect thereto.

2.21 Separation from Service – means a "separation from service" (as defined in Section 409A) as a director of the Company for any reason whatsoever, including, but not limited to, death, retirement, resignation, Disability, and dismissal (with or without cause).

2.22 Service Period – means (a) with respect to a director who is initially elected, re-elected or remains a director at the annual meeting of the stockholders (the "Annual Meeting"), the period from the Annual Meeting through the day preceding the subsequent Annual Meeting, and (b) with respect to a director who is appointed to the Board other than at an Annual Meeting, the period from the date of the appointment through the day preceding the subsequent Annual Meeting.

2.23 Subsidiary – means any "subsidiary corporation" within the meaning of Section 424(f) of the Code. An entity shall be deemed a Subsidiary of the Company only for such periods as the requisite ownership relationship is maintained.

2.24 Unforeseeable Emergency – means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, or of a spouse, a Beneficiary, or a dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances constituting an unforeseeable emergency shall depend on the facts of each case, but in any event, shall not be made to the extent that such emergency is or may be relieved: (a) through liquidation or compensation by insurance or otherwise, (b) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (c) by cessation of deferrals under this Plan. In addition to the requirements set forth in clauses (a), (b), and (c) above, as a precondition to an unforeseen emergency, a Participant must have obtained all distributions, other than hardship distributions of salary reduction contributions under a cash-or-deferred arrangement maintained by any employer pursuant to a plan qualified under Section 401(a) of the Code which contains a cash-or-deferred arrangement and other than amounts available under another nonqualified deferred compensation plan due to the unforeseeable emergency. This definition is intended to comply with Section 409A.

Article 3 - Administration

3.1 The Plan shall be administered by the Committee. The Committee may select an administrator or any other person to whom its duties and responsibilities hereunder may be delegated. The Committee shall have full power and authority, subject to the provisions of the Plan, to promulgate such rules and regulations as it deems necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, and to take all actions in connection therewith or in relation thereto as it deems necessary or advisable. All interpretations, determinations and decisions of the Committee shall be made in its sole and absolute discretion based on the Plan document and shall be final, conclusive and binding on all parties with respect to all matters relating to the Plan.

3.2 The Committee may employ such legal counsel, consultants, brokers and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant, broker or agent. The Committee may, in its sole discretion, designate an agent to administer the Plan, keep records, send Account statements to Participants and to perform other duties relating to the Plan, as the Committee may request from time to time.

3.3 The Company shall, to the fullest extent permitted by law and the Certificate of Incorporation and By-laws of the Company, and, to the extent not covered by insurance, indemnify each director or employee of the Company and its Subsidiaries (including the heirs, executors, administrators and other personal representatives of such person) and each member of the Committee against all expenses, costs, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company or a Subsidiary, except in instances where any such person engages in fraud or acts in bad faith. To the extent permitted by law, such right of indemnification shall include the right to be paid by the Company for expenses incurred or reasonably anticipated to be incurred in defending any such suit, action or proceeding in advance of its disposition; provided, however, that the payment of expenses in advance of the settlement or final disposition of a suit, action or proceeding shall be made only upon delivery to the Company of an undertaking by or on behalf of such person to repay all amounts so advanced if it is ultimately determined that such person is not entitled to be indemnified hereunder. Such indemnification shall be in addition to any rights of indemnification the person may have as a director or employee or under the Certificate of Incorporation of the Company or the By-Laws of the Company. Expenses incurred by the Committee or the Board in the engagement of any such counsel, consultant or agent shall be paid by the Company.

Article 4 - Eligibility

Any director of the Company who is not an active employee of the Company or any of its Subsidiaries shall be eligible to participate in the Plan.

Article 5 - Timing and Manner of Deferrals

5.1 Timing of Deferral Elections

No later than December 31 of a Plan Year, each Participant may voluntarily elect to defer all or a portion of his or her Eligible Director Fees to be earned with respect to services performed by a Participant on behalf of the Company for the Service Period commencing in the following Plan Year in accordance with Section 6.2, as elected in a Deferral Agreement. Notwithstanding the foregoing, if a Participant first becomes eligible to participate in the Plan during a Plan Year, such Participant may elect to participate in the Plan with respect to Eligible Director Fees that would otherwise be earned for services performed during the Service Period commencing in that Plan Year no later than 30 days following the date such director first becomes a Participant; provided, however, that such election shall apply only to Eligible Director Fees earned for services performed subsequent to the date on which a valid Deferral Agreement is received by the Committee from the Participant.

With respect to any Plan Year, a Deferral Agreement is irrevocable on and after the date the Deferral Agreement must be submitted to the Company in accordance with procedures established by the Committee, and is valid solely for the Service Period commencing in the Plan Year to which the election relates. If no new Deferral Agreement is timely made or filed in accordance with procedures established by the Committee with respect to the Service Period commencing in any subsequent Plan Year, Eligible Director Fees earned during the Service Period commencing in the subsequent Plan Year may not be deferred under the Plan.

5.2 Amount of Deferral

A Participant may voluntarily elect to defer all or a portion of his or her Eligible Director Fees in 5% increments, as elected by the Participant in a Deferral Agreement.

5.3 Returns on Accounts.

A Participant's Account shall be credited with returns according to the performance of the deemed investment choices selected by the Participant from time to time, from among the deemed investment choices made available by the Company, subject to the following:

(a) The Company shall have no obligation to provide any deemed investment choice to Participants, other than the Cash Account.

(b) Participants may allocate their Accounts among the deemed investment choices available under the Plan only in whole percentages.

(c) The rate of return, positive or negative, credited under each deemed investment choice (other than the Cash Account) is based upon the actual investment performance of the deemed investment choice and shall equal the total return of such investment net of asset based charges, including, without limitation, money management fees, fund expenses and mortality and expense risk insurance contract charges. The Company reserves the right, on a prospective basis, to add to, or delete from, the deemed investment choices.

(d) Each Participant's Account shall be allocated to the Cash Account, unless and until the Participant makes an affirmative deemed investment choice otherwise from among the other deemed investment choices, if any, available under the Plan.

(e) Notwithstanding the rates of return credited to a Participant's Accounts under the applicable deemed investment choices, the Company shall not be obligated to invest any portion of a Participant's Account in such deemed investment choices.

5.4 Changes in Deemed Investment Choices.

A Participant may change the deemed investment choices to which his Account is deemed to be allocated at such times and through such means as determined by the Committee. Each such change may include (a) reallocation of the Participant's existing Account in whole percentages, and/or (b) change in investment allocation of amounts to be credited to the Participant's Account in the future, as the Participant may elect. The Committee may establish rules and procedures for administering deemed investment choice selections.

5.5 Valuation of Accounts.

The value of a Participant's Account as of any date shall equal the amounts theretofore credited to such Account, including any earnings (positive or negative) deemed to be earned on such Account in accordance with Section 5.3 through the day preceding such date, less the amounts theretofore deducted from such Account. The Participant's Account shall be reduced by the amount of payments made by the Company to the Participant or the Participant's Beneficiary pursuant to this Plan.

Article 6 - Vesting and Distribution

6.1 Vesting

A Participant's Account shall be fully vested at all times.

6.2 Distribution of Account

(a) Except as otherwise provided in Article 8 hereof, a Participant's Account shall be distributed to the Participant (or, in the case of a Participant's death, his or her Beneficiary) in its entirety no later than sixty (60) days after the earliest to occur of the following: (i) a Participant's Separation from Service; (ii) a Change in Control; or (iii) the date designated in a Deferral Agreement, which date shall be either 3, 5, 7 or 10 years from the Award Date, unless a subsequent deferral election is made pursuant to Section 6.2(b).

(b) Notwithstanding the foregoing, if the Committee shall so permit, a Participant may elect to extend the deferral period under Section 6.2(a)(iii) and thereby defer payment of the deferred amount plus earnings thereon, provided that the Participant's subsequent deferral election: (i) may not be effective until 12 months after the date the subsequent election is made; (ii) must be made at least 12 months prior to the date the payment would otherwise be made; (iii) must provide that the payment date under Section 6.2(a)(iii) is delayed by at least five years from the original payment date (or any subsequent election), (iv) shall only be valid if it complies with the requirements of Code Section 409A.

6.3 Unforeseeable Emergency

If a Participant suffers an Unforeseeable Emergency, as defined herein, the Committee, in its sole discretion, may pay as soon as administratively feasible to the Participant only that portion, if any, of his or her account that the Committee determines is necessary to satisfy the emergency need, including any amount necessary to pay any federal, state or local income taxes reasonably anticipated to result from the distribution. A Participant requesting an emergency payment pursuant to this Section 6.3 shall apply for the payment in writing in a form approved by the Committee, shall provide such additional information as the Committee may require, and shall abstain from participating in any decision by the Committee concerning his or her request.

Article 7 - Designation of Beneficiary

A Participant may designate one or more Beneficiaries to receive the Participant's benefits under the Plan in the event of his or her death. Such designation, or any change therein, must be in writing in a form acceptable to the Committee and shall be effective upon receipt by the Committee. If there is no effective Beneficiary designation, the Participant's Beneficiary shall be the Participant's estate. Upon the acceptance by the Committee of a new Beneficiary designation form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last Beneficiary designation form filed by the Participant and accepted by the Committee prior to his or her death.

Article 8 - Amendment or Termination of Plan

The Company reserves the right to amend, terminate or freeze the Plan at any time, subject to the requirements of Section 409A, by action of its Board (or a duly authorized committee thereof) or the Committee, provided that no such action shall adversely affect a Participant's rights under the Plan with respect to Eligible Director Fees that have been deferred before the date of such action. Upon termination of the Plan, the Company may, in its sole discretion, pursuant to Section 1.409A-3(j)(4)(ix) of the Treasury Regulations (regarding plan termination and liquidations), elect to distribute a Participant's Account in its entirety within the period of time prescribed by Section 1.409A-3(j)(4)(ix) of the Treasury Regulations. Upon freezing of the Plan, all Eligible Director Fees deferred under the Plan prior to freezing shall continue to be held under the Plan in accordance with Section 6.2.

