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 June 30, 2004

or

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

For the transition period from to .

Commission file no. 001-13831

Quanta Services, Inc.

(Exact name of registrant as specified in its charter)

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

1360 Post Oak Blvd.

Suite 2100
Houston, Texas 77056
(Address of principal executive offices)

Registrant's telephone number, including area code:

(713) 629-7600

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes☑ No ☐

116,262,654 shares of Common Stock were outstanding as of July 30, 2004. As of the same date, 1,051,067 shares of Limited Vote Common Stock were outstanding.

QUANTA SERVICES, INC. AND SUBSIDIARIES

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QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)
(Unaudited)

	December 31, 2003	June 30, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 179,626	$ 197,317
Accounts receivable, net of allowances of $27,306 and $14,074, respectively	358,698	322,031
Costs and estimated earnings in excess of billings on uncompleted contracts	51,619	61,943
Inventories	23,809	26,525
Prepaid expenses and other current assets	62,341	52,360
Total current assets	676,093	660,176
Property and equipment, net	341,542	329,703
Accounts and notes receivable, net of allowances of $46,374 and $46,381	34,327	41,896
Other assets, net	25,591	24,148
Goodwill and other intangibles, net	388,882	388,751
Total assets	$1,466,435	$1,444,674
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 5,034	$ 2,923
Accounts payable and accrued expenses	175,445	183,849
Billings in excess of costs and estimated earnings on uncompleted contracts	18,911	17,175
Total current liabilities	199,390	203,947
Long-term debt, net of current maturities	58,051	46,649
Convertible subordinated notes	442,500	442,500
Deferred income taxes and other non-current liabilities	103,362	99,474
Total liabilities	803,303	792,570
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, $.00001 par value, 300,000,000 shares authorized, 116,426,215 and 117,263,563 shares issued and 115,499,775 and 115,999,977 outstanding, respectively	—	—
Limited Vote Common Stock, $.00001 par value, 3,345,333 shares authorized, 1,067,750 and 1,051,067 shares issued and outstanding, respectively	—	—
Additional paid-in capital	1,071,701	1,081,404
Deferred compensation	(7,359)	(10,013)
Retained deficit	(389,485)	(404,671)
Treasury stock, 926,440 and 1,263,586 common shares, at cost	(11,725)	(14,616)
Total stockholders' equity	663,132	652,104
Total liabilities and stockholders' equity	$1,466,435	$1,444,674

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share information)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Revenues	$408,302	$389,194	$775,431	$744,191
Cost of services (including depreciation)	354,784	342,853	684,156	671,126
Gross profit	53,518	46,341	91,275	73,065
Selling, general and administrative expenses	58,368	40,589	97,771	84,131
Income (loss) from operations	(4,850)	5,752	(6,496)	(11,066)
Other income (expense):				
Interest expense	(8,138)	(6,228)	(16,102)	(12,594)
Other, net	(65)	249	584	722
Income (loss) before income tax provision (benefit)	(13,053)	(227)	(22,014)	(22,938)
Provision (benefit) for income taxes	(3,218)	3,265	(7,336)	(7,752)
Net income (loss)	(9,835)	(3,492)	(14,678)	(15,186)
Dividends on preferred stock, net of forfeitures	—	—	(2,109)	—
Net income (loss) attributable to common stock	$ (9,835)	$ (3,492)	$ (12,569)	$ (15,186)
Earnings (loss) per share:				
Basic and diluted earnings (loss) per share	$ (0.08)	$ (0.03)	$ (0.11)	$ (0.13)
Shares used in computing basic and diluted earnings (loss) per share	115,799	114,425	110,409	114,171

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Cash Flows from Operating Activities:				
Net income (loss) attributable to common stock	$ (9,835)	$ (3,492)	$(12,569)	$ (15,186)
Adjustments to reconcile net income (loss) attributable to common stock to net cash provided by operating activities —				
Depreciation and amortization	15,307	14,791	30,208	29,767
Loss (gain) on sale of property and equipment	261	(1,427)	694	(1,255)
Provision for doubtful accounts	19,014	100	19,257	183
Deferred income tax provision (benefit)	30,249	1,469	32,304	(11,445)
Amortization of deferred compensation	878	1,390	1,084	2,290
Preferred stock dividend, net of forfeitures	—	—	(2,109)	—
Changes in operating assets and liabilities, net of non-cash transactions —				
(Increase) decrease in —				
Accounts receivable	(34,859)	(10,637)	9,693	28,915
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,821)	(6,257)	(1,316)	(10,324)
Inventories	366	(483)	(1,192)	(2,716)
Prepaid expenses and other current assets	1,216	2,949	(15)	4,691
Increase (decrease) in —				
Accounts payable and accrued expenses and other non-current liabilities	15,510	6,140	(4,274)	16,019
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,969)	(434)	(1,114)	(1,736)
Other, net	2,553	872	2,511	429
Net cash provided by operating activities	35,870	4,981	73,162	39,632
Cash Flows from Investing Activities:				
Proceeds from sale of property and equipment	691	2,711	904	3,270
Additions of property and equipment	(7,624)	(7,901)	(12,477)	(19,492)
Cash (restricted) released for self-insurance programs	(7,200)	2,779	(7,200)	6,027
Net cash used in investing activities	(14,133)	(2,411)	(18,773)	(10,195)
Cash Flows from Financing Activities:				
Net borrowings (payments) under bank lines of credit	—	—	—	(10,700)
Proceeds from other long-term debt	1,224	114	2,138	244
Payments on other long-term debt	(1,784)	(1,116)	(3,749)	(3,057)
Issuances of stock, net of offering costs	3,505	—	5,436	1,650
Exercise of stock options	—	69	—	117
Net cash provided by (used in) financing activities	2,945	(933)	3,825	(11,746)
Net Increase in Cash and Cash Equivalents	24,682	1,637	58,214	17,691
Cash and Cash Equivalents, beginning of period	61,433	195,680	27,901	179,626
Cash and Cash Equivalents, end of period	$ 86,115	$197,317	$ 86,115	$197,317
Supplemental Disclosure of Cash Flow Information				
Cash paid for —				
Interest	$ 5,208	$ 6,206	$ 10,949	$ 7,027
Income taxes, net of refunds	$(37,491)	$ (257)	$(38,422)	$ (456)

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 specialized contracting services, offering end-to-end network solutions to the electric power, gas, telecommunications and cable television industries. Quanta's comprehensive services include designing, installing, repairing and maintaining network infrastructure.

In the course of its operations, Quanta is subject to certain risk factors, including but not limited to risks related to significant fluctuations in quarterly results, economic downturn, contract terms, competition, occupational health and safety matters, rapid technological and structural changes in the industries Quanta serves, ability to obtain or maintain performance bonds, management of growth, dependence on key personnel, unionized workforce, availability of qualified employees, being self-insured against potential liabilities, potential exposure to environmental liabilities, the pursuit of additional work in the government arena, the requirements of the Sarbanes-Oxley Act of 2002, access to capital, internal growth and operating strategies, recoverability of goodwill, replacing cancelled or completed contracts, acquisition integration and financing and anti-takeover measures.

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 present the financial position, results of operations and cash flows with respect to the interim consolidated financial statements have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. The results of Quanta have historically been subject to significant seasonal fluctuations.

It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto of Quanta Services, Inc. and subsidiaries included in Quanta's Annual Report on Form 10-K, which was filed with the SEC on March 15, 2004.

Reclassifications

Certain reclassifications have been made in prior year's financial statements to conform to classifications used in the current year.

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 property and equipment, fair value assumptions in analyzing goodwill and long-lived asset impairments, self-insured claims liabilities, revenue recognition under percentage-of-completion accounting and provision for income taxes.

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

Quanta provides an allowance for doubtful accounts when collection of an account or note receivable is considered doubtful. 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 conditions and the ongoing relationship with the customer. Under certain circumstances such as foreclosures or negotiated settlements, Quanta may take title to the underlying assets in lieu of cash in settlement of receivables. As of June 30, 2004, Quanta had allowances for doubtful accounts of approximately $60.5 million. Certain of Quanta's customers, several of them large public telecommunications carriers and utility customers, have been experiencing financial difficulties. Should any major customers file for bankruptcy or continue to experience difficulties, 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. In addition, material changes in Quanta's customers' revenues or cash flows could affect its ability to collect amounts due from them.

In June 2002, one of Quanta's customers, Adelphia Communications Corporation (Adelphia), filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code, as amended. Quanta has filed liens on various properties to secure substantially all of its pre-petition receivables. The carrying value is based upon Quanta's understanding of the current status of the Adelphia bankruptcy proceeding and a number of assumptions, including assumptions about the validity, priority and enforceability of our security interests. Quanta currently believes it will collect a substantial majority of the balances owed and is currently contemplating a sale of these receivables to a third party. Should any of the factors underlying Quanta's estimate change, the amount of Quanta's allowance could change significantly. Quanta is uncertain as to whether this receivable will be collected within one year and therefore has included it in non-current assets as Accounts and Notes Receivable. In addition, Quanta is involved in a dispute with one of its customers with a receivable balance of $6.9 million and is also uncertain whether the balance will be collected within one year; therefore as of June 30, 2004, Quanta has reclassified the balance in non-current assets and included it in Accounts and Notes Receiable. Also included in Accounts and Notes Receivable are amounts due from a customer relating to the construction of independent power plants. Quanta has agreed to long-term payment terms for this customer. The notes receivable from this customer are partially secured. Quanta has provided allowances for a significant portion of these notes receivable due to a change in the economic viability of the plants securing them. The collectibility of these notes may ultimately depend on the value of the collateral securing these notes. As of June 30, 2004, the total balance due from all of these customers was $87.2 million, net of an allowance for doubtful accounts of $46.3 million.

Concentration of Credit Risk

Quanta grants credit, generally without collateral, to its customers, which include electric power and gas companies, telecommunications and cable television system operators, governmental entities, general contractors, builders and owners and managers of commercial and industrial properties located primarily in the United States. Consequently, Quanta is subject to potential credit risk related to changes in business and economic factors throughout the United States; however, Quanta generally has certain lien rights on the services provided.

Stock Based Compensation

Quanta accounts for its stock-based compensation under Accounting Principles Board Opinion No. 25 (APB Opinion No. 25), "Accounting for Stock Issued to Employees." Under this accounting method, no compensation expense is recognized in the consolidated statements of operations if no intrinsic value of the option exists at the date of grant. In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123, as amended, encourages companies to account for stock based compensation awards based on the fair value of the awards at the date they are granted. The resulting compensation cost would be shown as an expense in the consolidated statements of operations. Companies can choose not to apply the new accounting method and continue to apply current accounting requirements; however, disclosure is required as to what net income and earnings per share would have been had SFAS No. 123 been followed. In addition, Quanta has an Employee Stock Purchase Plan (ESPP). SFAS No. 123 requires the inclusion of stock issued pursuant to an ESPP in the as adjusted disclosure. The accounting for the restricted stock awards are the same under APB Opinion No. 25 and SFAS No. 123. See Note 7 for additional discussion of the restricted stock issued under Quanta's 2001 Stock Incentive Plan and the effects thereof.

Had compensation costs for the 2001 Stock Incentive Plan and the ESPP been determined consistent with SFAS No. 123, Quanta's net income attributable to common stock and earnings per share would have been reduced to the following as adjusted amounts (in thousands, except per share information):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2004	2003	2004
Net income (loss) attributable to common stock as reported	$ (9,835)	$(3,492)	$(12,569)	$(15,186)
Add: stock-based employee compensation expense included in net income, net of tax	878	1,390	1,084	2,290
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(1,324)	(1,497)	(6,117)	(2,740)
Net income (loss) attributable to common stock —				
As Adjusted — Basic	$(10,281)	$(3,599)	$(17,602)	$(15,636)
As Adjusted — Diluted	$(10,281)	$(3,599)	$(17,602)	$(15,636)
Earnings (loss) per share				
As Reported — Basic and Diluted	$ (0.08)	$ (0.03)	$ (0.11)	$ (0.13)
As Adjusted — Basic and Diluted	$ (0.09)	$ (0.03)	$ (0.16)	$ (0.14)

The effects of applying SFAS No. 123 in the as adjusted disclosure may not be indicative of future amounts as additional awards may or may not be granted.

2. Per Share Information:

Earnings (loss) per share amounts are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

For the three and six months ended June 30, 2003, options to purchase approximately 1.6 million shares of common stock were outstanding during the period but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares, and therefore, the effect would be antidilutive. Also for the three and six months ended June 30, 2003, options to purchase 8,569 and 5,556 shares of common stock, with exercise prices lower than the average market price of Quanta's common stock were excluded from the computation of diluted earnings (loss) per share because the effect of including them would be antidilutive. The effect of assuming conversion of the convertible subordinated notes would also be antidilutive and they were therefore excluded from the calculation of diluted earnings (loss) per share for the three and six months ended June 30, 2003.