Article 9 - Miscellaneous Provisions

9.1 Withholding

To the extent legally required, participation in the Plan is subject to any legally required tax withholding with respect to a Participant's participation in the Plan (including, without limitation, any distributions from the Plan).

9.2 Notices

Any notice required or permitted to be given by the Company or the Committee pursuant to the Plan shall be deemed given when personally delivered by hand, a nationally recognized overnight courier or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant at the last address shown for the Participant on the records of the Company or such other address that the Participant shall designate in writing to the Company.

9.3 Obligations Unfunded and Unsecured

The Plan shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company or any Subsidiary for payment of any amounts hereunder. No Participant or other person shall own any interest in any particular assets of the Company or any Subsidiary by reason of the right to receive payment under the Plan, and any Participant or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan. Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship amongst the Company, any Subsidiary, the Committee, and the Participants, their designated Beneficiaries or any other person. Any funds which may be invested under the provisions of this Plan shall continue for all purposes to be part of the general funds of the Company and no person other than the Company shall by virtue of the provisions of this Plan have any interest in such funds. Notwithstanding the foregoing, the Company may elect to establish an accrued reserve on its books against the future expense of benefits payable hereunder, or may establish a rabbi trust under this Plan, in which case, such reserve or trust, as applicable, shall not under any circumstances be deemed to be an asset of the Plan.

9.4 Governing Law

The Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof. In the event any provision of this Plan shall be determined to be illegal or invalid for any reason, the other provisions shall continue in full force and effect as if such illegal or invalid provision had never been included herein.

9.5 No Directorship Rights

The establishment and operation of this Plan shall not confer any legal rights upon any Participant or other person for a continuation of directorship, nor shall it interfere with the rights of the Company or Subsidiary to terminate a Participant's directorship and to treat him or her without regard to the effect which that treatment might have upon him or her as a Participant or potential Participant under the Plan.

9.6 Severability of Provisions

If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

9.7 Construction

The use of a masculine pronoun shall include the feminine, and the singular form shall include the plural form, unless the context clearly indicates otherwise. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be used in the construction of the Plan.

9.8 Assignment

The Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participants and their heirs, executors, administrators and legal representatives. In the event that the Company sells all or substantially all of the assets of its business and the acquiror of such assets assumes the obligations hereunder, the Company shall be released from any liability imposed herein and shall have no obligation to provide any benefits payable hereunder.

9.9 Use of Funds

All Eligible Director Fees that are received or held under the Plan may be used by the Company for any corporate purpose.

9.10 Effective Date of Plan

The Plan is adopted, effective April 30, 2013.

9.11 Section 409A of the Code

The Plan is intended to comply with, or be exempt from, the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. Any amounts deferred hereunder that are subject to Section 409A of the Code and payable to a Participant who is or becomes a "specified employee" (within the meaning of such term under Section 409A of the Code and determined using any identification methodology and procedure selected by the Company from time to time, or, if none, the default methodology and procedure specified under Section 409A of the

Code) at the time of distribution, except in the event of death, shall be delayed in accordance with the requirements of Section 409A of the Code until the day immediately following the six month anniversary of such Participant's "separation of service" within the meaning of Section 409A of the Code (and the guidance issued thereunder). Notwithstanding the foregoing, the Company does not guarantee, and nothing in the Plan is intended to provide a guarantee of, any particular tax treatment with respect to payments or benefits under the Plan, and the Company shall not be responsible for compliance with, or exemption from, Section 409A of the Code and the guidance issued thereunder.

QUANTA SERVICES, INC.
NON-EMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN

2013 DEFERRAL AGREEMENT
(This Deferral Agreement is not effective until filed with, and receipt is acknowledged by, the Committee)

Participant's Last Name: ________________________ First: ______________________ Middle: ______________________

Address: ____
(Street)

____
(City, State, Zip Code)

Any capitalized term that is not defined herein shall have the meaning ascribed to such term in the Quanta Services, Inc. Non-Employee Director Deferred Compensation Plan (the "Plan").

I. **Election to Defer Eligible Director Fees.**

I hereby elect to participate in the Plan and to defer payment of the following percentage (which must be in 5% increments) of my Eligible Director Fees for the Service Period commencing in 2013 (the "2013 Service Period") and earned on and after the date set forth below under the Plan:

[__]% of my Eligible Director Fees for the 2013 Service Period

In lieu of such Eligible Director Fees, I acknowledge that Quanta Services, Inc. (the "Company") will make a book entry to credit the Eligible Director Fees that I elected to defer above (the "Deferred Amount") to my Account under the Plan. I understand that the Deferred Amount will be allocated to the Cash Account, unless and until I make an affirmative deemed investment choice from among the other deemed investment options, if any, available under the Plan, which deemed investment choice will be made subject to, and in accordance with, the terms and conditions of the Plan.

I acknowledge and agree that for this election to be effective this election must be made no later than: (i) December 31 of each Plan Year with respect to Eligible Director Fees that would otherwise be payable to me for the Service Period commencing in the following Plan Year or (ii) 30 days after the date on which I become a participant in the Plan, if I first become eligible to participate during a Plan Year, as the case may be, provided, however, that such election shall apply only to Eligible Director Fees earned for services performed subsequent to the date on which my election is received by the Committee.

II. Deferral Period; Payment.

I understand that the portion of my Account attributable to this deferral election will be distributed to me no later than sixty (60) days after the earliest to occur of the following: (i) my Separation from Service; (ii) a Change in Control; and (iii) the date elected below (check only one):

☐ 3 years after the applicable Award Date

☐ 5 years after the applicable Award Date

☐ 7 years after the applicable Award Date

☐ 10 years after the applicable Award Date

Subject to the Committee's permission, I understand that this election may be subsequently deferred, provided that such subsequent deferral election (x) may not be effective until 12 months after the date the subsequent election is made; (y) must be made at least 12 months prior to the date the payment of the portion of my Account attributable to this deferral election would otherwise have been made; and (z) the payment is delayed by at least five years from the date elected above (or any subsequent election), in accordance with Treasury Regulation Section 1.409A-2(b)(1).

III. Acknowledgements.

I understand that this election is binding and irrevocable, and is valid only for Service Period commencing in the Plan Year following this election, unless I make an election within 30 days after the day in which I first become eligible to participate in the Plan during a Plan Year, in which case my election is valid with respect to Eligible Director Fees earned in the Service Period commencing in the Plan Year of initial eligibility for services performed subsequent to such election during such Plan Year. If no new election is made with respect to any subsequent Plan Year, my Eligible Director Fees earned with respect to the Service Period commencing in such subsequent Plan Year will not be deferred under the Plan.

I acknowledge that I have received and reviewed a copy of the Plan, and that this election form and my participation in the Plan are subject to the terms, conditions and provisions of the Plan.

I acknowledge and agree that my participation in the Plan involves risk, including the possibility of loss since my account may be deemed invested in deemed investment choices that are subject to market fluctuation. I hereby agree that I have evaluated and understand the risks associated with the deemed investment of my account in the deemed investment options, if any, other than the Cash Account.

This election and the Plan are intended to comply with the applicable requirements of Section 409A and will be limited, construed and interpreted in a manner so as to comply therewith.

Signature of Participant: ______________________________ Date ______________________________

Receipt Acknowledged:

Committee

By: ______________________________ Date ______________________________

Exhibit 10.5

RESTRICTED STOCK UNIT DEFERRAL ELECTION FORM
QUANTA SERVICES, INC.
2011 OMNIBUS EQUITY INCENTIVE PLAN

[INSERT DATE OF RSU GRANT]

Part I. Participant Information.

Last Name: ______________________ First Name: ______________________

Address: ____

Part II. Election to Defer Restricted Stock Unit Settlement Date Beyond Scheduled Settlement Date.

I hereby elect to defer the date on which I would otherwise be issued Common Shares (the "Scheduled Settlement Date") with respect to [ ] [Insert Percentage] of the Restricted Stock Units to be granted to me pursuant to the Restricted Stock Unit Agreement (the "Award Agreement") between the Company and me on the date hereof (the "Grant Date") under the Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan (the "Plan") to the Deferred Settlement Date set forth below:

Percentage of Restricted Stock Units to be Deferred	Scheduled Settlement Date	Deferred Settlement Date Election Enter "3" for – 3rd Anniversary of Scheduled Settlement Date Enter "5" for – 5th Anniversary of Scheduled Settlement Date Enter "7" for – 7th Anniversary of Scheduled Settlement Date Enter "10" for – 10th Anniversary of Scheduled Settlement Date Enter "T" for –Termination Date after Scheduled Settlement Date*

* In the event your Termination Date occurs prior to the Scheduled Settlement Date, settlement will be made within the thirty (30) day period following your Scheduled Settlement Date.

Part III. Acknowledgements.

I understand that for this election to be effective it must be completed, signed and returned on the Grant Date. I also understand that each Deferred Settlement Date elected above must be one of the following: (i) the third (3rd) anniversary of the Scheduled Settlement Date; (ii) the fifth (5th) anniversary of the Scheduled Settlement Date; (iii) the seventh (7th) anniversary of the Scheduled Settlement Date; (iv) the tenth (10th) anniversary of the Scheduled Settlement Date; or (v) my Termination Date (as defined in the Award Agreement) which occurs after the Scheduled Settlement Date.

I further understand that if I make a valid deferral election hereunder, any vested Restricted Stock Units deferred hereunder will be settled within the thirty (30) day period following the earliest of the following to occur, provided that such event constitutes a permissible payment event pursuant to the requirements of Code Section 409A: (i) my elected Deferred Settlement Date (set forth above); (ii) my death; (iii) my Disability; or (iv) a Change in Control. I also understand that if I am a "specified employee" (within the meaning of such term under Code Section 409A and determined using any identification methodology and procedure selected by the Company from time to time, or, if none, the default methodology and procedure specified under Code Section 409A) at the time of settlement, any amounts deferred hereunder that are subject to Code Section 409A, except in the event of death, shall be delayed in accordance with the requirements of Code Section 409A until the day immediately following the six month anniversary of my "separation of service" within the meaning of Code Section 409A (and the guidance issued thereunder).

I further understand that any dividend equivalents that I may be otherwise entitled to receive under my Award Agreement with respect to a Restricted Stock Unit shall be paid to me at the same time as applicable Common Shares under the relevant Restricted Stock Units are paid to me.

I further understand that any issuance or payment of Common Shares or cash, respectively, that I receive in connection with my Restricted Stock Units will be a taxable event for Federal income tax and Self-Employment Contributions (SECA) tax purposes.

I further understand that I am under no obligation to make any deferral election with respect to my Restricted Stock Units.

I acknowledge that I have reviewed a copy of the Plan and that this election form and my participation in the Plan are subject to the terms, conditions and provisions of the Plan and my Award Agreement. I acknowledge that this election shall not be effective unless and until it is filed with, and its receipt is acknowledged by, the Company. I further acknowledge and agree that my election relates solely to the Restricted Stock Units covered by the Award Agreement specified above.

The terms of the Plan and my Award Agreement shall be incorporated herein in their entirety and made part of this election form. Unless otherwise defined herein, any capitalized term shall have the meaning ascribed to such term in the Plan and my Award Agreement.

Signature of Participant: ____________________ Date: ____________________

Quanta Services, Inc. Official Use Only (Do not write below this line.)

Receipt of Deferral Form acknowledged
on behalf of Quanta Services, Inc.

By: ______________________________ Date: ______________________________

Name: ____ Title: ______________________________

Exhibit 10.7

QUANTA SERVICES

Director Compensation Summary

(to be effective as of the May 2013 Annual Meeting of the Board of Directors)

Upon initial appointment to the Board of Directors other than at an annual meeting of stockholders, each such initially appointed non-employee director shall receive, for the period from the appointment through the end of the director service year during which the appointment is made, a pro rata portion of, and at every annual meeting of stockholders at which a non-employee director is elected or re-elected, each such elected or re-elected non-employee director shall receive, (i) an annual award of restricted stock or restricted stock units having a value of $140,000, and (ii) the annual cash retainer(s) set forth below for board membership, committee membership, and board/committee leadership to which such non-employee director is appointed:

	Annual Membership Retainer	Annual Retainer Supplement for Board Leadership or Committee Chairmanship
Board of Directors	$ 65,000	$ 20,000
Audit Committee	$ 15,000	$ 15,000
Compensation Committee	$ 10,000	$ 10,000
Governance and Nominating Committee	$ 10,000	$ 10,000
Investment Committee	$ 10,000	$ 10,000

Unless the director's board service is earlier terminated, restricted stock or restricted stock units awarded to non-employee directors will vest on May 28th of the year following the date of grant; provided, however, that subject to the terms of applicable award agreements, unvested restricted stock or restricted stock units held by (i) any non-employee director who is not nominated for or elected to a new term, including for example, due to a reduction in the size of the Board, age precluding a re-nomination, the identification of a new nominee, or the desire to retire at the end of a term, or (ii) any non-employee director who resigns at Quanta's convenience, including any resignation resulting from the non-employee director's failure to receive a majority of the votes cast in an election for directors as required by Quanta's Bylaws, will vest in full on the earlier of (a) May 28th of the year following the date of grant or (b) the day immediately preceding the date of the annual meeting of stockholders of the year following the date of grant.

Each non-employee director shall receive a fee for attendance at each meeting of the Board of Directors or any committee in excess of the number of meetings per director service year specified below as follows:

	Fee for Meetings in Excess of the Following Number Per Service Year:	Attendance in Person	Participation by Telephone
Board of Directors	9	$ 2,000	$ 1,000
Audit Committee	9	$ 1,000	$ 500
Compensation Committee	9	$ 1,000	$ 500
Governance and Nominating Committee	9	$ 1,000	$ 500
Investment Committee	9	$ 1,000	$ 500

Directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors or the committees thereof, and for other expenses reasonably incurred in their capacity as directors of Quanta.

Notwithstanding anything herein to the contrary, directors who also are employees of Quanta or any of its subsidiaries do not receive additional compensation for serving as directors.

Exhibit 10.8

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into between Quanta Services, Inc. ("Quanta") and Gerard Sonnier ("Employee") on this 6th day of March, 2013 (the "Effective Date").

I. RECITALS

As of the date of this Agreement, the Employer Group (as defined below) is engaged primarily in the business of specialty contracting for customers in the electric power, natural gas, oil, pipeline and renewable energies industries, as well as for transportation, commercial and industrial customers. As such, the Employer Group has developed and continues to develop and use certain trade secrets and other Proprietary and Confidential Information, as hereinafter defined. The Employer Group has spent a substantial amount of time, effort and money, and will continue to do so in the future, to develop or acquire such Proprietary and Confidential Information and promote and increase its good will. Employer (as defined below) and Employee acknowledge and agree that Proprietary and Confidential Information is an asset of particular and immeasurable value to the Employer Group.

Pursuant to this Agreement, Employee shall be employed by Employer in a confidential and fiduciary relationship and such Proprietary and Confidential Information will necessarily be provided to, communicated to, or acquired by Employee by virtue of his employment with Employer.

Based upon the above, Employer desires to retain the services of Employee on its own behalf, as well as on the behalf of its subsidiaries and affiliated companies and, in so doing, protect its Proprietary and Confidential Information subject to the terms and conditions set forth herein.

II. DEFINITIONS

A. For purposes of this Agreement, "Employer" shall mean Quanta or any other affiliated entity that is deemed to be the employer of Employee, and "Employer Group" shall mean Quanta and its predecessors, designees, successors, and past, present and future operating companies, divisions, subsidiaries and/or affiliates.

B. As used in this Agreement, "Proprietary and Confidential Information" means any and all non-public information or data in any form or medium, tangible or intangible, which has commercial value and which the Employer Group possesses or to which the Employer Group has rights. Proprietary and Confidential Information includes, by way of example and without limitation, information concerning the Employer Group's specific manner of doing business, including, but not limited to, the processes, methods or techniques utilized by the Employer Group, the Employer Group's customers, marketing strategies and plans, pricing information, sources of supply and material specifications, the Employer Group's computer programs, system documentation, special hardware, related software development, and the Employer Group's business models, manuals, formulations, equipment, compositions, configurations, know-how, ideas, improvements and inventions.

Proprietary and Confidential Information also includes information developed by Employee during his course of employment with Employer or otherwise relating to Company-Related Inventions and Developments, as hereinafter defined, as well as other information to which he may be given access to in connection with his employment.

C. As used in this Agreement, "Inventions and Developments" means any and all inventions, developments, creative works and useful ideas of any description whatsoever, whether or not patentable. Inventions and Developments include, by way of example and without limitation, discoveries and improvements that consist of or relate to any form of Proprietary and Confidential Information.

D. As used in this Agreement, "Company-Related Inventions and Developments" means all Inventions and Developments that: (a) relate at the time of conception or development to the actual business of the Employer Group or to its actual research and development or to business or research and development that is the subject of active planning at the time; (b) result from or relate to any work performed for Employer, whether or not during normal business hours; (c) are developed on Employer's time; or (d) are developed through the use of the Employer Group's Proprietary and Confidential Information, equipment, software, or other facilities and resources.

E. For purposes of this Agreement, "make" or "made," when used in relation to Inventions and Developments, includes any one or any combination of: (a) conception; (b) reduction to practice; or (c) development; and is without regard to whether Employee is a sole or joint inventor.

F. For purposes of this Agreement, "Change in Control" shall mean:

1. Any person or entity, or more than one person or entity acting as a group, other than a member of the Employer Group or an employee benefit plan of the Employer Group, acquires directly or indirectly Beneficial Ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any Voting Security of Quanta and immediately after such acquisition such person, entity or group is, directly or indirectly, the Beneficial Owner of Voting Securities representing fifty percent (50%) or more of the total fair market value or total voting power of all of the then-outstanding Voting Securities of Quanta; or

2. Any person or entity, or more than one person or entity acting as a group, other than a member of the Employer Group or an employee benefit plan of the Employer Group, acquires directly or indirectly, or has acquired during the preceding twelve (12) months, Beneficial Ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any Voting Security of Quanta and immediately after such acquisition such person, entity or group is, directly or indirectly, the Beneficial Owner of Voting Securities representing thirty percent (30%) or more of the total voting power of all of the then-outstanding Voting Securities of Quanta; or

3. Individuals who, as of the date hereof, constitute the Board of Directors of Quanta (the "Board"), and any new director whose election by the Board or nomination for election by Quanta's stockholders was approved by a vote of a majority of the directors then still in office who were directors as of the date hereof or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board within a 12-month period; or

4. Any person or entity, or more than one person or entity acting as a group, other than a member of the Employer Group or an employee benefit plan of the Employer Group, acquires directly or indirectly, or has acquired during the preceding 12-months, forty percent (40%) or more of the total gross fair market value of assets of the Employer Group.

G. For purposes of this Agreement, "Voting Security" means common stock or other capital stock, including preferred stock, of the applicable entity entitled generally to vote in the election of directors and preferred stock and other equity securities (not including options, warrants or similar rights) convertible into securities entitled generally to vote in the election of directors (whether or not then convertible).

III. TERMS OF EMPLOYMENT

A. Position and Duties. Employee is hereby employed by Employer as Vice President and General Counsel. Employee shall have the primary responsibilities, duties and authority commensurate with Employee's position and as prescribed from time to time by the Board or Quanta's Chief Executive Officer, in their discretion, in a manner consistent with Employee's position. Employee shall devote his full business time, attention and effort to the performance of this Agreement and to his duties as described herein.

1. Employee shall faithfully adhere to, execute and fulfill the duties and responsibilities of Employee's position and as prescribed from time to time by the Board or Quanta's Chief Executive Officer.

2. Employee agrees to devote reasonable attention and time to the business and affairs of Employer and, to the extent necessary, to discharge the responsibilities assigned to Employee hereunder, to use Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities.