For the three and six months ended June 30, 2004, options to purchase approximately 1.2 million and 749,000 shares of common stock were outstanding during the period but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares, and therefore, the effect would be antidilutive. Also for the three and six months ended June 30, 2004, options to purchase 8,943 and 42,346 shares of common stock, with exercise prices lower than the average market price of Quanta's common stock were excluded from the computation of diluted earnings (loss) per share because the effect of including them would be antidilutive. For the three and six months ended June 30, 2004, approximately 573,000 and 553,000 shares of non-vested restricted stock, computed under the treasury stock method, were excluded from the calculation of diluted earnings per share as the impact would have been antidilutive. The effect of assuming conversion of the convertible subordinated notes would also be antidilutive and they were therefore excluded from the calculation of diluted earnings (loss) per share for the three and six months ended June 30, 2004.

3. Income Taxes:

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

As of June 30, 2004, estimates of Quanta's income before taxes for the year ended December 31, 2004 are at levels such that small fluctuations in estimated income before taxes could produce large changes in the estimated annual effective tax rate. Therefore, for the six months ended June 30, 2004, Quanta has provided for taxes based upon the year-to-date loss without regard to the year end estimates.

4. New Pronouncements:

In July 2004, the Emerging Issues Task Force (EITF) discussed EITF Issue 04-08, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per Share." The EITF reached a tentative conclusion that would require contingently convertible debt instruments to be accounted for using the "if converted" method in calculating earnings per share. This EITF would require that earnings per share be retroactively restated for the effect of conversion of any contingently convertible debt instruments starting with the issuance date of the contingently convertible debt instrument. Quanta's 4.5% convertible subordinated notes contain contingent conversion features; however the adoption of EITF 04-08 would not require the restatement of Quanta's earnings per share as the effect of assuming conversion of the 4.5% convertible subordinated notes would be antidilutive for all periods since the date of issuance.

5. Goodwill and Other Intangibles:

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," material amounts of recorded goodwill attributable to each of Quanta's reporting units are tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value is determined using a combination of the discounted cash flow, market multiple and market capitalization valuation approaches. These impairment tests are performed annually during the fourth quarter and upon the occurrence of any impairment indicators. Significant estimates used in the methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples for each of the reportable units. Impairment adjustments recognized after adoption are required to be recognized as operating expenses.

6. Debt:

Credit Facility

Quanta has a $185.0 million credit facility with various lenders. The credit facility consists of a $150.0 million letter of credit facility maturing on June 19, 2008, which also provides for term loans, and a $35.0 million revolving credit facility maturing on December 19, 2007, which provides for revolving loans and letters of credit. Quanta amended the credit facility effective as of June 30, 2004 to ease the maximum funded debt to EBITDA ratio and the minimum interest coverage ratio covenants. The amendment also increased the maximum fee for outstanding letters of credit and the maximum interest rate payable for term loans under the letter of credit facility.

The letter of credit facility is linked to a $150.0 million deposit made by the lenders, which is held in an account with Bank of America, N.A. This deposit may be used either to support letters of credit or, to the extent that amounts available under the facility are not used to support letters of credit, for term loans. Quanta is currently required to maintain total borrowings outstanding under the letter of credit facility equal to the $150.0 million available through a combination of letters of credit or term loans. As of June 30, 2004, Quanta had approximately $104.7 million of letters of credit issued under the letter of credit facility, and the remaining $45.3 million of the letter of credit facility was outstanding as a term loan with an interest rate of 4.54%. In the event that Quanta desires to issue additional letters of credit under the letter of credit facility, Quanta is required to make cash repayments of debt outstanding under the term loan portion of the letter of credit facility in an amount that approximates the additional letters of credit.

Under the letter of credit facility, Quanta is subject to a fee equal to 3.00% to 3.25% of the letters of credit outstanding, depending upon the occurrence of certain events, plus an additional 0.15% of the amount outstanding to the extent the funds in the deposit account do not earn London Interbank Offered Rate (LIBOR), as defined in the credit facility. Term loans under the letter of credit facility bear interest at a rate equal to either (a) the Eurodollar Rate (as defined in the credit facility) plus 3.00% to 3.25% or (b) the Base Rate (as described below) plus 3.00% to 3.25%, depending upon the occurrence of certain events. The Base Rate equals the higher of (i) the Federal Funds Rate (as defined in the credit facility) plus 1/2 of 1% and (ii) the bank's prime rate. The maximum availability under the letter of credit facility is automatically reduced on December 31 of each year by $1.5 million, beginning December 31, 2004.

Quanta had approximately $2.7 million of letters of credit issued under the revolving credit facility, and borrowing availability under the revolving credit facility was $32.3 million as of June 30, 2004. Amounts borrowed under the revolving credit facility bear interest at a rate equal to either (a) the Eurodollar Rate plus 1.75% to 3.00%, as determined by the ratio of Quanta's total funded debt to EBITDA, or (b) the Base Rate plus 0.25% to 1.50%, as determined by the ratio of Quanta's total funded debt to EBITDA. Letters of credit issued under the revolving credit facility are subject to a letter of credit fee of 1.75% to 3.00%, based on the ratio of Quanta's total funded debt to EBITDA. If Quanta chooses to cash collateralize letters of credit issued under the revolving credit facility, those letters of credit will be subject to a letter of credit fee of 0.50%. Quanta is also subject to a commitment fee of 0.375% to 0.625%, based on the ratio of its total funded debt to EBITDA, on any unused availability under the revolving credit facility.

The credit facility contains certain covenants, including a maximum funded debt to EBITDA ratio, a maximum senior debt to EBITDA ratio, a minimum interest coverage ratio, a minimum asset coverage ratio and a minimum consolidated net worth covenant. As of June 30, 2004, Quanta was in compliance with all of its covenants. However, other conditions such as, but not limited to, unforeseen project delays or cancellations, adverse weather conditions or poor contract performance, could adversely affect Quanta's ability to comply with its covenants in the future. The credit facility also limits acquisitions, capital expenditures and asset sales and, subject to some exceptions, prohibits stock repurchase programs and the payment of dividends (other than dividend payments or other distributions payable solely in capital stock). After December 31, 2004, however, the credit facility allows Quanta to pay dividends and engage in stock repurchase programs in any fiscal year in an aggregate amount up to twenty-five percent of Quanta's consolidated net income (plus the amount of non-cash charges that reduced such consolidated net income) for the prior fiscal year. The credit facility carries cross-default provisions with all of Quanta's other debt instruments exceeding $2.0 million in borrowings.

The credit facility is secured by a pledge of all of the capital stock of Quanta's U.S. subsidiaries, 65% of the capital stock of Quanta's foreign subsidiaries and substantially all of Quanta's assets, and it restricts pledges on all material assets. Borrowings under the credit facility are to be used for working capital, capital expenditures and for other general corporate purposes. Quanta's U.S. subsidiaries guarantee the repayment of all amounts due under the credit facility. Quanta's obligations under the credit facility constitute designated senior indebtedness under its 4.0% and 4.5% convertible subordinated notes.

4.0% Convertible Subordinated Notes

During the third quarter of 2000, Quanta issued convertible subordinated notes in the principal amount of $172.5 million. These convertible subordinated notes bear interest at 4.0% per year and are convertible into shares of Quanta's common stock at a price of $54.53 per share, subject to adjustment as a result of certain events. These 4.0% convertible subordinated notes require semi-annual interest payments until the notes mature on July 1, 2007. Quanta has the option to redeem the 4.0% convertible subordinated notes beginning July 3, 2003 at specified redemption prices, together with accrued and unpaid interest; however redemption is prohibited by Quanta's credit facility. If certain fundamental changes occur, as described in the indenture, holders of the 4.0% convertible subordinated notes may require Quanta to purchase all or part of the notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

4.5% Convertible Subordinated Notes

In October 2003, Quanta issued convertible subordinated notes in the principal amount of $270.0 million. These convertible subordinated notes bear interest at 4.5% per year and are convertible into shares of Quanta's common stock at a price of $11.14 per share, subject to adjustment as a result of certain events. The 4.5% convertible subordinated notes require semi-annual interest payments beginning April 1, 2004, until they mature on October 1, 2023.

The 4.5% convertible subordinated notes are convertible by the holder if (i) during any fiscal quarter commencing after December 31, 2003 the last reported sale price of Quanta's common stock is greater than or equal to 120% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the first trading day of such fiscal quarter, (ii) during the five business day period after any five consecutive trading day period in which the trading price per note for each day of that period was less than 98% of the product of the last reported sale price of Quanta's common stock and the conversion rate, (iii) upon Quanta calling the notes for redemption or (iv) upon the occurrence of specified corporate transactions. If the notes become convertible under one of these circumstances, Quanta has the option to deliver cash, shares of Quanta's common stock or a combination thereof, with a value equal to the par value of the notes divided by the conversion price multiplied by the average trading price of Quanta's common stock. The maximum number of shares of common stock that could be issued under these circumstances is equal to the par value of the notes divided by the conversion price.

Beginning October 8, 2008, Quanta may redeem for cash some or all of the 4.5% convertible subordinated notes at par value plus accrued and unpaid interest; however redemption is prohibited by Quanta's credit facility. The holders of the 4.5% convertible subordinated notes may require Quanta to repurchase all or some of the notes at par value plus accrued and unpaid interest on October 1, 2008, 2013 or 2018, or upon the occurrence of a fundamental change, as defined by the indenture under which Quanta issued the notes. Quanta must pay any required repurchases on October 1, 2008 in cash. For all other required repurchases, Quanta has the option to deliver cash, shares of its common stock or a combination thereof to satisfy its repurchase obligation. Quanta presently does not anticipate using stock to satisfy any future obligations. If Quanta were to satisfy the obligation with shares of its common stock, the number of shares delivered will equal the dollar amount to be paid in common stock divided by 98.5% of the market price of Quanta's common stock, as defined by the indenture. The number of shares to be issued under this circumstance is not limited. The right to settle for shares of common stock can be surrendered by Quanta. The 4.5% convertible subordinated notes carry cross-default provisions with Quanta's credit facility and any other debt instrument that exceeds $10.0 million in borrowings.

7. Stockholders' Equity:

Restricted Stock

Pursuant to the 2001 Stock Incentive Plan, Quanta issues restricted common stock at the fair market value of the common stock as of the date of issuance. The shares of restricted common stock are subject to restrictions on transfer and certain other conditions. During the restriction period, the plan participants are entitled to vote and receive dividends on such shares. Upon issuance of the restricted stock, an unamortized compensation expense equivalent to the market value of the shares on the date of grant is charged to stockholders' equity, and assuming the employee or consultant continues to meet the requirements for vesting, is amortized to expense as non-cash compensation over the restriction period, typically three years.

In 2003, Quanta offered eligible employees and consultants the opportunity to exchange certain outstanding stock options for restricted shares of Quanta's common stock. Of the eligible options pursuant to the offer, 520,267 options were not exchanged. Of those options, 308,273 remain outstanding and will be required to be accounted for under variable plan accounting under APB Opinion No. 25. The weighted average exercise price of these remaining eligible options is $24.92. In the future, to the extent that Quanta's stock price exceeds an option's exercise price, the difference will be recorded as a non-cash compensation charge with an offset to additional paid-in capital.

During the first six months of 2004, approximately 823,000 shares of additional restricted stock, with $5.8 million in market value, were granted to Quanta employees and eligible consultants. As of June 30, 2003 and 2004, 3.3 million and 2.6 million shares of unvested restricted stock were outstanding. The compensation expense recognized with respect to all restricted stock during the three and six months ended June 30, 2003 was approximately $0.9 million and $1.1 million, and for the three and six months ended June 30, 2004, was approximately $1.4 million and $2.3 million.

Treasury Stock

Pursuant to the 2001 Stock Incentive Plan, employees may elect to satisfy their tax withholding obligations upon the vesting of restricted stock by having Quanta make such tax payments and withhold a number of vested shares having a value on the date of vesting equal to their tax withholding obligation. As a result of such employee elections, Quanta withheld 337,146 shares during 2004 at a total value of $2.9 million and these shares were accounted for as Treasury Stock.

8. Segment Information:

Quanta has aggregated each of its individual operating units into one reportable segment as a specialty contractor. Quanta provides comprehensive network solutions to the electric power, gas, telecommunications and cable television industries, including designing, installing, repairing and maintaining network infrastructure. In addition, Quanta provides ancillary services such as inside electrical wiring, intelligent traffic networks, cable and control systems for light rail lines, airports and highways, and specialty rock trenching, directional boring and road milling for industrial and commercial customers. Each of these services is provided by various Quanta subsidiaries and discrete financial information is not provided to management at the service level. The following table presents information regarding revenues derived from the industries noted above.