3. Employee shall not, during the term of his employment, be engaged in any other business activity pursued for gain, profit or other pecuniary advantage if such activity interferes with Employee's duties and responsibilities to Employer. The foregoing limitations shall not be construed as prohibiting Employee from serving on corporate, civic or charitable boards or committees, delivering lectures or fulfilling speaking engagements, teaching at educational institutions, or making personal investments, so long as such activities do not significantly interfere with the performance of Employee's responsibilities to Employer as set forth in this Agreement.

4. In the performance of his duties, Employee shall use his best efforts to adhere to the legal requirements codified in statutes, ordinances and governmental regulations applicable to Employer.

B. Term. The initial term of this Agreement shall begin on the Effective Date and shall continue for two (2) years, unless terminated sooner pursuant to the provisions of this Agreement (the "Initial Term"). At the expiration of the Initial Term, unless terminated sooner pursuant to the provisions of this Agreement, and each annual anniversary thereafter, this Agreement will renew automatically for an additional one (1) year period (the "Renewal Term") unless either party notifies the other party in writing of its or his intention not to renew this Agreement (the "Renewal Termination Notice") not less than six (6) months prior to the expiration of the Initial Term or of any Renewal Term (the Initial Term and any Renewal Term are referred to collectively as the "Term").

1. Termination upon Death. This Agreement (and all of Employee's rights and Employer's obligations hereunder) shall terminate as of the date of Employee's death.

2. Termination upon Disability. If Employee becomes Disabled as defined herein, Employer may, by written notice to Employee, terminate this Agreement and Employee's employment hereunder. For purposes of this Agreement, "Disabled" or "Disability" means, as determined by the Compensation Committee of the Board (the "Committee"), that (i) Employee is unable to engage in any substantial gainful activity by reason of a physical or mental impairment that is expected to result in death or last twelve (12) months or more, or Employee receives replacement income for three (3) months or more due to such physical or mental impairment or (ii) such other definition that complies with the definition of disability under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder.

3. Termination for Cause. Employer may terminate this Agreement and Employee's employment hereunder for Cause by providing written notice to Employee of its intention to do so. For purposes of this Agreement, "Cause" shall mean:

a. Employee's gross negligence in the performance of, intentional nonperformance of, or inattention to his material duties and responsibilities hereunder, any of which continue for five (5) business days after receipt of written notice of need to cure the same;

b. Employee's willful dishonesty, fraud or material misconduct with respect to the business or affairs of Employer;

c. the violation by Employee of any of Employer's policies or procedures, which violation is not cured by Employee within five (5) business days after Employee has been given written notice thereof;

d. a conviction of, a plea of nolo contendere, a guilty plea, or confession by Employee to, an act of fraud, misappropriation or embezzlement or any crime punishable as a felony or any other crime that involves moral turpitude;

e. Employee's use of illegal substances or habitual drunkenness; or

f. the breach by Employee of this Agreement if Employee does not cure such breach within five (5) business days after Employee has been given written notice thereof.

4. Termination for Good Reason. Employee may terminate this Agreement and his employment hereunder for Good Reason in the twelve (12) months following a Change in Control by providing written notice to Employer of his intention to do so. For purposes of this Agreement, "Good Reason" shall mean:

a. the assignment to Employee of any duties inconsistent with Employee's position (including offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section III.A of this Agreement and as in effect immediately prior to the Change in Control, or any other action by Employer that results in a diminution in such position, authority, duties or responsibilities (excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith);

b. any material breach of this Agreement by Employer, including any requirement that Employee be based at any office or location that results in a violation of Section III.E of this Agreement;

c. any failure by Employer to comply with any of the provisions of Section IV of this Agreement (excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith);

d. any failure by Employer to continue in effect any cash or stock-based incentive or bonus plan, retirement plan, welfare benefit plan or other compensation, retirement or benefit plan and policy, unless the aggregate value (as computed by an independent employee benefits consultant selected by Employer and reasonably acceptable to Employee or Employee's legal representative) of all such compensation, retirement or benefit plans and policies provided to Employee is not materially less than their aggregate value as in effect at any time during the one hundred twenty (120) day period immediately preceding a Change in Control or, if more favorable to Employee, those provided generally at any time after the Change in Control to other peer employees of Employer and its affiliated companies;

e. Employee's receipt from Employer of a Renewal Termination Notice as provided in Section III.B; and

f. in the event of a pending Change in Control, Employer and Employee have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of the Employer Group's business and/or assets that such successor is willing as of the closing to assume and agree to perform Employer's obligations under this Agreement in the same manner and to the same extent that Employer is hereby required to perform.

Employee must provide written notice to Employer of the existence of the condition(s) described in Section III.B.4.a through Section III.B.4.d above within 90 days of the initial existence of the condition(s). Employer shall have 30 days after such notice is given during which to remedy the condition(s), and such occurrence shall not be deemed to constitute Good Reason if such event or circumstance has been fully corrected by Employer within the 30 day cure period and Employee has been reasonably compensated for monetary losses or damages resulting therefrom.

C. Notice of Termination. Any termination by Employer for Cause or Disability or by Employee for Good Reason shall be communicated by a Notice of Termination provided to the other party pursuant to the provisions of Section IX.C of this Agreement. For purposes of this Agreement, "Notice of Termination" means a written notice that: (1) indicates the specific termination provision or provisions as set forth in this Agreement relied upon by either Employer or Employee; (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide the basis for termination under the provision or provisions of this Agreement relied upon by either Employer or Employee; and (3) if the Date of Termination (as defined below) is other than the date of receipt of such Notice of Termination, specifies the termination date. The failure by either Employer or Employee to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Cause or Good Reason shall not waive any right of Employer or Employee or preclude Employer or Employee from asserting such fact or circumstance in enforcing Employer's or Employee's rights or obligations under this Agreement.

D. Date of Termination. According to this Agreement, "Date of Termination" shall mean: (1) if Employee's employment is terminated for Cause or Disability, or by Employee for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein or as required under this Agreement; (2) if Employee's employment is terminated by Employer other than for Cause or Disability, the Date of Termination shall be the date on which Employer notifies Employee of such termination; (3) if Employee's employment is terminated by reason of death, the Date of Termination shall be the date of the death of Employee; or (4) if Employee voluntarily terminates his employment, the Date of Termination shall be the date on which Employee and Employer shall agree to be the Date of Termination.

E. Place of Performance. Nothing contained in this Agreement shall be deemed to require Employee to relocate from Employee's present residence to another geographic location in order to carry out Employee's duties and responsibilities under this Agreement, other than normal business travel consistent with Employee's duties, responsibilities and position.

IV. COMPENSATION

A. Annual Base Salary. Employer agrees to compensate and pay Employee, or to cause Employee to be compensated and paid, an annual base salary of $390,000, payable on a regular basis in accordance with Employer's standard payroll procedures but not less frequently than monthly.

On at least an annual basis, the Board or a duly constituted committee thereof will review Employee's performance and may make increases to Employee's annual base salary if, in its sole discretion, any such increase is warranted.

B. Bonus. Employee shall participate in Employer's annual and supplemental incentive bonus plans at a level commensurate with Employee's position. Employee may participate in other current and future incentive bonus plans as determined by the Board or a duly constituted committee thereof.

C. Incentive, Savings and Retirement Plans. Employee shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs generally applicable to other peer employees of Employer.

D. Welfare Benefit Plans. Employee and Employee's dependents shall receive coverage under the welfare benefit plans, practices, policies and programs provided by Employer including, but not limited to, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs, generally applicable to other peer employees of Employer, the terms and conditions of which shall be no less favorable than those available to other similarly situated officers of Employer.

E. Reimbursement of Expenses. Employer shall reimburse Employee or cause Employee to be promptly reimbursed for all reasonable and necessary expenses incurred by Employee in furtherance of the business and affairs of the Employer Group including, but not limited to, all travel expenses and living expenses while away from home on business or at the request of Employer or the Board. Such reimbursement shall be effected as soon as reasonably practicable after such expenditures are made, against presentation of signed, itemized expense reports in accordance with the travel and business expense reimbursement policies of Employer.

F. Severance Benefits upon Termination. As set forth below, the following obligations are imposed upon Employer upon termination of this Agreement; provided, however, that to be entitled to such severance benefits, Employee will be required to execute, and not revoke, a Confidential Severance Agreement and Release provided by Employer as more fully described in Section IV.I below.

1. Death. If Employee's employment is terminated due to his death, Employee shall not be entitled to any severance benefits under the terms of this Agreement.

2. Disability. If Employee's employment is terminated due to his Disability, Employee shall be entitled to severance benefits equal to one (1) year of Employee's annual base salary. Subject to Employee's compliance with the requirements of Section IV.I below, such severance benefits shall be paid to Employee in a lump-sum payment within sixty (60) days of the Date of Termination.

3. Cause. If Employee's employment is terminated for Cause as defined under this Agreement, Employee shall not be entitled to any severance benefits under the terms of this Agreement.

4. Without Cause. If Employee's employment is terminated by Employer without Cause (other than within the twelve (12) months following a Change in Control), Employee shall be entitled to severance benefits equal to two (2) years of Employee's annual base salary. Subject to Employee's compliance with the requirements of Section IV.I below, such severance benefits shall be paid to Employee in a lump-sum payment within sixty (60) days of the Date of Termination. In the event that Employee is entitled to receive severance benefits under Section IV.G.1, Employee will not be entitled to receive severance benefits under this Section.

5. Resignation by Employee. If Employee resigns his employment, Employee shall not be entitled to any severance benefits under the terms of this Agreement unless Employee resigns his employment for Good Reason within the twelve (12) months following a Change in Control as described in Section IV.G.2 below.

G. Severance Benefits upon Change in Control.

1. Termination without Cause. In the event Employee is terminated without Cause by Employer within twelve (12) months following a Change in Control, Employee shall be entitled to the following:

a. a lump-sum payment, due on the Date of Termination, of a sum equal to three (3) times Employee’s base salary at the rate then in effect; and

b. a lump-sum payment, due on the Date of Termination, of a sum equal to three (3) times the higher of (i) the highest annual cash bonus paid (or earned if not yet paid) to Employee for the three (3) fiscal years preceding Employee’s termination under Employer’s annual incentive bonus plan or a direct predecessor thereto or replacement thereof or (ii) Employee’s target annual cash bonus payable, including any bonus or portion thereof which has been earned but deferred, under Employer’s annual incentive bonus plan or a direct predecessor thereto or replacement thereof for the current fiscal year or, if such target bonus has not yet been determined, for the most recently completed fiscal year; and

c. for a period of three (3) years following Employee’s termination continuation of medical, dental and vision benefit coverage for Employee and Employee’s dependents at least equal to those that would have been provided to the same in accordance with the plans, programs, practices and policies described in Section IV.D of this Agreement if Employee’s employment had not been terminated or, if more favorable to Employee, as in effect generally at any time thereafter with respect to other peers of Employee; provided, however, that if Employee becomes reemployed with another employer and is eligible to receive medical, dental or vision benefits under another employer provided plan, the medical, dental and vision benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility.

In the event that Employee is entitled to receive severance benefits under this Section V.G.1, Employee will not be entitled to receive severance benefits under Section IV.F.4.

2. Termination by Employee with Good Reason. In the event Employee terminates his employment for Good Reason within twelve (12) months following a Change in Control, Employee shall be entitled to:

a. a lump-sum payment, due on the Date of Termination, of a sum equal to three (3) times Employee’s base salary at the rate then in effect;

b. a lump-sum payment, due on the Date of Termination, of a sum equal to three (3) times the higher of (i) the highest annual cash bonus paid (or earned if not yet paid) to Employee for the three (3) fiscal years preceding Employee’s termination under Employer’s annual incentive bonus plan or a direct predecessor thereto or replacement thereof or

(ii) Employee's target annual cash bonus payable, including any bonus or portion thereof which has been earned but deferred, under Employer's annual incentive bonus plan or a direct predecessor thereto or replacement thereof for the current fiscal year or, if such target bonus has not yet been determined, for the most recently completed fiscal year; and

c. for a period of three (3) years following Employee's termination continuation of medical, dental and vision benefit coverage for Employee and Employee's dependents at least equal to those that would have been provided to the same in accordance with the plans, programs, practices and policies described in Section IV.D of this Agreement if Employee's employment had not been terminated or, if more favorable to Employee, as in effect generally at any time thereafter with respect to other peers of Employee; provided, however, that if Employee becomes reemployed with another employer and is eligible to receive medical, dental or vision benefits under another employer provided plan, the medical, dental and vision benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility.

3. Limitation on Severance Benefits. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as herein after provided) that any payment or distribution by Employer or any of its affiliates to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program, or arrangement including, without limitation, any stock option, restricted stock, stock appreciation right or similar right, or the lapse or termination of any restriction on, or the vesting or exercisability of, any of the foregoing (individually and collectively, a "Payment"), would be subject, but for the application of this Section IV.G.3 to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto (hereinafter the "Excise Tax"), by reason of being considered "contingent on a change in ownership or control" of Employer, within the meaning of Section 280G(b)(2) of the Code, or any successor provision thereto, then:

a. if the After-Tax Payment Amount would be greater by reducing the amount of the Payment otherwise payable to Employee to the minimum extent necessary (but in no event less than zero) so that, after such reduction, no portion of the Payment would be subject to the Excise Tax, then the Payment shall be so reduced; and

b. if the After-Tax Payment Amount would be greater without the reduction then there shall be no reduction in the Payment.

As used in this Section IV.G.3, "After-Tax Payment Amount" means (i) the amount of the Payment, less (ii) the amount of federal income taxes payable with respect to the Payment calculated at the maximum marginal income tax rate for each year in which the Payment shall be paid to Employee (based upon the rate in effect for such year as set forth in the Code at the time of the Payment), less (iii) the amount of the Excise Tax, if any, imposed upon the Payment. For purposes of any reduction made under Section IV.G.3.a, the Payments that shall be reduced shall be those that provide Employee the best economic benefit, and to the extent any Payments are economically equivalent, each shall be reduced pro rata.

H. Compliance with Section 409A of the Code. The payments to be made under this Agreement are intended to be exempt from or compliant with Section 409A of the Code. Specifically, the severance payments and benefits under Section IV.F and Section IV.G hereof are intended to be exempt from Section 409A of the Code by compliance with the short-term deferral exemption as specified in 26 C.F.R. Section 1.409A-1(b)(4) and/or the separation pay exemption as specified in 26 C.F.R. Section 1.409A-1(b)(9) or are intended to comply with Section 409A of the Code including, but not limited to, being paid upon disability pursuant to 26 C.F.R. Section 1.409-3(i)(4), pursuant to change in control event pursuant to 26 C.F.R. Section 1.409A-3(i)(5) or pursuant to a fixed schedule or specified date pursuant to 26 C.F.R. Section 1.409A-3(a), and the provisions of this Agreement will be administered, interpreted and construed accordingly. Notwithstanding the foregoing, Employer makes no representation or warranty and shall have no liability to Employee or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code and do not satisfy an exemption from, or the conditions of, Section 409A of the Code.

For all purposes of this Agreement, Employee shall be considered to have terminated employment with Employer when Employee incurs a “separation from service” with the Employer Group within the meaning of Section 409A(a)(2)(A)(i) of the Code.

If the Committee determines that severance payments due under this Agreement on account of termination of Employee’s employment constitute “deferred compensation” subject to Section 409A of the Code, and that Employee is a “specified employee” as defined in Section 409A(a)(2)(B)(i) of the Code and 26 C.F.R. Section 1.409A-1(i), then such severance payments shall commence on the first payroll date of the seventh month following the month in which Employee’s termination occurs (with the first such payment being a lump sum equal to the aggregate severance payments Employee would have received during the prior six-month period if no such delay had been imposed). For purposes of this Agreement, whether Employee is a “specified employee” will be determined in accordance with the written procedures adopted by the Committee which are incorporated by reference herein.

All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code and the regulations to the extent that such reimbursements or in-kind benefits are not excepted from Section 409A of the Code, including where applicable, the requirement that (i) any reimbursement is for expenses incurred during Employee’s lifetime (or during a shorter period of time specified in the Agreement); (ii) the amount of expenses eligible for reimbursement during the calendar year may not affect the expenses eligible for reimbursement in any other calendar year; (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred; and (iv) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit.

I. Confidential Severance Agreement and Release. Notwithstanding any provision herein to the contrary, if Employee has not delivered to Employer an executed Confidential Severance Agreement and Release (the “Release”) on or before the fiftieth (50th) day after the Date of Termination, or if Employee revokes such executed Release prior to the sixtieth (60th) day after the Date of Termination, Employee shall forfeit all of the payments and benefits described in Section IV.F.2 or Section IV.F.4, as applicable; provided, however, that Employee shall not forfeit such amounts if Employer has not delivered to Employee the required form of Release on or before the 25th day following the Date of Termination. A form of Release is attached as Exhibit A hereto. Employee acknowledges that Employer retains the right to modify the required form of the Release as Employer deems necessary in order to effectuate a full and complete release of claims against the Employer Group and its affiliates, officers and directors.

V. COMPANY-RELATED INVENTIONS AND DEVELOPMENTS

A. Records of Inventions. Employee shall keep complete and current written records of Inventions and Developments made during the course of his employment with Employer and promptly disclose all such Inventions and Developments in writing to Employer so that it may adequately determine its rights in such Inventions and Developments. Employee shall supplement any such disclosure to the extent Employer may request. If Employee has any doubt as to whether or not to disclose any Inventions and Developments, Employee shall disclose the same to Employer.

B. Ownership of Inventions. All Company-Related Inventions and Developments made by Employee during the term of his employment with Employer shall be the sole and exclusive property of the applicable member(s) of the Employer Group. Employee shall assign, and does hereby assign, his entire right, title and interest in such Company-Related Inventions and Developments to the applicable member(s) of the Employer Group. Employer's ownership and the foregoing assignment shall apply, without limitation, to all rights under the patent, copyright, and trade secret laws of any jurisdiction relating to Company-Related Inventions and Developments. If Employee asserts any property right in any Inventions and Developments made by Employee during the term of his employment with Employer, Employee shall promptly notify Employer of the same in writing.

C. Cooperation with Employer. Employee shall assist and fully cooperate with Employer in obtaining and maintaining the fullest measure of legal protection which the Employer Group elects to obtain and maintain for Inventions and Developments in which the Employer Group has a property right. Employee shall execute any lawful document requested by Employer relating to obtaining and maintaining legal protection for any said Inventions and Developments including, but not limited to, executing applications, assignments, oaths, declarations and affidavits. Employee shall make himself available for interviews, depositions and testimony relating to any said Inventions and Developments. These obligations shall survive the termination of Employee's employment with Employer, provided that Employer shall compensate Employee at a reasonable rate after such termination for time actually spent by Employee at Employer's requests on such assistance. In the event Employer is unable for any reason whatsoever to secure Employee's signature to any document reasonably necessary or appropriate for any of the foregoing purposes including, but not limited to, renewals, extensions, continuations, divisions or continuations in part, in a timely manner, Employee irrevocably designates and appoints Employer and its duly authorized officers and agents as his agents and attorneys-in-fact to act for Employee and on his behalf, but only for purposes of executing and filing any such document and doing all other lawfully permitted acts to accomplish the foregoing purposes with the same legal force and effect as if executed by Employee.

D. Pre-employment Inventions. Employee shall completely identify on Exhibit B attached hereto, without disclosing any trade secret or other proprietary and confidential information, all Inventions and Developments made by Employee prior to his employment with Employer or prior to execution of this Agreement in which Employee has an ownership interest and which is not the subject matter of an issued patent or a printed publication at the time Employee executes this Agreement.