	Six Months Ended June 30,	
	2003	2004
	(In thousands)	
Electric power and gas network services	$479,992	$464,375
Telecommunications network services	110,887	95,256
Cable television network services	51,954	38,698
Ancillary services	132,598	145,862
	$775,431	$744,191

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

9. Commitments and Contingencies:

Litigation

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, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, Quanta accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Quanta does not believe that any of these proceedings, separately or in the aggregate, would be expected to have a material adverse effect on Quanta's results of operations or financial position.

Self-Insurance

Quanta is insured for employer's liability and general liability claims, subject to a deductible of $1,000,000 per occurrence and for auto liability and workers' compensation, subject to a deductible of $2,000,000 per occurrence. In addition, Quanta maintains a non-union employee related health care benefits plan that is subject to a deductible of $250,000 per claimant per year. Losses up to the deductible amounts are accrued based upon Quanta's estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. The accruals are based upon known facts and historical trends and management believes such accruals to be adequate. At December 31, 2003 and June 30, 2004, the amounts accrued for self-insurance claims were $62.3 million and $72.1 million, with $36.2 million and $42.7 million considered to be long-term and included in Other Non-Current Liabilities.

As of June 30, 2004, Quanta had restricted cash pursuant to an obligation under its casualty insurance policy for the period from March 1, 2003 to February 29, 2004. The total restricted cash will be reduced by amounts used to pay claims in the future. As of June 30, 2004, the balance of restricted cash was $3.3 million, which is classified in Other Current Assets.

Quanta's casualty insurance carrier for the policy periods from August 1, 2000 to February 28, 2003 is experiencing financial distress but is currently paying valid claims. In the event that this insurer's financial situation worsens, Quanta may be required to pay certain obligations that otherwise would have been paid by this insurer. At this time, Quanta cannot estimate the likelihood that this insurer will fail to honor its obligations or the amount that might be paid by Quanta if this insurer should fail to honor its obligations to Quanta. In any event, Quanta does not expect any failure by this insurer to honor its obligations to Quanta to have a material adverse impact on Quanta's financial condition; however, the impact could be material to

Quanta's results of operations or cash flow in a given period. Quanta continues to monitor the financial situation of this insurer and analyze any alternative actions that could be taken.

Performance Bonds

In certain circumstances, Quanta is required to provide performance bonds in connection with its contractual commitments. Quanta has indemnified the surety for any expenses paid out under these performance bonds. As of June 30, 2004, the total amount of outstanding performance bonds was approximately $489.1 million.

Leases

Quanta leases certain buildings and equipment under non-cancelable lease agreements including related party leases. The following schedule shows the future minimum lease payments under these leases as of June 30, 2004 (in thousands):

	Capital Leases	Operating Leases
Year Ending December 31 —		
2004	$ 207	$ 9,669
2005	320	14,357
2006	600	8,552
2007	—	5,146
2008	—	4,236
Thereafter	—	9,608
Total minimum lease payments	$1,127	$51,568
Less — Amounts representing interest	41	
Present value of minimum lease payments	1,086	
Less — Current portion	346	
Total long-term obligations	$ 740	

Quanta has guaranteed the residual value on certain equipment operating leases. Quanta guarantees the difference between this residual value and the fair market value of the underlying asset at the date of termination of the leases. At June 30, 2004, the maximum guaranteed residual value would have been approximately $107.1 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 future significant payments will not be required.

Employment Agreements

Quanta has entered into various employment agreements with certain executives which provide for compensation and certain other benefits and for severance payments under certain circumstances. In addition, certain employment agreements contain clauses which become effective upon a change of control of Quanta. Upon the occurrence of any of the defined events in the various employment agreements, Quanta will pay certain amounts to the employee, which vary with the level of the employee's responsibility.

Collective Bargaining Agreements

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

Other

During the course of its operations, Quanta is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Disputes arise during the course of such audits as to facts and matters of law.

Quanta has indemnified various parties against specified liabilities that those parties might incur in the future in connection with companies previously acquired or disposed of by Quanta. These indemnities usually are contingent upon the other party incurring liabilities that reach specified thresholds. As of June 30, 2004, Quanta is not aware of circumstances that would lead to future indemnity claims against it for material amounts in connection with these transactions.

As of July 30, 2004, Quanta has agreed to issue up to $45.0 million in additional letters of credit during 2004 and 2005 relating to Quanta’s casualty insurance and bonding programs.

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

Introduction

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K, which was filed with the SEC on March 15, 2004, and is available at the SEC's Web site at www.sec.gov.

We derive our revenues from one reportable segment by providing specialized contracting services and offering comprehensive network solutions. Our customers include electric power, gas, telecommunications and cable television companies, as well as commercial, industrial and governmental entities. We had consolidated revenues for the six months ended June 30, 2004 of $744.2 million, of which 62% was attributable to electric power and gas customers, 13% to telecommunications customers, 5% to cable television operators and 20% to ancillary services, such as inside electrical wiring, intelligent traffic networks, cable and control systems for light rail lines, airports and highways, and specialty rock trenching, directional boring and road milling for industrial and commercial customers.

We enter into various types of contracts including competitive unit price, cost-plus or time and materials basis, or fixed price, 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 within one year, while we frequently provide maintenance and repair work under open-ended, unit price or cost-plus master service agreements which are renewable annually. Some of our customers require us to post performance and payment bonds upon execution of the contract, depending upon the nature of the work to be performed.

Cost of services 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. Our gross margin, which is gross profit expressed as a percentage of revenues, is typically higher on projects where labor, rather than materials, constitute a greater portion of the cost of services. We seek higher margins on our labor-intensive projects because we can generally predict materials costs more accurately than labor costs. Operating margins could be impacted by fluctuations in insurance accruals related to our deductibles in the period in which such adjustments are made. As of June 30, 2004, we have a deductible of $1,000,000 per occurrence related to employer's liability and general liability claims and a deductible of $2,000,000 per occurrence for automobile liability and workers' compensation insurance. We also have a non-union employee related health care benefit plan that is subject to a deductible of $250,000 per claimant per year.

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 and bad debt expense. Selling, general and administrative expenses can be impacted by our customers' inability to pay for services performed.

Seasonality; Fluctuations of Results

Our results of operations can be subject to seasonal variations. During the winter months, demand for new projects and new maintenance service arrangements may be lower due to reduced construction activity. However, demand for repair and maintenance services attributable to damage caused by inclement weather during the winter months may partially offset the loss of revenues from lower demand for new projects and new maintenance service arrangements. Additionally, our industry can be highly cyclical. As a result, our volume of business may be adversely affected by declines in new projects in various geographic regions in the United States. Typically, we experience lower gross and operating margins during the winter months due to lower demand for our services and more difficult operating conditions. The financial condition of our customers and their access to capital, variations in the margins of projects performed during any particular quarter, the timing and magnitude of acquisition assimilation costs, regional economic conditions and timing of acquisitions may also materially affect quarterly results. Accordingly, our operating results in any particular quarter or year may not be indicative of the results that can be expected for any other quarter or for any other year.

Significant Balance Sheet Changes

Total assets decreased approximately $21.8 million as of June 30, 2004 compared to December 31, 2003. This decrease is primarily due to the following, offset by an increase in cash discussed in Liquidity and Capital Resources:

- Accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts decreased $26.3 million primarily due to lower revenues during the second quarter of 2004 as compared to the last quarter of 2003, coupled with collection on accounts that were outstanding at December 31, 2003. In addition, approximately $6.9 million in balances have been reclassified to non-current Accounts and Notes Receivable due to a dispute with one customer. We are uncertain as to whether the receivable will be collected within the next twelve months.

- Prepaid expenses and other current assets decreased $10.0 million primarily due to $4.6 million of amortization of prepaid insurance and the use of $5.4 million of restricted cash to pay casualty insurance claims.

- Property and equipment, net decreased $11.8 million due to depreciation expense of $29.3 million recorded during the period and the sale of property and equipment, offset by increases as a result of capital expenditures of $19.5 million.

- Accounts and Notes Receivable, net increased $7.6 million primarily due to a reclassification of the amount due from one customer from current accounts receivable due to uncertainty related to the collectibility of this receivable within the next twelve months.

As of June 30, 2004, total liabilities decreased approximately $10.7 million and stockholders' equity decreased approximately $11.0 million compared to December 31, 2003. These fluctuations were primarily due to the following:

- Accounts payable and accrued expenses increased $8.4 million primarily due to an $8.7 million increase in accrued compensation and other related costs related to a full work week of accrued wages at the end of the second quarter 2004 as compared to a reduced work week at the end of 2003 due to the holidays and a $3.9 million increase in accrued interest and fees due to the timing of interest payments, partially offset by a $4.5 million decrease in trade accounts payable.

- Deferred income taxes and other non-current liabilities decreased $3.9 million due to the recording of a $13.2 million long-term deferred tax asset resulting from an increase in the net operating loss carryforward relating to the net loss for the period. Long-term deferred tax assets are netted against long-term deferred tax liabilities for financial statement presentation purposes. The decrease was partially offset by an increase of $8.2 million in the long-term portion of our self-insurance reserves.

- Stockholders' equity decreased $11.0 million as a result of the net loss attributable to common stock of $15.2 million and treasury stock recorded in the amount of $2.9 million for shares withheld from employees' restricted stock vesting to satisfy their withholding tax obligations. These decreases were partially offset by an income tax benefit of $2.5 million relating to stock based compensation, the issuance of approximately $1.7 million in shares of common stock pursuant to our Employee Stock Purchase Plan and amortization of the deferred compensation component of stockholders' equity in the amount of $2.3 million.

Results of Operations

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2003		2004		2003		2004	
	(Dollars in thousands)							
Revenues	$408,302	100.0%	$389,194	100.0%	$775,431	100.0%	$744,191	100.0%
Cost of services (including depreciation)	354,784	86.9	342,853	88.1	684,156	88.2	671,126	90.2
Gross profit	53,518	13.1	46,341	11.9	91,275	11.8	73,065	9.8
Selling, general and administrative expenses	58,368	14.3	40,589	10.4	97,771	12.6	84,131	11.3
Income (loss) from operations	(4,850)	(1.2)	5,752	1.5	(6,496)	(0.8)	(11,066)	(1.5)
Interest expense	(8,138)	(2.0)	(6,228)	(1.7)	(16,102)	(2.1)	(12,594)	(1.7)
Other income, net	(65)	—	249	0.1	584	0.1	722	0.1
Income (loss) before income tax provision (benefit)	(13,053)	(3.2)	(227)	(0.1)	(22,014)	(2.8)	(22,938)	(3.1)
Provision (benefit) for income taxes	(3,218)	(0.8)	3,265	0.8	(7,336)	(0.9)	(7,752)	(1.1)
Net income (loss)	(9,835)	(2.4)	(3,492)	(0.9)	(14,678)	(1.9)	(15,186)	(2.0)
Dividends on preferred stock, net of forfeitures	—	—	—	—	(2,109)	(0.3)	—	—
Net income (loss) attributable to common stock	$ (9,835)	(2.4)%	$ (3,492)	(0.9)%	$ (12,569)	(1.6)%	$ (15,186)	(2.0)%

Three Months Ended June 30, 2004, Compared to the Three Months Ended June 30, 2003

Revenues. Revenues decreased $19.1 million, or 4.7%, to $389.2 million for the three months ended June 30, 2004 with revenues derived from the telecommunications network services industry decreasing by $8.3 million, revenues from the cable television network services industry decreasing by approximately $6.0 million and revenues from the electric power and gas network service industry decreasing by approximately $4.8 million. Revenues from ancillary services remained relatively constant. The overall decrease in revenues was due to the continued decrease in capital spending by our customers as many of them continue to face significant financial pressures, which have negatively impacted the award of work to specialty contractors. We have also become more selective in the jobs we pursue. Pricing pressures have also contributed to lower revenues as the competitive bid environment has tightened.