E. Disclosure of Inventions after Termination. Employee shall promptly and completely disclose in writing to Employer's law department all Company-Related Inventions and Developments made by Employee during the one (1) year immediately following Employee's termination of employment, whether voluntarily or involuntarily, for the purposes of determining Employer's rights in each such invention. It will be presumed that Company-Related Inventions and Developments conceived by Employee which are reduced to practice within one (1) year after termination of Employee's employment, whether voluntary or involuntary, were conceived during the term of Employee's employment with Employer unless Employee is able to establish a later conception date by clear and convincing evidence.

VI. OBLIGATIONS RELATING TO PROPRIETARY AND CONFIDENTIAL INFORMATION

A. Obligations of Employer.

1. Proprietary and Confidential Information. Employer shall provide Employee, during his employment, with valuable Proprietary and Confidential Information for the purpose of assisting Employee in the performance of his job requirements and responsibilities with Employer. In addition, Employer shall provide to Employee, during his employment, with the equipment, materials and facilities necessary to assist Employee in the performance of his job requirements and responsibilities with Employer.

2. Training. Employer shall provide Employee with any and all specialized training necessary to assist Employee in the performance of his job requirements and responsibilities with Employer including, but not limited to, training relating to the Employer Group's cost structures, methods of operation, the Employer Group's products and marketing techniques, the Employer Group's business strategies, plans and models.

B. Obligations of Employee.

1. Nondisclosure of Proprietary and Confidential Information. Both during and after the termination of employment, whether such termination is voluntary or involuntary, Employee shall keep in confidence and trust all Proprietary and Confidential Information. Both during and after the termination of employment, whether such termination is voluntary or involuntary, Employee shall not use or disclose Proprietary or Confidential Information without the written consent of Employer, except as may be necessary in the ordinary course of performing his duties to Employer.

2. Return of Proprietary and Confidential Information. All documents and tangible things (whether written or electronic) embodying or containing Proprietary and Confidential Information are the Employer Group's exclusive property. Employee shall be provided with or given access to such Proprietary and Confidential Information solely for performing his duties of employment with Employer. Employee shall protect the confidentiality of their content and shall return all such Proprietary and Confidential Information, including all copies, facsimiles and specimens of them in any tangible or electronic forms in Employee's possession, custody or control to Employer before leaving the employment of Employer for any reason, whether voluntary or involuntary.

3. Confidential Information from Previous Employment. Employee shall not disclose or use during his employment with Employer any proprietary and confidential information which Employee has acquired as a result of any previous employment or under a contractual obligation of confidentiality before his employment with Employer and, furthermore, Employee shall not bring to the premises of Employer any copies or other tangible embodiments of any such proprietary and confidential information.

4. Conflict of Interest. Employee shall not engage in outside employment or other activities in the course of which Employee would use or might be tempted or induced to use Proprietary and Confidential Information in other than the Employer Group's own interest.

5. Agreement Not to Compete/Solicit.

a. Non-Compete. Employee agrees that during the Covenant Period (as defined below), he shall not, without Employer's written consent, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business venture of any nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer or in a managerial capacity, whether as an employee, independent contractor, consultant, advisor or sales representative, in any business or industry in which the Employer Group is engaged, within the United States, Canada or any other country in which the Employer Group conducts business, including any territory serviced by the Employer Group, or in which the Employer Group is actively pursuing business opportunities (the "Territory");

(ii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Employer Group, or a prospective customer that has been actively solicited by the Employer Group, within the Territory for the purpose of soliciting or selling products or services in competition with the Employer Group; or

(iii) call upon any prospective acquisition candidate, on Employee's own behalf or on behalf of any competitor, which candidate was, to Employee's actual knowledge after due inquiry, either called upon by the Employer Group or for which the Employer Group made an acquisition analysis for the purpose of acquiring such entity.

b. Non-Solicitation. Employee agrees that during the Covenant Period, he shall not, without Employer's written consent, employ, hire, solicit, induce or identify for employment or attempt to employ, hire, solicit, induce or identify for employment, directly or indirectly, any employee(s) of the Employer Group to leave his or her employment and become an employee, consultant or representative of any other entity including, but not limited to, Employee's new employer, if any.

c. Publicly Traded Securities. The provisions of Section VI.B.5 of this Agreement shall not prevent Employee from acquiring or holding publicly traded stock or other public securities of a competing company, so long as Employee's ownership does not exceed two percent (2%) of the outstanding securities of such company.

d. Agreement to Inform Subsequent Employers. For a period of two (2) years after the termination of Employee's employment with Employer, whether voluntary or involuntary, Employee agrees to inform each new employer, prior to accepting employment, of the existence of this Agreement and provide that employer with a copy of this Agreement.

e. Reasonableness of Restrictions. Employee acknowledges that the restrictions set forth in Section VI.B.5 of this Agreement are intended to protect the Employer Group's legitimate business interests and its Proprietary and Confidential Information and established relationships and good will. Employee acknowledges that the time, geographic and scope of activity limitations set forth herein are reasonable and necessary to protect the Employer Group's legitimate business interests. However, if in any judicial proceeding, a court shall refuse to enforce this Agreement as written, whether because the time limitation is too long or because the restrictions contained herein are more extensive (whether as to geographic area, scope of activity or otherwise) than is necessary to protect the legitimate business interests of the Employer Group, it is expressly understood and agreed between the parties hereto that this Agreement is deemed modified to the extent necessary to permit this Agreement to be enforced in any such proceedings.

f. Ability to Obtain Other Employment. Employee acknowledges that (1) in the event of the termination of his employment with Employer (whether voluntary or involuntary), Employee's knowledge, experience and capabilities are such that Employee can obtain employment in business activities which are of a different and non-competing nature than those performed in the course of his employment with Employer or in the geographic areas outside of the Territory and (2) the enforcement of a remedy hereunder including, but not limited to, injunctive relief, will not prevent Employee from earning a reasonable livelihood.

g. Injunctive Relief. Employee acknowledges that compliance with Section VI.B of this Agreement is necessary to protect the good will and other legitimate business interests of the Employer Group and that a breach of any or all of these provisions will give rise to irreparable and continuing injury to the Employer Group that is not adequately compensable in monetary damages or at law. Accordingly, Employee agrees that Employer, its successors and assigns, may obtain injunctive relief against the breach or threatened breach of any or all of these provisions, in addition to any other legal or equitable remedies which may be available to the Employer Group at law or in equity or under this Agreement. Because Employee further acknowledges that it would be difficult to measure any damages caused to the Employer Group that might result from any breach by Employee of any promises set forth in this Agreement, Employee agrees that Employer shall be entitled to an injunction or other appropriate equitable relief to restrain any such breach without showing or proving any actual damage to the Employer Group, as well as to be relieved of any obligation to provide further payment or benefits to Employee or Employee's dependents.

h. Other Remedies. If Employee violates and/or breaches this Agreement, Employer shall be entitled to an accounting and repayment of all lost profits, compensation, commissions, remuneration or benefits that Employee directly or indirectly has realized or may realize as a result of any such violation or breach. Employer shall also be entitled to recover for all lost sales, profits, commissions, good will and customers caused by Employee's improper acts, in addition to and not in limitation of any injunctive relief or other rights or remedies that Employer is or may be entitled to at law or in equity or under this Agreement.

i. Costs. Employee acknowledges that should it become necessary for Employer to file suit to enforce the provisions contained herein, and any court of competent jurisdiction awards the Employer Group any damages and/or an injunction due to the acts of Employee, then Employer shall be entitled to recover its reasonable costs incurred in conducting the suit including, but not limited to, reasonable attorneys' fees and expenses.

j. Covenant Period. For purposes of this Section VI.B.5, the Covenant Period shall mean the period from and during the Term of this Agreement and ending on the date that is two (2) years after Employee's employment with Employer terminates, whether voluntary or involuntary; provided, however, that if Employer delivers to Employee a Renewal Termination Notice, as provided in Section III.B, and Employee remains employed with Employer through the expiration of the Term (and this Agreement), then the Covenant Period shall end on the date that is one (1) year after the date of such Renewal Termination Notice. For purposes of clarity, in the event that Employee's employment with Employer terminates for any reason, whether voluntary or involuntary, after Employee receives a Renewal Termination Notice and before the end of the Term, the Covenant Period shall end on the date that is two (2) years after the termination of Employee's employment.

6. Nondisparagement. Employee acknowledges and agrees that both during and after his employment with Employer, whether such termination is voluntary or involuntary, Employee shall not disparage, denigrate or comment negatively upon, either orally or in writing, the Employer Group or any of their respective officers, directors, employees or representatives, to or in the presence of any person or entity unless compelled to act by a valid subpoena or other legal mandate; provided, however, if Employee receives such a valid subpoena or legal mandate, he shall provide Employer with written notice of the same at least five (5) business days prior to the date on which Employee is required to make the disclosure.

VII. WAIVER OF RIGHT TO JURY TRIAL

EMPLOYER AND EMPLOYEE HEREBY VOLUNTARILY, KNOWINGLY AND INTENTIONALLY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY TO ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT, AS WELL AS TO ALL CLAIMS ARISING OUT OF EMPLOYEE'S EMPLOYMENT WITH EMPLOYER OR TERMINATION THEREFROM INCLUDING, BUT NOT LIMITED TO:

A. Any and all claims and causes of action arising under contract, tort or other common law including, without limitation, breach of contract, fraud, estoppel, misrepresentation, express or implied duties of good faith and fair dealing, wrongful discharge, discrimination, retaliation, harassment, negligence, gross negligence, false imprisonment, assault and battery, conspiracy, intentional or negligent infliction of emotional distress, slander, libel, defamation and invasion of privacy;

B. Any and all claims and causes of action arising under any federal, state or local law, regulation or ordinance, including, without limitation, claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Fair Labor Standards Act and all corresponding state laws; and

C. Any and all claims and causes of action for wages, employee benefits, vacation pay, severance pay, pension or profit sharing benefits, health or welfare benefits, bonus compensation, commissions, deferred compensation or other remuneration, employment benefits or compensation, past or future loss of pay or benefits or expenses.