Gross profit. Gross profit decreased $7.2 million, or 13.4%, to $46.3 million for the three months ended June 30, 2004. As a percentage of revenues, gross margin decreased from 13.1% for the three months ended June 30, 2003 to 11.9% for the three months ended June 30, 2004. This decrease in gross margin resulted primarily from pricing pressures on work performed for utility and cable customers, and increased fuel, safety and insurance costs, partially offset by higher margins on work performed for certain telecommunications customers.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased $17.8 million, or 30.5%, to $40.6 million for the three months ended June 30, 2004. During the three months ended June 30, 2003, we recorded $19.0 million in bad debt expense related primarily to notes receivable from one customer, compared to $0.1 million in bad debt expense for the three months ended June 30, 2004. Excluding bad debt expense, selling, general and administrative expenses for the three months ended June 30, 2004 increased $1.1 million primarily due to $1.7 million in increased professional fees due to costs associated with meeting the requirements of the Sarbanes-Oxley Act of 2002 and the implementation of new safety initiatives, an increase in salaries and benefits of $1.2 million primarily related to higher insurance and benefits costs and cost of living increases, and an increase of $0.5 million due to higher non-cash compensation expense associated with the issuance of restricted stock. The increases were partially offset by the recording of $1.4 million in net gains on sale of property and equipment during the second quarter of 2004 as compared to $0.3 million in net losses on sale of property and equipment during the second quarter 2003. In addition, we had lower facility related costs of $0.9 million due to the closure of certain offices during the second half of 2003.

Interest expense. Interest expense decreased $1.9 million, or 23.5%, to $6.2 million for the three months ended June 30, 2004. The decrease was due to our refinancing of the majority of our outstanding debt during the fourth quarter of 2003 at lower interest rates.

Provision (benefit) for income taxes. As of June 30, 2004, estimates of our income before taxes for the year ended December 31, 2004 are at levels such that small fluctuations in estimated income before taxes could produce large changes in the estimated annual effective tax rate. Therefore, for the six months ended June 30, 2004, we have provided for taxes based upon the year-to-date loss without regard to year end estimates. The provision for income taxes of $3.3 million for the three months ended June 30, 2004 equals the amount of income tax expense needed to bring the year-to-date effective tax rate to the period rate for the six months ended June 30, 2004 of 33.8%.

Six Months Ended June 30, 2004, Compared to the Six Months Ended June 30, 2003

Revenues. Revenues decreased $31.2 million or 4.0%, to $744.2 million for the six months ended June 30, 2004, with revenues derived from the electric power and gas network service industry decreasing by $15.6 million, revenues from the telecommunications network services industry decreasing by approximately $15.6 million and revenues from the cable television network services industry decreasing by approximately $13.3 million. These decreases were partially offset by increases in revenues from ancillary services in the amount of $13.3 million. The overall decrease in revenues was due to the continued decline in capital spending by our customers as many of them continue to face significant financial pressures, which have negatively impacted the award of work to specialty contractors. We have also become more selective in the jobs we pursue. Pricing pressures have also contributed to lower revenues as the competitive bid environment has tightened.

Gross profit. Gross profit decreased $18.2 million, or 20.0%, to $73.1 million for the six months ended June 30, 2004. As a percentage of revenue, gross margin decreased from 11.8% for the six months ended June 30, 2003 to 9.8% for the six months ended June 30, 2004. This decrease in gross margin resulted primarily from pricing pressures on work performed for utility and cable customers, and increased fuel, safety and insurance costs, partially offset by higher margins on work performed for telecommunications customers. In addition, we also experienced cost overruns and weather delays on certain projects during the first quarter of 2004.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased $13.6 million, or 14.0%, to $84.1 million for the six months ended June 30, 2004. During the six months ended June 30, 2003, we recorded $19.3 million in bad debt expense compared to only $0.2 million during the six months ended June 30, 2004. Excluding bad debt expense, selling, general and administrative expenses for the six months ended June 30, 2004 increased $5.5 million primarily due to $3.4 million in increased professional fees primarily due to costs associated with meeting the requirements of the Sarbanes-Oxley Act of 2002 and the implementation of new safety initiatives, $1.5 million in costs associated with the start up of our government solutions subsidiary, an increase of $1.2 million due to higher non-cash compensation expense associated with the issuance of restricted stock, and an increase of $1.0 million in salaries and benefits primarily due to higher insurance and benefits costs and cost of living increases. The increases were partially offset by the recording of $1.3 million in net gains on sale of property and equipment during 2004, as compared to $0.7 million of net losses on sale of property and equipment during 2003.

Interest expense. Interest expense decreased $3.5 million, or 21.8%, to $12.6 million for the six months ended June 30, 2004. This decrease was due to our refinancing of the majority of our outstanding debt during the fourth quarter of 2003 at lower interest rates.

Provision (benefit) for income taxes. As of June 30, 2004, estimates of our income before taxes for the year ended December 31, 2004 are at levels such that small fluctuations in estimated income before taxes could produce large changes in the estimated annual effective tax rate. Therefore, for the six months ended June 30, 2004, we have provided for taxes based upon the year-to-date loss without regard to year end estimates. The benefit for income taxes was $7.8 million for the six months ended June 30, 2004, with an effective tax rate of 33.8% compared to a benefit of $7.3 million for the six months ended June 30, 2003, with an effective tax rate of 33.3%. The effective tax rates for both periods are below the statutory rates due to the impact of estimated non-deductible items on taxable income for the periods.

Dividends on preferred stock, net of forfeitures. For the six months ended June 30, 2003, we recorded approximately $2.1 million in forfeitures of dividends on the Series A Convertible Preferred Stock. In the first quarter of 2003, all remaining outstanding shares of Series A Convertible Preferred Stock were converted into shares of common stock. There are currently no outstanding shares of Series A Convertible Preferred Stock and the series was eliminated during the second quarter of 2003. Any dividends that had accrued on the respective shares of Series A Convertible Preferred Stock were reversed on the date of conversion.

Liquidity and Capital Resources

Cash Requirements

We anticipate that our cash on hand, which totaled $197.3 million as of June 30, 2004, our credit facility and our future cash flow from operations will provide sufficient cash to enable us to meet our future operating needs, debt service requirements and planned capital expenditures and to ensure our future ability to grow. Expansion into government contracts, momentum in deployment of fiber to the home or initiatives to rebuild the United States electric power grid might require a significant amount of additional working capital. However, we feel that we have adequate cash and availability under our credit facility to meet such needs.

Sources and Uses of Cash

As of June 30, 2004, we had cash and cash equivalents of $197.3 million, working capital of $456.2 million and long-term debt of $489.1 million, net of current maturities. Our long-term debt balance at that date included borrowings of $442.5 million of convertible subordinated notes and $46.6 million of other debt. We also had $107.4 million of letters of credit outstanding under our credit facility.

During the six months ended June 30, 2004, operating activities provided net cash flow of $39.6 million resulting primarily from a reduction in working capital requirements due to lower revenues in the second quarter of 2004 as compared to the last quarter of 2003. We used net cash in investing activities of $10.2 million, including $19.5 million used for capital expenditures, partially offset by a $6.0 million reduction in restricted cash required by our casualty insurance program coupled with $3.3 million of proceeds from the sale of equipment. We used net cash in financing activities of $11.7 million, resulting primarily from a $10.7 million repayment under the term loan portion of the credit facility in order to be able to issue additional letters of credit and maintain our total borrowing requirement of $150.0 million discussed below.

Debt Instruments

Credit Facility

We have a $185.0 million credit facility with various lenders. The credit facility consists of a $150.0 million letter of credit facility maturing on June 19, 2008, which also provides for term loans, and a $35.0 million revolving credit facility maturing on December 19, 2007, which provides for revolving loans and letters of credit. We amended the credit facility effective as of June 30, 2004 to ease the maximum funded debt to EBITDA ratio and the minimum interest coverage ratio covenants. The amendment also increased the maximum fee for outstanding letters of credit and the maximum interest rate payable for term loans under the letter of credit facility.

The letter of credit facility is linked to a $150.0 million deposit made by the lenders, which is held in an account with Bank of America, N.A. This deposit may be used either to support letters of credit or, to the extent that amounts available under the facility are not used to support letters of credit, for term loans. We are currently required to maintain total borrowings outstanding under the letter of credit facility equal to the $150.0 million available through a combination of letters of credit or term loans. As of June 30, 2004, we had approximately $104.7 million of letters of credit issued under the letter of credit facility, and the remaining $45.3 million of the letter of credit facility was outstanding as a term loan with an interest rate of 4.54%. In the event that we desire to issue additional letters of credit under the letter of credit facility, we are required to make cash repayments of debt outstanding under the term loan portion of the letter of credit facility in an amount that approximates the additional letters of credit.

Under the letter of credit facility, we are subject to a fee equal to 3.00% to 3.25% of the letters of credit outstanding, depending upon the occurrence of certain events, plus an additional 0.15% of the amount outstanding to the extent the funds in the deposit account do not earn the LIBOR, as defined in the credit facility. Term loans under the letter of credit facility bear interest at a rate equal to either (a) the Eurodollar Rate (as defined in the credit facility) plus 3.00% to 3.25% or (b) the Base Rate (as described below) plus 3.00% to 3.25% depending upon the occurrence of certain events. The Base Rate equals the higher of (i) the Federal Funds Rate (as defined in the credit facility) plus 1/2 of 1% and (ii) the bank’s prime rate. The maximum availability under the letter of credit facility is automatically reduced on December 31 of each year by $1.5 million, beginning December 31, 2004.

We had approximately $2.7 million of letters of credit issued under the revolving credit facility, and borrowing availability under the revolving credit facility was $32.3 million as of June 30, 2004. Amounts borrowed under the revolving credit facility bear interest at a rate equal to either (a) the Eurodollar Rate plus 1.75% to 3.00%, as determined by the ratio of our total funded debt to EBITDA, or (b) the Base Rate plus 0.25% to 1.50%, as determined by the ratio of our total funded debt to EBITDA. Letters of credit issued under the revolving credit facility are subject to a letter of credit fee of 1.75% to 3.00%, based on the ratio of our total funded debt to EBITDA. If we choose to cash collateralize letters of credit issued under the revolving credit facility, those letters of credit will be subject to a letter of credit fee of 0.50%. We are also subject to a commitment fee of 0.375% to 0.625%, based on the ratio of our total funded debt to EBITDA, on any unused availability under the revolving credit facility.

The credit facility contains certain covenants, including a maximum funded debt to EBITDA ratio, a maximum senior debt to EBITDA ratio, a minimum interest coverage ratio, a minimum asset coverage ratio and a minimum consolidated net worth covenant. As of June 30, 2004, we were in compliance with all of our covenants. However, other conditions such as, but not limited to, unforeseen project delays or cancellations, adverse weather conditions or poor contract performance, could adversely affect our ability to comply with our covenants in the future. The credit facility also limits acquisitions, capital expenditures and asset sales and, subject to some exceptions, prohibits stock repurchase programs and the payment of dividends (other than dividend payments or other distributions payable solely in capital stock). After December 31, 2004, however, the credit facility allows us to pay dividends and engage in stock repurchase programs in any fiscal year in an aggregate amount up to twenty-five percent of our consolidated net income (plus the amount of non-cash charges that reduced such consolidated net income) for the prior fiscal year. The credit facility carries cross-default provisions with all of our other debt instruments exceeding $2.0 million in borrowings.

The credit facility is secured by a pledge of all of the capital stock of our U.S. subsidiaries, 65% of the capital stock of our foreign subsidiaries and substantially all of our assets, and it restricts pledges on all material assets. Borrowings under the credit facility are to be used for working capital, capital expenditures and for other general corporate purposes. Our U.S. subsidiaries guarantee the repayment of all amounts due under the credit facility. Our obligations under the credit facility constitute designated senior indebtedness under our 4.0% and 4.5% convertible subordinated notes.

4.0% Convertible Subordinated Notes

As of June 30, 2004, we had $172.5 million of 4.0% convertible subordinated notes outstanding. These 4.0% convertible subordinated notes are convertible into shares of our common stock at a price of $54.53 per share, subject to adjustment as a result of certain events. These 4.0% convertible subordinated notes require semi-annual interest payments until the notes mature on July 1, 2007. We have the option to redeem some or all of the 4.0% convertible subordinated notes beginning July 3, 2003 at specified redemption prices, together with accrued and unpaid interest; however, redemption is prohibited by our credit facility. If certain fundamental changes occur, as described in the indenture under which we issued the 4.0% convertible subordinated notes, holders of the 4.0% convertible subordinated notes may require us to purchase all or part of their notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

4.5% Convertible Subordinated Notes

As of June 30, 2004, we had $270.0 million of 4.5% convertible subordinated notes outstanding. These 4.5% convertible subordinated notes are convertible into shares of our common stock at a price of $11.14 per share, subject to adjustment as a result of certain events. The 4.5% convertible subordinated notes require semi-annual interest payments beginning April 1, 2004, until the notes mature on October 1, 2023.