VIII. CLAIMS

Employer and Employee acknowledge and agree that this Agreement shall be interpreted, governed by and construed in accordance with the laws of the State of Texas, without regard to the conflict of laws principles or rules thereof.

Employer and Employee irrevocably and unconditionally agree that any legal suit, action or proceeding arising out of or relating to this Agreement, as well as to all claims arising out of Employee’s employment with Employer or termination therefrom, shall be brought in either the Federal District Court for the Southern District of Texas—Houston Division or in a judicial district court of Harris County, Texas (hereinafter referred to as the “Texas Courts”). In that regard, Employer and Employee waive, to the fullest extent allowed, any objection that Employer or Employee may have to the venue of any such proceeding being brought in the Texas Courts, and any claim that any such action or proceeding brought in the Texas Courts has been brought in an inconvenient forum. In addition, Employer and Employee irrevocably and unconditionally submit to the exclusive jurisdiction of the Texas Courts in any such suit, action or proceeding. Employer and Employee acknowledge and agree that a judgment in any suit, action or proceeding brought in the Texas Courts shall be conclusive and binding on each and may be enforced in any other courts to whose jurisdiction Employer or Employee is or may be subject to, by suit upon such judgment.

In the event Employee obtains a final judgment in his favor by a court of competent jurisdiction with respect to any dispute regarding Employer’s failure to pay Employee on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by Employer, Employer shall pay all amounts and damages to which Employee may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expense and other costs incurred by Employee to enforce Employee’s rights hereunder.

IX. MISCELLANEOUS

A. Publicity Release. By executing this Agreement, Employee forever gives the Employer Group, its successors, assigns, licensees and any other designees, the absolute right and permission, throughout the world: (1) to copyright (and to renew and extend any copyright), use, reuse, publish and republish photographic portraits and pictures, motion or still, of Employee, or in which Employee may be included, in whole or in part, or composite or distorted character in any form, whether heretofore taken or to be taken in the future, in conjunction with Employee's own or a fictitious name or title (which Employee now has or may have in the future), or reproductions thereof, in color or otherwise, made through any media at any place, for art, advertising, trade or any other purpose whatsoever; and (2) to record, reproduce, amplify, simulate, "double" and/or "dub" Employee's voice and transmit the same by any mechanical or electronic means, for any purpose whatsoever. Employee further consents to the use of any printed matter giving Employee, or not giving Employee, a credit, in the sole discretion of any of the aforementioned parties to whom this authorization and release is given, in conjunction therewith. Employee waives any right he may have to inspect and/or approve the finished product or the advertising copy or printed matter that may be used in connection therewith, or the use to which it may be applied.

B. Withholding. Employer may withhold from any amounts payable under this Agreement such federal, state, local, F.I.C.A., foreign or other taxes as shall be required to be withheld pursuant to any applicable law or regulation.

C. Notices. All notices, consents, requests, instructions, approvals and other communications provided for in this Agreement shall be in writing and shall be addressed as follows:

To Employer: Quanta Services, Inc.
2800 Post Oak Boulevard, Suite 2600
Houston, Texas 77056
Attention: Chief Executive Officer

To Employee: Gerard Sonnier

Houston, Texas___________

Notice shall be deemed given and effective: (1) upon receipt, if delivered personally; (2) three (3) days after it has been deposited in the U.S. mail, addressed as required above, and sent via registered or certified mail, return receipt requested, postage prepaid; or (3) the next business day after it has been sent via a recognized overnight courier. Employer and/or Employee may change the address for notice purposes by notifying the other of such change in accordance with this Section IX.C.

D. Severability. If any provision of this Agreement is held to be invalid, inoperative or unenforceable for any reason, it shall be modified rather than voided, if possible, in order to achieve the intent of the parties hereto to the maximum extent possible. In any event, if any provision this Agreement is held to be invalid, inoperative or unenforceable for any reason, the other provisions of this Agreement shall be deemed valid and operative and, so far as is reasonable and possible, effect shall be given to the intent manifested by the provision or provisions held invalid or inoperative.

E. Survival of Certain Obligations. The obligations of the parties set forth in this Agreement that by their terms extend beyond or survive the termination of this Agreement, whether voluntarily or involuntarily, will not be affected or diminished in any way by the termination of this Agreement.

F. Headings. The headings contained in this Agreement are for purposes of reference and convenience only and are not intended in any way to describe, interpret, define or limit the extent or intent of this Agreement.

G. Entire Agreement. This Agreement supersedes any other agreements, written or oral, between the Employer Group and Employee and Employee has no oral representations, understandings or agreements with the Employer Group or any of their respective officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between Employer and Employee and of all the terms of this Agreement. This Agreement cannot be modified, varied, contradicted or supplement by evidence of any prior or contemporaneous oral or written agreements.

H. Amendment/Waiver. Neither this Agreement nor any term hereof may be modified or amended except by written instrument signed by a duly authorized officer of Employer and by Employee. No term of this Agreement may be waived other than by written instrument signed by the party waiving the benefit of such term. Any such waiver shall constitute a waiver only with respect to the specific matter described in such written instrument and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. Neither the waiver by Employer or Employee of a breach of or a default under any of the provisions of this Agreement, nor the failure by either Employer or Employee, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

I. Assignment. This Agreement is personal to the parties and neither party may assign any rights or obligations under the same without the prior written consent of the other; provided, however, that in the event of a sale of the Employer Group's business to a third party (whether by sale of all or a majority of the Employer Group's issued and outstanding equity securities, by a merger or reorganization, or by a sale of all or substantially of the Employer Group's assets), then this Agreement may be assigned by Employer to such third party purchaser without the prior written consent of Employee, provided that such third party purchaser agrees to assume and abide by all of Employer's obligations set forth in this Agreement and provides written notice thereof to Employee. In the event of any such assignment, all references to "Quanta" hereunder shall mean the assignee, and to the extent any entity becomes the successor to Quanta, all obligations hereunder shall be the obligations of the successor and "Quanta" mean the successor entity.

J. Counterparts. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above, but to be effective as of the Effective Date.

QUANTA SERVICES, INC.:

By: /s/ James F. O'Neil III

JAMES F. O'NEIL III

PRESIDENT AND CHIEF EXECUTIVE OFFICER

EMPLOYEE:

/s/ Gérard J. Sonnier

GERARD SONNIER

EXHIBIT A

**SEVERANCE AGREEMENT
AND RELEASE OF ALL CLAIMS**

This Severance Agreement and Release of All Claims (the "Agreement") is made and entered into by and between Gerard Sonnier (hereinafter referred to as the "Employee") and Quanta Services, Inc., a Delaware corporation, (hereinafter collectively referred to as the "Company").

The purpose of this Agreement is to arrange a settlement of the Employee's employment with the Company that is satisfactory both to the Company and to the Employee. By signing this Agreement, the Company and the Employee agree as follows:

1. **<u>Termination of Employment.</u>** The Employee and the Company are entering into this Agreement as a way of amicably concluding the employment relationship between them on [Date] and of resolving voluntarily any dispute or potential dispute or claim that the Employee has or might have with the Company, whether known or unknown by the Employee at this time. This Agreement is not and should not be construed as an allegation by Employee, or as an admission on the part of the Company, that the Company has acted unlawfully or violated any state or federal law or regulation. The Company, including its parent companies, affiliates, associated companies, and subsidiaries, specifically disclaim any liability to the Employee or any other person for any alleged violation of rights or for any alleged violation of any order, law, statute, duty, policy or contract.

2. **<u>Severance Benefits.</u>** As consideration for the Employee agreeing to release the Company from all claims that are described in Paragraph 6 herein and subject to the provisions of Paragraph 10 herein, the Company will pay the Employee $[Severance Amount] (______Dollars and ______Cents), less applicable taxes as severance benefits (the "<u>Severance Benefits</u>").

3. **<u>Tax Consequences.</u>** The Employee acknowledges and agrees that the Company has made no representations to him regarding the tax consequences of any Severance Benefits received by him pursuant to this Agreement.

4. **<u>Entire Consideration.</u>** The Employee agrees that the Severance Benefits set forth in Paragraph 2, herein, constitute the entire amount of consideration provided to him under this Agreement. The Employee further agrees that he will make no claim for any additional or other severance benefits or payments and that he will not seek any further compensation for any other claimed damage, costs, severance, income or attorneys' fees.

5. **Non-Disclosure Agreement.** Without the express written agreement of the Company's [Highest Officer] or unless required to do so by law, the Employee agrees never to disclose the existence, facts, terms, or amount of this Agreement, nor the substance of the negotiations leading to this Agreement, to any person or entity, other than to his personal counsel or attorney, personal accountants, or personal tax preparer, any such disclosure to such persons to be made only if the relevant person must have such information for the performance of his or her responsibilities. To the extent required by law or applicable regulation, Employee may also disclose the provisions of this Agreement to the appropriate taxing authorities.

6. **The Employee's Release Of All Claims Including Age Discrimination In Employment Act Claims.**In consideration of the Severance Benefits, the Employee, for himself, his heirs, executors, administrators, successors and assigns, does fully and forever release and discharge the Company, its parent companies, affiliates, associated companies, and subsidiaries, their respective associated companies and subsidiaries, all of their respective present and former officers, directors, supervisors, managers, employees, stockholders, agents, attorneys and representatives, and the successors and assigns of such persons and entities (collectively, the "Released Parties"), from all actions, lawsuits, grievances, complaints, liens, demands, obligations, damages, liabilities and claims of any nature whatsoever, know or unknown, that the Employee had, now has, or may hereafter claim to have against the Released Parties from the beginning of time through the date the Employee executes this Agreement. The release provided herein specifically includes, but is not limited to, all claims arising under any federal, state or local fair employment practice laws, and any other employee relations statute, executive order, law and ordinance, including, but not limited to, Title VII of the Civil Rights Acts of 1964, as amended; the Civil Rights Acts of 1866, 1870, and 1871, as amended; the Civil Rights Act of 1991, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Older Workers Benefit Protection Act, as amended; the Americans With Disabilities Act of 1990, as amended; the Family and Medical Leave Act, as amended; the Equal Pay Act, as amended; the Fair Labor Standards Act, as amended; the Worker Adjustment and Retraining Notification Act of 1988, as amended; the Employee Retirement Income Security Act of 1974, as amended; Section 806 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. §1514A, *et seq.)*; the Rehabilitation Act of 1973 (29 U.S.C. Section 791 *et seq.*); the Occupational Safety and Health Act (29 U.S.C. § 651, *et seq.*); the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (COBRA); the National Labor Relations Act, as amended; the [Applicable State Laws], as amended; any local human rights law; and any tort or contract cause of action or theory.