The 4.5% convertible subordinated notes are convertible by the holder if (i) during any fiscal quarter commencing after December 31, 2003 the last reported sale price of our common stock is greater than or equal to 120% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the first trading day of such fiscal quarter, (ii) during the five business day period after any five consecutive trading day period in which the trading price per note for each day of that period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate, (iii) upon us calling the notes for redemption or (iv) upon the occurrence of specified corporate transactions. If the notes become convertible under one of these circumstances, we have the option to deliver cash, shares of our common stock or a combination thereof, with a value equal to the par value of the notes divided by the conversion price multiplied by the average trading price of our common stock. The maximum number of shares of common stock that could be issued under these circumstances is equal to the par value of the notes divided by the conversion price.

Beginning October 8, 2008, we can redeem for cash some or all of the 4.5% convertible subordinated notes at par value plus accrued and unpaid interest. The holders of the 4.5% convertible subordinated notes may require us to repurchase all or some of the notes at par value plus accrued and unpaid interest on October 1, 2008, 2013 or 2018, or upon the occurrence of a fundamental change, as defined by the indenture under which we issued the notes. We must pay any required repurchase on October 1, 2008 in cash. For all other required repurchases, we have the option to deliver cash, shares of our common stock or a combination thereof to satisfy our repurchase obligation. We presently do not anticipate using stock to satisfy any future obligations. If we were to satisfy the obligation with shares of our common stock, we will deliver a number of shares equal to the par value of the notes divided by 98.5% of the average trading price of our common stock, as defined by the indenture. The number of shares of common stock issuable by us under this circumstance is not limited. Our right to satisfy a required repurchase obligation with shares of common stock can be surrendered by us. The 4.5% convertible subordinated notes carry cross-default provisions with our credit facility and any other debt instrument that exceeds $10.0 million in borrowings.

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 and surety guarantees. We have not engaged in any off-balance sheet financing arrangements through special purpose entities.

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 on certain of our equipment operating leases. We guarantee the difference between this residual value and the fair market value of the underlying asset at the date of termination of the leases. At June 30, 2004, the maximum guaranteed residual value would have been approximately $107.1 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 some 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. The 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 have to record a charge to earnings for the reimbursement. To date we have not had a claim made against a letter of credit that resulted in payments by the issuer of the letter of credit or by us and do not believe that it is likely that any claims will be made under a letter of credit in the foreseeable future.

As of June 30, 2004, we had $107.4 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 expiring at various times throughout 2004 and 2005. Upon maturity, it is expected that the majority of these letters of credit will be renewed for subsequent one-year periods. As of July 30, 2004, we have agreed to issue up to $45.0 million in additional letters of credit during 2004 and 2005 relating to our casualty insurance and bonding programs.

Performance Bonds

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 and may, in the future, be required to post letters of credit as collateral for such bonds. To date, we have not had any significant reimbursements to our surety for bond-related costs. We believe that it is unlikely that we will have to fund claims under our surety arrangements in the foreseeable future. As of June 30, 2004, the total amount of outstanding performance bonds was approximately $489.1 million.

Contractual Obligations

As of June 30, 2004, our future contractual obligations, including interest under capital leases, are as follows (in thousands):

	Total	2004	2005	2006	2007	2008	Thereafter
Long-term debt obligations	$490,986	$ 2,024	$ 896	$ 249	$172,517	$315,300	$ —
Capital lease obligations	1,127	207	320	600	—	—	—
Operating lease obligations	51,568	9,669	14,357	8,552	5,146	4,236	9,608
Total	$543,681	$11,900	$15,573	$9,401	$177,663	$319,536	$ 9,608

Concentration of Credit Risk

We grant credit, generally without collateral, to our customers, which include electric power and gas companies, telecommunications and cable television system operators, governmental entities, general contractors, and builders, owners and managers of commercial and industrial properties located primarily in the United States. Consequently, we are subject to potential credit risk related to changes in business and economic factors throughout the United States. However, we generally have certain lien rights on our services provided. Under certain circumstances such as foreclosures or negotiated settlements, we may take title to the underlying assets in lieu of cash in settlement of receivables. As previously discussed herein, our customers in the telecommunications business and utility industries have experienced significant financial difficulties. These economic conditions expose us to increased risk related to collectibility of receivables for services we have performed.

In June 2002, one of our customers, Adelphia Communications Corporation (Adelphia), filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code, as amended. We have filed liens on various properties to secure substantially all of our pre-petition receivables. Our carrying value is based upon our understanding of the current status of the Adelphia bankruptcy proceeding and a number of assumptions, including assumptions about the validity, priority and enforceability of our security interests. We currently believe we will collect a substantial majority of the balances owed and are currently contemplating a sale of these receivables to a third party. Should any of the factors underlying our estimate change, the amount of our allowance could change significantly. We are uncertain as to whether this receivable will be collected within one year and therefore have included it in non-current assets as Accounts and Notes Receivable. In addition, we are involved in a dispute with one of our customers with a receivable balance of $6.9 million and are also uncertain whether the balance will be collected within one year; therefore as of June 30, 2004, we have reclassified the balance in non-current assets and included it in Accounts and Notes Receivable. Also included in Accounts and Notes Receivable are amounts due from a customer relating to the construction of independent power plants. We have agreed to long-term payment terms for this customer. The notes receivable from this customer are partially secured. We have provided allowances for a significant portion of these notes receivable due to a change in the economic viability of the plants securing them. The collectibility of these notes may ultimately depend on the value of the collateral securing these notes. As of June 30, 2004, the total balance due from all of these customers was $87.2 million, net of an allowance for doubtful accounts of $46.3 million.

Litigation

We are from time to time a 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, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, we accrue reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that any of these proceedings, separately or in the aggregate would be expected to have a material adverse effect on our results of operations or financial position.

Change of Control

We have employment agreements with certain employees that become effective upon a change of control of Quanta (as defined in the employment agreements). The employment agreements provide that, following a change of control, if we terminate the employee without cause (as defined in the employment agreements), the employee terminates employment for good reason (as defined in the employment agreements), or the employee’s employment terminates due to death or disability, we will pay certain amounts to the employee, which may vary with the level of the employee’s responsibility and the terms of the employee’s prior employment arrangements. In addition, in the case of certain senior executives except for Mr. Colson, our chief executive officer, these payments would also be due if the employee terminates his or her employment within the 30-day window period commencing six months after the change in control.

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.

New Pronouncements

In July 2004, the Emerging Issues Task Force (EITF) discussed EITF Issue 04-08, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per Share." The EITF reached a tentative conclusion that would require contingently convertible debt instruments to be accounted for using the "if converted" method in calculating earnings per share. This EITF would require that earnings per share be retroactively restated for the effect of conversion of any contingently convertible debt instruments starting with the issuance date of the contingently convertible debt instrument. Our 4.5% convertible subordinated notes contain contingent conversion features; however the adoption of EITF 04-08 would not require the restatement of our earnings per share as the effect of assuming conversion of the 4.5% convertible subordinated notes would be antidilutive for all periods since the date of issuance.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates. Management has reviewed its development and selection of critical accounting estimates with the audit committee of our board of directors. We believe the following accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Current and Non-Current Accounts and Notes Receivable and Provision for Doubtful Accounts. We provide an allowance for doubtful accounts when collection of an account or note receivable is considered doubtful. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, our customer's access to capital, our customer's willingness or ability to pay, general economic conditions and the ongoing relationship with the customer. Certain of our customers, several of them large public telecommunications carriers and utility customers, have been experiencing financial difficulties. Should any major customers file for bankruptcy or continue to experience difficulties, or should anticipated recoveries relating to the receivables in existing bankruptcies and other workout situations fail to materialize, we could experience reduced cash flows and losses in excess of current reserves. In addition, material changes in our customers' revenues or cash flows could affect our ability to collect amounts due from them.

Valuation of Long-Lived Assets. SFAS No. 142 provides that goodwill and other intangible assets that have indefinite useful lives not be amortized, but instead must be tested at least annually for impairment, and intangible assets that have finite useful lives should continue to be amortized over their useful lives. SFAS No. 142 also provides specific guidance for testing goodwill and other unamortized intangible assets for impairment. Goodwill of a reporting unit shall be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances may include a significant change in business climate or a loss of key personnel, among others. SFAS No. 142 requires that management make certain estimates and assumptions in order to allocate goodwill to reporting units and to determine the fair value of reporting unit net assets and liabilities, including, among other things, an assessment of market conditions, projected cash flows, cost of capital and growth rates, which could significantly impact the reported value of goodwill and other intangible assets. Estimating future cash flows requires significant judgment and our projections may vary from cash flows eventually realized.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be realizable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such asset is necessary. Estimating future cash flows requires significant judgment and our projections may vary from cash flows eventually realized. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value. In addition, we estimate the useful lives of our long-lived assets and other intangibles. We periodically review factors to determine whether these lives are appropriate. Net gains or losses from the sale of property and equipment are reflected in Selling, General and Administrative Expenses.

Revenue Recognition. We generally recognize revenue when services are performed except when work is being performed under fixed price contracts. We typically record revenues from fixed price contracts on a percentage-of-completion basis, using the cost-to-cost method based on the percentage of total costs incurred to date in proportion to total estimated costs to complete the contract. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

Self-Insurance. We are insured for employer's liability and general liability claims, subject to a deductible of $1,000,000 per occurrence, and for auto liability and workers' compensation subject to a deductible of $2,000,000 per occurrence. We also have a non-union employee related health care benefit plan that is subject to a deductible of $250,000 per claimant per year. Losses up to the deductible amounts are accrued based upon our estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. However, insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. The accruals are based upon known facts and historical trends and management believes such accruals to be adequate.

Our casualty insurance carrier for the policy periods from August 1, 2000 to February 28, 2003 is experiencing financial distress but is currently paying valid claims. In the event that this insurer's financial situation worsens, we may be required to pay certain obligations that otherwise would have been paid by this insurer. At this time, we cannot estimate the likelihood that this insurer will fail to honor its obligations or the amount that might be paid if this insurer should fail to honor its obligations to us. In any event, we do not expect any failure by this insurer to honor its obligations to us to have a material adverse impact on our financial condition; however, the impact could be material to our results of operations or cash flow in a given period. We continue to monitor the financial situation of this insurer and analyze any alternative actions that could be taken.

Stock Based Compensation. We account for our stock option awards under Accounting Principles Board Opinion No. 25 (APB Opinion No. 25), "Accounting for Stock Issued to Employees." Under this accounting method, no compensation expense is recognized in the consolidated statements of operations if no intrinsic value of the option exists at the date of grant. In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock Based Compensation." SFAS No. 123 encourages companies to account for stock-based compensation awards based on the fair value of the awards at the date they are granted. The resulting compensation costs would be shown as an expense in the consolidated statements of operations. Companies can choose not to apply the new accounting method and continue to apply current accounting requirements; however, disclosure is required as to what net income and earnings per share would have been had the new accounting method been followed. As a result of our stock option exchange offer during the first quarter of 2003, a majority of our stock options were exchanged for restricted shares of our common stock. The remaining eligible options that were not exchanged are required to be accounted for under variable plan accounting rules of APB opinion No. 25. See Note 7 to the Notes to Condensed Consolidated Financial Statements for additional discussion of the restricted stock issued under our 2001 Stock Incentive Plan and the effects thereof.

Outlook

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

Like many companies that provide installation and maintenance services to the electric power, gas, telecommunications and cable television industries, we are facing a number of challenges. The telecommunications and utility markets experienced substantial change during 2002 and 2003 as evidenced by an increased number of bankruptcies in the telecommunications market, continued devaluation of many of our customers' debt and equity securities and pricing pressures resulting from challenges faced by major industry participants. These factors have contributed to the delay and cancellation of projects and reduction of capital spending that have impacted our operations and ability to grow at historical levels during 2003 and 2004.

We continue to focus on the elements of the business we can control, including cost control, the margins we accept on projects, collecting receivables, ensuring quality service and right sizing initiatives to match the markets we serve. These initiatives include aligning our work force with our current revenue base, evaluating opportunities to reduce the number of field offices and evaluating our non-core assets for potential sale. Such initiatives could result in future charges related to, among others, severance, facilities shutdown and consolidation, property disposal and other exit costs as we execute these initiatives.

We expect consistent demand for our services from our telecommunications customers throughout 2004, stabilization in the demand for our services from our electric power and gas customers, continued decline in demand for our services from our cable customers and relatively level demand for our services from our ancillary services customers. Financial and economic pressures have led our customers to return to their core competencies and focus on cost reductions, resulting in an increased focus on outsourcing services. In addition, our utility customers have an increasing awareness of transmission and distribution network upgrade needs. We believe that we are adequately positioned to provide these services because of our proven full-service operating units with broad geographic reach, financial capability and technical expertise.

Capital expenditures in 2004 are expected to be approximately $40.0 million to $50.0 million. A majority of the expenditures will be for operating equipment. We expect expenditures for 2004 to be funded substantially through internal cash flows and, to the extent necessary, from cash on hand.

Sarbanes-Oxley Act and New SEC Rules

Several regulatory and legislative initiatives were introduced in 2002 and 2003 in response to developments during 2001 and 2002 regarding accounting issues at large public companies, resulting disruptions in the capital markets and ensuing calls for action to prevent repetition of those events. We support the actions called for under these initiatives and believe these steps will ultimately be successful in accomplishing the stated objectives. However, implementation of reforms in connection with these initiatives have added and will add to the costs of doing business for all publicly-traded entities, including Quanta. These costs will have an adverse impact on future income and cash flows, especially in the near term as legal, accounting and consulting costs are incurred to analyze the new requirements, formalize current practices and implement required changes to ensure that we maintain compliance with these new rules. There is little in the way of historical guidance to accurately predict these costs and we are not able to estimate the magnitude of increase in our costs that will result from such reforms.

Uncertainty of Forward-Looking Statements and Information

This Quarterly Report on Form 10-Q includes statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as "forward-looking statements" under 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" and other words of similar meaning. In particular, these include, but are not limited to, statements relating to the following:

- Projected operating or financial results;
- Expectations regarding capital expenditures;
- The effects of competition in our markets;
- The duration and extent of the current economic downturn;
- Materially adverse changes in economic conditions in the markets served by us or by our customers; and
- Our ability to achieve cost savings.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions and by known or unknown risks and uncertainties, including the following:

- Quarterly variations in our operating results due to seasonality and adverse weather conditions;
- The future possibility of an economic downturn;
- Our dependence on fixed price contracts;
- Material adverse changes in economic conditions in the markets served by us or by our customers;
- Rapid technological and structural changes that could reduce the demand for the services we provide;
- Our ability to effectively compete for market share;
- Cancellation provisions within our contracts;
- Potential liabilities relating to casualty insurance and occupational health and safety matters;
- Retention of key personnel and qualified employees;
- The impact of our unionized workforce on our operations and acquisition strategy;
- Our growth outpacing our infrastructure;
- Our ability to secure performance bonds;
- Potential exposure to environmental liabilities;
- The cost of borrowing, availability of credit, debt covenant compliance and other factors affecting our financing activities;
- Our ability to generate internal growth;
- The adverse impact of goodwill impairments;
- Replacement of our contracts as they are completed or expire;
- Our ability to effectively integrate the operations of our companies;
- Beliefs and assumptions about the collectibility of receivables; and
- Beliefs or assumptions about the outlook for markets we serve.

Many of these factors will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed or implied in any forward-looking statements.

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. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report.

Item 4. ***Controls and Procedures***

Our management evaluated, with the participation of our Chairman and Chief Executive Officer and Chief Financial Officer the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)), as of June 30, 2004. Based on their evaluation, our Chairman and Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2004.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2004, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

QUANTA SERVICES, INC. AND SUBSIDIARIES

Item 1. ***Legal Proceedings.***

We are from time to time a 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, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, we accrue reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that any of these proceedings, separately or in the aggregate would be expected to have a material adverse effect on our results of operations or financial position.

Item 2. ***Issuer Purchases of Equity Securities.***

On May 28, 2004, 5,996 shares of restricted stock that had been issued pursuant to our 2001 Stock Incentive Plan vested. Pursuant to the 2001 Stock Incentive Plan, employees may elect to satisfy their tax withholding obligations upon vesting by having us make such tax payments and withhold a number of vested shares having a value on the date of vesting equal to their tax withholding obligation. As a result of such employee elections, we withheld shares as follows:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares That May yet Be Purchased Under the Plans or Programs
May 1, 2004 — May 28, 2004	2,359(i)	$ 5.33	None	None

(i) These shares were not purchased through a publicly announced plan or program.

Item 4. ***Submission of Matters to a Vote of Security Holders.***

We held our annual meeting of stockholders in Houston, Texas on May 20, 2004. Ten members were elected to the board of directors, each to serve until our next annual meeting of stockholders and until their respective successors have been elected and qualified.

The following nine individuals were elected to the board of directors by the holders of our Common Stock, with no abstentions or broker non-votes:

Nominee	For	Withheld
James R. Ball	104,877,752	1,773,045
John R. Colson	104,877,612	1,773,185
Bernard Fried	104,878,838	1,771,959
H. Jarrell Gibbs	104,879,338	1,771,459
Louis C. Golm	104,878,838	1,771,959
Ben A. Guill	100,031,181	6,619,616
Thomas J. Sikorski	104,878,985	1,771,812
Gary A. Tucci	104,875,449	1,775,348
John R. Wilson	104,869,118	1,781,679

The holders of our Limited Vote Common Stock elected Vincent D. Foster to the board of directors by a vote of 643,010 shares of Limited Vote Common Stock, with no shares withheld and no abstentions or broker non-votes.

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

(a) *Exhibits*

Exhibit Number		Description
3.1	—	Restated Certificate of Incorporation (previously filed as Exhibit 3.3 to the Company's Form 10-Q (No. 001-13831) filed August 14, 2003 and incorporated herein by reference)
3.2	—	Amended and Restated Bylaws (previously filed as Exhibit 3.2 to the Company's 2000 Form 10-K (No. 001-13831) filed April 2, 2001 and incorporated herein by reference)
10.1*	—	Employment Agreement, dated as of June 1, 2004, by and between Quanta Services, Inc. and Kenneth W. Trawick (filed herewith)
10.2	—	First Amendment to Credit Agreement dated as of December 19, 2003 among Quanta Services, Inc., the subsidiaries of Quanta Services, Inc. identified therein, Bank of America, N.A., and other Lenders identified therein (filed herewith)
31.1	—	Certification of Periodic Report by Chief Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	—	Certification of Periodic Report by Chief Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	—	Certification of Periodic Report 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)

(*) Management contracts or compensatory plans or arrangements.

(b) *Reports on Form 8-K*

(i) On April 27, 2004, Quanta furnished a Form 8-K announcing under Items 7 and 12 its press release reporting its revised loss per share estimate for the quarter ended March 31, 2004.

(ii) On May 5, 2004, Quanta furnished a Form 8-K announcing under Items 7 and 12 its press release reporting earnings for the first quarter of fiscal year 2004.

(iii) On May 19, 2004, Quanta furnished a Form 8-K announcing under Items 7 and 9 its press release reporting the publication of its Company Profile dated May 2004.

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
Vice President, Controller and
Chief Accounting Officer

Dated: August 9, 2004

INDEX TO EXHIBITS

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EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”), by and among Quanta Services, Inc., a Delaware corporation (“Employer” or “the Company”), and Kenneth W. Trawick (“Employee”), is hereby entered into as of this 1st day of June, 2004.

R E C I T A L S

A. As of the date of this Agreement, Employer is engaged primarily in the business of specialty electrical contracting for electric utilities, telecommunications and cable television providers, and transportation, commercial and industrial customers.

B. Employee is employed hereunder by Employer in a confidential relationship wherein Employee, in the course of Employee’s employment with Employer, has and will continue to become familiar with and aware of non-public information of Employer, including but not limited to, Employer’s customers, specific manner of doing business, including the processes, techniques and trade secrets utilized by Employer, and future plans with respect thereto (collectively, “Confidential Information”), all of which has been and will be established and maintained at great expense to Employer; this information is a trade secret and constitutes the valuable goodwill of Employer.

A G R E E M E N T S

In consideration of the mutual promises, terms, covenants and conditions set forth herein and the performance of each, the parties hereto hereby agree as follows:

1. Employment and Duties.

(a) Employer hereby employs Employee as President-Telecom and Cable Division of Employer. As such, Employee shall have responsibilities, duties and authority reasonably accorded to and expected of a President-Telecom and Cable Division of Employer and will report directly to the Chief Executive Officer of Employer. Employee hereby accepts this employment upon the terms and conditions herein contained and, subject to Paragraph 1(c) hereof, agrees to devote Employee’s time, attention and efforts to promote and further the business of Employer.

(b) Employee shall faithfully adhere to, execute and fulfill all reasonable policies established by the Board of Directors of Employer (the “Board”).

(c) Employee shall not, during the term of his employment hereunder, 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 hereunder. The foregoing limitations shall not be construed as prohibiting Employee from making personal investments in such form or manner as will neither require Employee's services in the operation or affairs of the companies or enterprises in which such investments are made nor violate the terms of paragraph 4 hereof.

2. Compensation. For all services rendered by Employee, Employer shall compensate Employee as follows:

(a) *Base Salary.* The base salary payable to Employee shall be $300,000 per year, payable on a regular basis in accordance with Employer's standard payroll procedures but not less than monthly. On at least an annual basis, the management and/or Board will review Employee's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof.

(b) *Incentive Bonus Plan.* Employee shall participate in Employer's Management Incentive Bonus Plan for the fiscal year ending December 31, 2004. The maximum bonus for which Employee will be eligible pursuant to such plan will be one hundred percent (100%) of Employee's base salary. Employee will participate in future incentive bonus plans as determined by the Board or a duly constituted committee thereof.

(c) *Restricted Stock*. Employer shall issue to Employee $100,000 worth of restricted common stock of the Company pursuant to the Company's 2001 Stock Incentive Plan, as amended from time to time, which shall vest in equal installments over three years beginning on May 28, 2005. The number of shares of restricted stock to be issued will be determined using the closing price for the Company's common stock as quoted on the New York Stock Exchange on the date the issuance is approved by the Compensation Committee of the Board of Directors of the Company.

(d) *Living Expenses.* Employer will reimburse Employee for the reasonable cost of renting an apartment in Houston, Texas.

(e) *Executive Perquisites, Benefits, and Other Compensation.* Employee shall be entitled to receive additional benefits and compensation from Employer in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Employee and Employee's dependent family members under health, hospitalization, disability, dental, life and other insurance plans that Employer may have in effect from time to time.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Employee in the performance of Employee's services pursuant to this Agreement. Employee shall appropriately document, in reasonable detail, all reimbursable expenses upon submission of any request for reimbursement, and in a format and manner consistent with Employer's expense reporting policy.

(iii) Employer shall provide Employee with other executive perquisites as may be available to or deemed appropriate for Employee by the Board and Employee shall be eligible to participate in all other Employer-wide employee benefits as available from time to time at a level generally consistent with that of other peer employees of Employer.

3. [Intentionally left blank.]

4. Non-Competition.

(a) Employee hereby agrees that Employee will not (without Employer's consent), during the period of Employee's employment with Employer, and for a period of one (1) year following the date Employee ceases to be employed by Employer or any direct or indirect subsidiary of Employer, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor or as a sales representative, in any specialty electrical contracting business for electric utilities, telecommunications and cable television providers, and transportation, commercial and industrial customers, within the United States or within 100 miles of any other geographic area in which Employer or any of Employer's direct or indirect subsidiaries conducts business, including any territory serviced by Employer or any of its subsidiaries (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of Employer (including the subsidiaries thereof) for the purpose or with the intent of enticing such employee away from or out of the employ of Employer (including the direct or indirect subsidiaries thereof);

(iii) call upon any person or entity that is, at that time, or that has been, within one (1) year prior to that time, a customer of Employer (including the direct or indirect subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with Employer or any subsidiary of Employer within the Territory; or

(iv) 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 Employer (including the direct or indirect subsidiaries thereof) or for which Employer made an acquisition analysis, for the purpose of acquiring such entity.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Employee from acquiring as an investment not more than two percent (2%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or over-the-counter.

(b) Because of the difficulty of measuring economic losses to Employer as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to Employer for which it would have no other adequate remedy, Employee agrees that the foregoing covenant may be enforced by Employer in the event of breach by him, by injunctions and restraining orders.

(c) It is agreed by the parties that the foregoing covenants in this Paragraph 4 impose a reasonable restraint on Employee in light of the activities and business of Employer (including Employer's direct and indirect subsidiaries) on the date of the execution of this Agreement and the current plans of Employer (including Employer's direct and indirect subsidiaries); but it is also the intent of Employer and Employee that such covenants be construed and enforced in accordance with the changing activities, business and locations of Employer (including Employer's direct and indirect subsidiaries) throughout the term of this Agreement, whether before or after the date of termination of the employment of Employee. For example, if, during the term of this Agreement, Employer (including Employer's direct and indirect subsidiaries) engages in new and different activities, enters a new business or establishes new locations for its current activities or business in addition to or other than the activities or business enumerated under the Recitals above or the locations currently established therefor, then Employee will be precluded from soliciting the customers or employees of such new activities or business or from such new location and from directly competing with such new business within 100 miles of its then-established operating location(s) through the term of this Agreement.