The Employee expressly represents and agrees that he has been advised that, by entering into this Agreement, he is waiving all claims that he may have against the Company arising under the Age Discrimination in Employment Act of 1967, as amended, which have arisen on or before the date of execution of this Agreement.

7. **Covenants Concerning Claims.** The Employee agrees that he will not file any complaints, claims or actions against the Released Parties with any court regarding any matters or claims that arose prior to the Employee's execution of this Agreement. If any court assumes jurisdiction on behalf of the Employee of any complaint, claim or action against the Company, he will direct that court to withdraw from or dismiss with prejudice the matter.

Notwithstanding the preceding provision or any other provision of the Agreement, Employee's agreement to the provisions under Section 6, or the paragraph immediately above this paragraph, is not intended to prohibit Employee from bringing an action to challenge the validity of the release of claims under the Age Discrimination in Employment Act, as amended, or the Older Worker's Benefit Protection Act, as amended. The Employee further understands and agrees that if he or someone acting on his behalf files, or causes to be filed, any such claim, charge, complaint, or action against the Released Parties, he expressly waives any right to recover any damages or other relief, whatsoever, from the Released Parties including costs and attorneys' fees.

This Agreement is not intended to interfere with Employee's right to file a charge with an administrative agency in connection with any claim Employee believes he may have against any of the Released Parties. However, by executing this Agreement, Employee hereby waives the right to recover, and agrees not to seek any damages, remedies or other relief for himself personally in any proceeding he may bring before such agency or in any proceeding brought by such agency, or any other person, on his behalf. This Agreement is also not intended to apply to claims for accrued benefits (other than severance-type benefits) under any benefit plan of the Released Parties pursuant to the terms of any such plan.

Employee understands that he is not releasing rights under this Agreement, that any claims that cannot be lawfully waived are excluded from this Agreement and that by executing this Agreement he is not waiving any such claims. Likewise, Employee is not releasing any rights or claims that may arise after the date on which he signs this Agreement. In addition, while this Agreement requires Employee to waive any and all claims against the Released Parties arising under workers' compensation laws (e.g., claims of retaliation for filing a workers' compensation claim), it is not intended to prohibit Employee from filing in good faith for and from receiving any workers' compensation benefits from Released Parties' workers' compensation carrier for compensable injuries incurred during his employment. Accordingly, pursuit of any such workers' compensation benefits with Released Parties' workers' compensation carrier or third-party administrator will not be considered a violation of this Agreement.

8. **Employee Acknowledgments.** Employee acknowledges and agrees that:

   a. In return for and in consideration of his execution, delivery and performance of this Agreement, the Company is providing to the Employee the Severance Benefits.

   b. The Employee is hereby advised in writing by this Agreement to consult with an attorney before signing this Agreement.

c. The Employee does not waive rights or claims that may arise after the date this Agreement is signed.

d. In return for signing this Agreement, the Employee will receive payment of consideration beyond that which he was entitled to receive before entering into this Agreement.

9. **Twenty-One (21) Day Review Period.** The Employee acknowledges that he was provided this Agreement more than 21 days before the date when he was required to make an election concerning the Severance Benefits. If the Employee signs this Agreement prior to the end of the 21-day period, he certifies and agrees that the decision to accept such shortening of time is knowing and voluntary and is not induced by the Company through: (i) fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the end of the 21-day period; or (ii) an offer to provide different terms in exchange for signing the Release prior to the expiration of the 21-day period. Should the Employee sign this Agreement before the expiration of the 21-day period, the Company may at its option and discretion expedite the processing of some or all of the Severance Benefits, subject to the revocation period set forth in Paragraph 10.

10. **Seven (7) Day Revocation Period.** The Employee understands that he may revoke this Agreement at any time within seven (7) days after he executes it. To revoke the Agreement, the Employee must deliver written notification of such revocation to ______, or in ______'s absence to ______'s office, within seven (7) days after the date of the Employee's execution of this Agreement. The Employee further understands that if he does not revoke the Agreement within seven (7) days following its execution (excluding the date of execution), it will become effective, binding, and enforceable. The Employee understands that he will not receive the Severance Benefits until this Agreement becomes effective, binding, and enforceable, which shall not occur prior to the eighth day following the Employee's execution of this Agreement.

11. **Employee Representations.** The Employee represents that:

a. he has reviewed all aspects of this Agreement;

b. he has carefully read and fully understands all of the provisions and effects of this Agreement;

c. he has had the opportunity to consult with an attorney before signing this Agreement.

d. he understands that in agreeing to the terms of this Agreement he is releasing the Released Parties from any and all claims he may have against the Company, and all persons acting by, through, under or in concert with the Company, including claims under the federal Age Discrimination in Employment Act of 1967, as amended, as well as any claims for age discrimination that may exist under Texas law or any other applicable law, as more particularly described in Paragraph 7 herein;

e. he voluntarily agrees to all the terms set forth in this Agreement;

f. he has not filed, caused to be filed, and presently is not a party to any claim, complaint, or action against the Released Parties in any forum or form, whether administrative or otherwise; and

g. as of the time of execution of this Agreement by Employee, Employee is unaware of any facts or conduct that would give rise to a claim against the Released Parties of any type or sort, including those types of claims or other violations set forth generally and specifically above, including but not limited to, any claims under the Family Medical Leave Act of 1993 or the Fair Labor Standards Act.

12. **Return of Company Property and Confidentiality Obligations.** The Employee agrees that on or before [Date], the Employee shall return or shall have returned all Company Property and Confidential Information (as defined below). "Company Property" means all property of the Company, including, but not limited to, Company issued/owned computers, laptops, peripheral electronic equipment (e.g., printers, cameras, projectors, computer docking stations, etc.), Blackberry or other personal digital assistants (PDAs), cellular telephones, credit cards, keys, door cards, tools, equipment on loan, and any other Company books, manuals, and journals. "Confidential Information" means all confidential, sensitive or proprietary information belonging to the Company, including, but not be limited to, all business records, manuals, memoranda, computer records, electronic files, lists and other property delivered to or compiled by the Employee by or on behalf of Company, or its representatives, vendors or customers that pertain to the business of Company, as well as all correspondence, reports, records, charts, and other similar data pertaining to the business, activities or future plans of Company that was collected by the Employee during his employment with the Company. For purposes of this Paragraph 12 and Paragraph 13, "Company" shall include all parent companies, affiliates, associated companies, and subsidiaries.

The Employee further acknowledges and agrees that the Employee is obligated to not, at any time, disclose or otherwise make available to any person, company or other party Confidential Information or trade secrets of the Company, its parent, associated companies, affiliates, and subsidiaries This Agreement shall not limit any obligations the Employee has under any applicable federal or state law.

13. **Non-disparagement.** The Employee agrees not to make any disparaging or negative statements about the Company, its services or its current or former directors, officers, supervisors, managers, or employees. Statements made in the course of any litigation or legal proceeding, whether disparaging or negative, are excluded from coverage of this Paragraph.

14. **Voluntary Action.** The Employee represents and agrees that he is knowingly and voluntarily entering into this Agreement, and that he has relied solely and completely upon his own judgment or the advice of his attorney in entering into this Agreement.

15. **Entire Agreement.** This Agreement sets forth the entire agreement between the Employee and the Company and fully supersedes and replaces any and all prior agreements or understandings, written or oral, between the Company and the Employee pertaining to the subject matter of this Agreement. The Employee and the Company represent and acknowledge that in executing this Agreement they do not rely upon and have not relied upon any representation or statement made by any of the parties or by any of the parties' agents, attorneys, employees, or representatives with regard to the subject matter, basis, or effect of this Agreement or otherwise, other than those specifically stated in this written Agreement.

16. **Partial Invalidity.** Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, all remaining provisions of this Agreement shall otherwise remain in full force and effect and be construed as if such illegal, invalid or unenforceable provision had not been included herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

17. **Governing Law.** This Agreement will be governed by, and construed and interpreted in accordance with, the laws of the State of Texas without regard to principles of conflict of laws.

QUANTA SERVICES, INC.:

Dated: ______________________________ ______________________________

By______________________________

EMPLOYEE:

Dated: ______________________________ ______________________________

Gerard Sonnier

THE STATE OF __________ §
§
COUNTY OF ________________ §

The foregoing instrument was SWORN TO AND SUBSCRIBED BEFORE ME BY GERARD SONNIER AND GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the ______day of ______, A.D., 20__.

____
Notary Public in and for
the State of__________

My commission expires: ________________

EXHIBIT B

PRE-EMPLOYMENT INVENTIONS

None

Exhibit 31.1

I, James F. O’Neil III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quanta Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: May 8, 2013

By: /s/ JAMES F. O’NEIL III
James F. O’Neil III
President and Chief Executive Officer

Exhibit 31.2

I, Derrick A. Jensen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quanta Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2013

By: /s/ DERRICK A. JENSEN
Derrick A. Jensen
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned officers of Quanta Services, Inc. (the “Company”) hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to such officer’s knowledge that:

(1) the accompanying Form 10-Q report for the period ending March 31, 2013 as filed with the U.S. Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: May 8, 2013

/s/ JAMES F. O’NEIL III
James F. O’Neil III
President and Chief Executive Officer

Dated: May 8, 2013

/s/ DERRICK A. JENSEN
Derrick A. Jensen
Chief Financial Officer