It is further agreed by the parties hereto that, in the event that Employee shall cease to be employed hereunder, and shall enter into a business or pursue other activities not in competition with Employer (including Employer's direct and indirect subsidiaries), or similar activities, or business in locations the operation of which, under such circumstances, does not violate clause (a)(i) of this Paragraph 4, and in any event such new business, activities or location are not in violation of this Paragraph 4 or of employee's obligations under this Paragraph 4, if any, Employee shall not be chargeable with a violation of this Paragraph 4 if Employer (including Employer's direct and indirect subsidiaries) shall thereafter enter the same, similar or a competitive (i) business, (ii) course of activities or (iii) location, as applicable.

(d) The covenants in this Paragraph 4 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, temporal or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that the court deems reasonable, and the Agreement shall be reformed in accordance therewith.

(e) All of the covenants in this Paragraph 4 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against Employer, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Employer of such covenants.

(f) Notwithstanding any other provision of this Agreement, if Employee's employment is terminated by Employer for other than good cause, then no non-competition provision shall be enforceable for any period of time during which or for which the Employee is not receiving or has not received severance compensation.

(g) Employee and Employer acknowledge and agree that it would be difficult to measure any damages caused to Employer that might result from any breach by Employee of any of the promises set forth in Paragraph 4 of this Agreement, and that, in any event, money damages would be an inadequate remedy for any such breach. Accordingly, Employee acknowledges and agrees that if he breaches or threatens to breach, any of the promises set forth in Paragraph 4 of this Agreement, Employer shall be entitled, in addition to all other remedies that it may have, to equitable relief, including a temporary restraining order, preliminary injunction, permanent injunction, and/or other appropriate equitable relief to restrain any such breach without showing or proving any actual damage to Employer. Accordingly, Employer and Employee hereby consent to the jurisdiction and venue of the District Court of Harris County, Texas, for any and all claims arising out of, or to enforce the terms of, Paragraph 4 of this Agreement.

5. Place of Performance. Nothing contained herein 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.

6. Term; Termination; Rights on Termination. The term of this Agreement shall begin on the date hereof and continue for three (3) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Employee's employment may be terminated in any one of the following ways:

(a) *Death.* The death of Employee shall immediately terminate this Agreement with no severance compensation due to Employee's estate.

(b) *Disability.* If, as a result of incapacity due to physical or mental illness or injury, Employee shall have been absent from Employee's full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), Employer may terminate Employee's employment hereunder provided Employee is unable to resume Employee's full-time duties at the conclusion of such notice period. Also, Employee may terminate Employee's employment hereunder if his health should become impaired to an extent that makes the continued performance of Employee's duties hereunder hazardous to Employee's physical or mental health or life, provided that Employee shall have furnished Employer with a written statement from a qualified doctor to such effect and provided, further, that, at Employer's request made within thirty (30) days of the date of such written statement, Employee shall submit to an examination by a doctor selected by Employer who is reasonably acceptable to Employee or Employee's doctor and such doctor shall have concurred in the conclusion of Employee's doctor. In the event this Agreement is terminated as a result of

Employee's disability, Employee shall receive from Employer, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Term of this Agreement or for one (1) year, whichever amount is greater.

(c) *Good Cause; Good Reason.* Employer may terminate the Agreement ten (10) days after delivery of written notice to Employee for good cause, which shall be: (1) Employee's willful, material and irreparable breach of this Agreement; (2) Employee's gross negligence in the performance or intentional nonperformance or inattention continuing for ten (10) days after receipt of written notice of need to cure of any of Employee's material duties and responsibilities hereunder; (3) Employee's willful dishonesty, fraud or material misconduct with respect to the business or affairs of Employer; (4) Employee's conviction of a felony crime; or (5) chronic alcohol abuse or illegal drug abuse by Employee. In the event of a termination for good cause, as enumerated above, Employee shall have no right to any severance compensation.

Employee may terminate his employment under this Agreement ten (10) days after delivery of written notice to Employer for "good reason", which shall exist if, within twelve (12) months following a "Change in Control of Employer" (as defined in Paragraph 13 below), Employee (i) is offered a Lesser Position (as defined below), or (ii) is required to relocate in violation of Paragraph 5 of this Agreement. "Lesser Position" shall mean a new position or a change in the Employee's position, which, compared with Employee's position with Employer immediately prior to the Change in Control, (i) offers a lower level of compensation (including base salary, fringe benefits and target bonuses under any corporate-performance based bonus or incentive programs), or (ii) materially reduces Employee's duties or level of responsibility. In the event of such a termination of his employment, Employee shall be entitled to receive severance benefits as provided in Paragraph 13(d) below.

(d) *Without Good Cause.* At any time after the commencement of employment, either Employee or Employer may, without good cause, terminate this Agreement and Employee's employment, effective thirty (30) days after written notice is provided to the other party. Should Employee be terminated by Employer without good cause during the Term, Employee shall receive from Employer, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Term of this Agreement or for one (1) year, whichever amount is greater. If Employee resigns or otherwise terminates Employee's employment without cause pursuant to this Paragraph 6(d), Employee shall receive no severance compensation.

(e) *Change in Control of Employer.* In the event of a Change in Control during the Term, refer to Paragraph 13 below.

Upon termination of this Agreement for any reason provided above, Employee shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Employee only to the extent and in the manner expressly provided above or in Paragraph 13 hereof. All other rights and obligations of Employer and Employee under this Agreement shall cease as of the effective date of termination, except that Employer's obligations under Paragraph 10 hereof and Employee's obligations under Paragraphs 4, 7, 8, 9, 11 and 17 hereof shall survive such termination in accordance with their terms.

If termination of Employee's employment arises out of 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 material breach of this Agreement by Employer, as determined by a court of competent jurisdiction or pursuant to the provisions of Paragraph 17 below, Employer shall pay all amounts and damages to which Employee may be entitled as a result of such material breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Employee to enforce Employee's rights hereunder.

7. Return of Company Property. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Employee by or on behalf of Employer, or its representatives, vendors or customers that pertain to the business of Employer shall be and remain the property of Employer, and be subject at all times to its discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials, and other similar data pertaining to the business, activities or future plans of Employer that is collected by Employee shall be delivered promptly to Employer without request by it upon termination of Employee's employment.

8. Inventions. Employee shall disclose promptly to Employer any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, that are conceived or made by Employee, solely or jointly with another, during the period of employment or within one (1) year thereafter, and that are directly related to the business or activities of Employer and that Employee conceives as a result of Employee's employment by Employer. Employee hereby assigns and agrees to assign all of Employee's interests therein to Employer or its nominee. Whenever requested to do so by Employer, Employee shall execute any and all applications, assignments or other instruments that Employer shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect Employer's interest therein.

9. Trade Secrets. Employee agrees that he will not, during or after the Term of this Agreement with Employer, disclose the specific terms of Employer's or its subsidiaries' relationships or agreements with its significant vendors or customers or any other significant and material trade secret of Employer or its subsidiaries, whether in existence or proposed, to any person, firm, partnership, corporation or business for any reason or purpose whatsoever other than in the course of performing Employee's duties hereunder.

10. Indemnification. In the event Employee is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by Employer against Employee), by reason of the fact that Employee is or was performing services under this Agreement, then Employer shall indemnify Employee against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Employee in connection therewith. In the event that both Employee and Employer are made a party to the same third-party action, complaint, suit or proceeding, Employer agrees to engage competent legal representation, and Employee agrees to use the same representation, provided that if counsel selected by Employer shall have a conflict of interest that prevents such counsel from representing Employee, Employee may engage separate counsel and Employer shall pay all attorneys' fees of such separate counsel. Further, while Employee is expected at all times to use Employee's best efforts to faithfully discharge his duties under this Agreement, Employee cannot be held liable to Employer for errors or omissions made in good faith where Employee has not exhibited gross, willful or wanton negligence or misconduct or performed criminal and fraudulent acts that materially damage the business of Employer.

11. No Prior Agreements. Employee hereby represents and warrants to Employer that the execution of this Agreement by Employee and his employment by Employer and the performance of Employee's duties hereunder will not violate or be a breach of any agreement with a former employer, client or any other person or entity. Further, Employee agrees to indemnify Employer for any claim, including but not limited to attorneys' fees and expenses of investigation, by any such third party that such third party may now have or may hereafter come to have against Employer based upon or arising out of any noncompetition agreement, invention or secrecy agreement between Employee and such third party which was in existence as of the date of this Agreement.

12. Assignment; Binding Effect. Employee understands that Employer has selected him for employment on the basis of Employee's personal qualifications, experience and skills. Employee, therefore, shall not assign all or any portion of Employee's performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of Paragraph 13 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

13. Change in Control.

(a) Employee understands and acknowledges that Employer may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Employer hereunder or that Employer may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Term, then the provisions of this Paragraph 13 shall be applicable.

(b) In the event of a pending Change in Control wherein 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 Employer'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, then such Change in Control shall be deemed to be a termination of this Agreement by Employer without good cause during the Term and (i) the noncompetition provision of Paragraph 4 shall not apply; (ii) Employee shall receive from Employer, in a lump-sum payment due on the effective date of such termination, an amount equal to three times the sum of (A) the Employee's annual Base Salary and (B) the higher of (x) the highest annual bonus paid to Employee under the Company's Annual Incentive Plan in effect on the date hereof or a direct predecessor thereto or replacement thereof, for the past three fiscal years and (y) the Employee's annual bonus paid or payable, including any bonus or portion thereof which has been earned but deferred, under the Company's Annual Incentive Plan in effect on the date hereof or a direct predecessor thereto or replacement thereof (and annualized for any fiscal year during which the Employee was employed for less than 12 full months), for the most recently completed or current fiscal year during the Term; and (iii) until the third anniversary of the effective date of such termination, Employee and, if applicable, Employee's dependents shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Employer and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) (collectively, "Employer Welfare Programs") to the extent applicable generally to other peer executives of Employer and its affiliated companies at the same after-tax cost to Employee as if Employee was employed by Employer, but in no event shall such Employer Welfare Programs provide Employee with benefits that are less favorable, in the aggregate, than the most favorable of such Employer Welfare Programs in effect for Employee at any time during the 120-day period immediately preceding the date of such termination; provided, however, if Employer is unable to provide Employee and/or, if applicable, any of Employee's dependents, with any benefits to which Employee or such dependent is entitled pursuant to the terms of this Section 13(b)(iii) under any of the Employer Welfare Programs, Employer shall at its cost provide such benefit at a level no less favorable to Executive than would have been provided under the Employer Welfare Programs under another plan or arrangement, including an individual policy purchased by Employer for Employee or such dependent(s). Employee agrees that if any benefit to be provided under the Employer Welfare Programs is subject to the provisions of Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"), Employee shall make a timely COBRA election to continue such benefit under COBRA during the applicable COBRA continuation period and Employer shall reimburse Employee for the amount of the COBRA premiums, if any, required to be paid by Employee for such coverage.

(c) For purposes of applying Paragraph 6 hereof under the circumstances described in (b) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Employee must be paid in full by Employer at or prior to such closing.

(d) In the event that a successor in a pending Change in Control gives notice pursuant to Paragraph 13(b) that it will assume Employer's obligations under this Agreement and at the time of or within twelve (12) months following such Change in Control Employee either (i) terminates this Agreement for good reason (as defined in Paragraph 6(c) of this Agreement) or (ii) is terminated by Employer other than for good cause (as defined in Paragraph 6(c) of this Agreement), then effective as of the date of such termination, (A) the noncompetition provisions of Paragraph 4 shall no longer apply; (B) Employee shall receive from Employer, in a lump-sum payment due on the effective date of such termination, an amount equal to three times the sum of (1) the Employee's annual Base Salary and (2) the higher of (x) the highest annual bonus paid to Employee under the Company's Annual Incentive Plan in effect on the date hereof or a direct predecessor thereto or replacement thereof, for the past three fiscal years and (y) the Employee's annual bonus paid or payable, including any bonus or portion thereof which has been earned but deferred, under the Company's Annual Incentive Plan in effect on the date hereof or a direct predecessor thereto or replacement thereof (and annualized for any fiscal year during which the Employee was employed for less than 12 full months), for the most recently completed or current fiscal year during the Term and (C) until the third anniversary of the effective date of such termination, Employee and, if applicable, Employee's dependents shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Employer and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) (collectively, “Employer Welfare Programs”) to the extent applicable generally to other peer executives of Employer and its affiliated companies at the same after-tax cost to Employee as if Employee was employed by Employer, but in no event shall such Employer Welfare Programs provide Employee with benefits that are less favorable, in the aggregate, than the most favorable of such Employer Welfare Programs in effect for Employee at any time during the 120-day period immediately preceding the date of such termination; provided, however, if Employer is unable to provide Employee and/or, if applicable, any of Employee’s dependents, with any benefits to which Employee or such dependent is entitled pursuant to the terms of this Section 13(b)(iii) under any of the Employer Welfare Programs, Employer shall at its cost provide such benefit at a level no less favorable to Executive than would have been provided under the Employer Welfare Programs under another plan or arrangement, including an individual policy purchased by Employer for Employee or such dependent(s). Employee agrees that if any benefit to be provided under the Employer Welfare Programs is subject to the provisions of Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended (“COBRA”), Employee shall make a timely COBRA election to continue such benefit under COBRA during the applicable COBRA continuation period and Employer shall reimburse Employee for the amount of the COBRA premiums, if any, required to be paid by Employee for such coverage.

(e) A “Change in Control” shall be deemed to have occurred if:

(i) any person or entity, other than Employer or an employee benefit plan of Employer, acquires directly or indirectly the Beneficial Ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of Employer and immediately after such acquisition such person or entity is, directly or indirectly, the Beneficial Owner of voting securities representing fifty percent (50%) or more of the total voting power of all of the then-outstanding voting securities of Employer; or

(ii) the following individuals no longer constitute a majority of the members of the Board: (A) the individuals who, as of the closing date of Employer’s initial public offering, constitute the Board (the “Original Directors”); (B) the individuals who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election); or

(iii) the stockholders of Employer shall approve a merger, consolidation, recapitalization or reorganization of Employer, a reverse stock split of outstanding voting securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction that would result in at least seventy five percent (75%) of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being Beneficially Owned by at least seventy five percent (75%) of the holders of outstanding voting securities of Employer immediately prior to the transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction; or

(iv) the stockholders of Employer shall approve a plan of complete liquidation of Employer or an agreement for the sale or disposition by Employer of all or a substantial portion of Employer's assets (i.e., fifty percent (50%) or more of the total assets of Employer).

(f) "Lesser Position" shall mean a new position or a change in the Employee's Position, which, compared with Employee's Position with Employer immediately prior to the Change in Control, (i) offers a lower level of compensation (including base salary, fringe benefits and target bonuses under any corporate-performance based bonus or incentive programs), or (ii) materially reduces Employee's duties or level of responsibility, or (iii) requires Employee to relocate his principal residence.

(g) Employee shall be reimbursed by Employer or its successor for all excise taxes that Employee incurs under Section 4999 of the Internal Revenue Code of 1986, as amended, as a result of any Change in Control. In addition, Employee shall be reimbursed by Employer or its successor for all federal, state and local income taxes and additional excise taxes attributable to the payment pursuant to the preceding sentence and the payment pursuant to this sentence. Such amount will be due and payable by Employer or its successor within ten (10) days after Employee delivers a written request for reimbursement accompanied by a copy of Employee's tax return(s) showing the excise tax actually incurred by Employee. Such amount shall not be subject to offset or reduction for any amount owed or claimed to be owed to Employer or its successor by Employee. If not paid within ten (10) days from date of demand, the amount due under this subsection shall bear interest at the maximum non-usurious rate allowed by law from the date of demand to the date of payment.

14. Complete Agreement. This Agreement supersedes any other agreements or understandings, written or oral, between Employer and Employee, and Employee has no oral representations, understandings or agreements with Employer or any of its 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, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a written instrument signed by a duly authorized officer of Employer and Employee, and no term of this Agreement may be waived except by a written instrument signed by the party waiving the benefit of such term

15. Notice. Whenever any notice is required hereunder, it shall be given in writing addressed as follows:

To Employer:	Quanta Services, Inc. 1360 Post Oak Boulevard, Suite 2100 Houston, Texas 77056 Attention: General Counsel
To Employee:	Kenneth W. Trawick 1850 Laster Road Chipley, FL 32428

Notice shall be deemed given and effective three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph

16. Severability, Headings. If any portion of this Agreement is held invalid or inoperative, the other portions 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 portion held invalid or inoperative. The paragraph headings herein are for reference purposes only and are not intended in any way to describe, interpret, define or limit the extent or intent of the Agreement or of any part hereof.

17. Arbitration. Except as provided in Paragraph 4(g) of this Agreement, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules of the American Arbitration Association for the Resolution of Employment Disputes in effect on the date of the event giving rise to the claim or the controversy. The arbitrators shall not have the authority to add to, detract from or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options or restricted stock (or cash compensation in lieu of vesting of options or restricted stock), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Employee was terminated without disability or good cause, as defined in Paragraphs 6(b) and 6(c) hereof, respectively, or that Employer has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by Employer.

18. Governing Law. This Agreement shall in all respects be construed according to the laws of the State of Texas.

19. 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 but one and the same instrument.

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

QUANTA SERVICES, INC.

By: /s/ JOHN R. COLSON
Name: John R. Colson
Title: Chief Executive Officer

EMPLOYEE

/s/ KENNETH W. TRAWICK
Kenneth W. Trawick

Exhibit 10.2

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT dated as of July 22, 2004 (the "Amendment") is entered into among Quanta Services, Inc., a Delaware corporation (the "Borrower"), each of the parties identified as "Guarantors" on the signature pages hereto (the "Guarantors"), the Lenders party hereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender, L/C Issuer and Credit-Linked L/C Issuer (in such capacity, the "Administrative Agent"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (as defined below).

RECITALS

WHEREAS, the Borrower, the Guarantors, the Lenders and the Administrative Agent entered into that certain Credit Agreement dated as of December 19, 2003 (as amended and modified from time to time, the "Credit Agreement"); and

WHEREAS, the Borrower has requested and the Lenders have agreed to amend certain terms of the Credit Agreement as set forth below;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments. Effective on June 30, 2004, the Credit Agreement is hereby amended as follows:

(a) The following definitions are hereby added to Section 1.01 in the appropriate alphabetical order and shall read as follows:

"Applicable Credit-Linked Rate" means (a) 3.00% at such time as the senior secured (non-credit enhanced) debt rating of the Borrower is at least (i) Ba3 from Moody's and (ii) BB- from S&P or (b) 3.25% at such time as the senior secured (non-credit enhanced) debt rating of the Borrower is lower than (i) Ba3 from Moody's or (ii) BB- from S&P.

"Applicable Term Loan Rate" means (a) 3.00% at such time as the senior secured (non-credit enhanced) debt rating of the Borrower is at least (i) Ba3 from Moody's and (ii) BB- from S&P or (b) 3.25% at such time as the senior secured (non-credit enhanced) debt rating of the Borrower is lower than (i) Ba3 from Moody's or (ii) BB- from S&P.

"Consolidated Maintenance Capital Expenditures" means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, the lesser of (a) actual Consolidated Capital Expenditures for such period and (b) $40,000,000.

(b) The definition of "Consolidated EBIT" in Section 1.01 is hereby amended in its entirety to read as follows:

"Consolidated EBIT" means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus the following to the extent deducted in calculating such Consolidated

Net Income: (a) Consolidated Interest Expense for such period, (b) the provision for taxes based on income or revenues payable by the Borrower and its Subsidiaries for such period, (c) without duplication, the Permitted Charges for such period and (d) without duplication, Non-Cash Charges for such period, as determined in accordance with GAAP.

(c) The definition of "Consolidated Interest Coverage Ratio" in Section 1.01 is hereby amended in its entirety to read as follows:

"Consolidated Interest Coverage Ratio" means, as of any date of determination, the ratio of (a) the sum of (i) Consolidated EBITDA for the period of the four fiscal quarters most recently ended for which the Borrower has delivered financial statements pursuant to Section 7.01(a) or (b) minus (ii) Consolidated Maintenance Capital Expenditures for the period of the four fiscal quarters most recently ended for which the Borrower has delivered financial statements pursuant to Section 7.01(a) or (b) to (b) the sum of (i) Consolidated Interest Expense for the period of the four fiscal quarters most recently ended for which the Borrower has delivered financial statements pursuant to Section 7.01(a) or (b) minus (ii) all interest expense attributable to capitalized loan costs and the amount of fees paid in connection with the issuance of letters of credit on behalf of the Borrower or any Subsidiary during such period.

(d) The last sentence in the definition of "Default Rate" is hereby amended in its entirety to read as follows:

For purposes of this definition, the "Applicable Rate" with respect to (a) any Term Loan shall be deemed to be the Applicable Term Loan Rate per annum and (b) any Credit-Linked L/C Advance shall be deemed to be the Applicable Credit-Linked Rate per annum.

(e) The definition of "Permitted Charges" in Section 1.01 is hereby amended in its entirety to read as follows:

"Permitted Charges" means, for any period, the sum of (a) lease termination expenses and severance costs not exceeding $5,000,000 in the aggregate which relate to the organizational restructuring of the Borrower and its Subsidiaries, plus the amounts attributable to written off loan costs and any make whole amounts plus (b) those costs and expenses of the Borrower identified on Schedule 1.01(c) attached hereto to the extent incurred during such period plus (c) any fees paid to BAS, the Administrative Agent or the Lenders in connection with any amendment of this Agreement during such period to the extent such fees are deducted from net income plus (d) any reserves, costs and other liabilities described in the separate letter agreement, dated the date of this Amendment, between the Administrative Agent and the Loan Parties (which letter agreement has been posted on Intralinks for the review of the Lenders).

(f) The reference to "Section 2.05" in Section 2.04(a) is hereby amended to read as "Section 2.07".

(g) The first sentence in Section 2.05(k) is hereby amended in its entirety to read as follows:

The Borrower shall pay to the Administrative Agent for the account of each Credit-Linked Lender in accordance with its Pro Rata Share, a fee (the "Credit-Linked Facility

Fee") equal to the Applicable Credit-Linked Rate times the actual daily amount of such Credit-Linked Lender's Credit-Linked Deposit.

(h) Section 2.10(b)(i) is hereby amended in its entirety to read as follows:

(i) Subject to the provisions of subsection (ii) below, (A) each Term Loan that is a Eurodollar Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the sum of (I) the Eurodollar Rate for such Interest Period plus (II) the Applicable Term Loan Rate and (B) each Term Loan that is a Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Term Loan Rate.

(i) Sections 2.10(c)(i) and (ii) are hereby amended in their entireties to read as follows:

(i) Each Credit-Linked L/C Borrowing shall bear interest on the outstanding principal amount thereof (A) from and including the applicable Credit-Linked L/C Borrowing date to and excluding the date six (6) Business Days thereafter at an interest rate per annum equal at all times to the Base Rate plus the Applicable Credit-Linked Rate, and (B) from and including the sixth Business Day after the applicable Credit-Linked L/C Borrowing date at an interest rate per annum equal at all times to the Default Rate.

(ii) Each Credit-Linked L/C Advance shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the sum of (A) the Eurodollar Rate for such Interest Period plus (B) the Applicable Credit-Linked Rate.

(j) The following subclause (e) is hereby added after subclause (d) in Section 7.03 of the Credit Agreement and shall read as follows:

(e) Promptly (and in any event within 5 Business Days) notify the Administrative Agent of any change in the senior secured (non-credit enhanced) debt rating of the Borrower.

(k) The reference to "Section 7.15(a), (b) and (c)" in clause (x) of Section 7.12(b) is hereby amended to read as "Sections 7.15(a) and (b)".

(l) The reference to "Section 7.15(a), (b) and (c)" in Section 7.14 is hereby amended to read as "Sections 7.15(a) and (b)".

(m) The word "to" is hereby inserted in the fifth line of Section 7.15(b) between the word "pledged" and the words "the Administrative Agent".

(n) The word "not" is hereby inserted in Section 8.03(h) between the word "amount" and the word "to".

(o) Section 8.11(b) is hereby amended in its entirety to read as follows:

(b) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as of the end of any fiscal quarter of the Borrower to be greater than (i) for the fiscal quarter ending June 30, 2004, 5.75:1.0, (ii) for any fiscal quarter ending during the period from July 1, 2004 to and including September 30, 2004, 6.25:1.0, (iii) for any fiscal quarter ending during the period from October 1, 2004 to and including March 31, 2005, 5.0:1.0, (iv) for any fiscal quarter ending during the period from April 1, 2005 to and including September 30, 2005, 4.75:1.0, (v) for any fiscal quarter ending during the period from October 1, 2005 to and including March 31, 2006, 4.5:1.0, (vi) for any fiscal quarter ending during the period from April 1, 2006 to and including September 30, 2006, 4.0:1.0 and (vii) for any fiscal quarter ending after October 1, 2006, 3.5:1.0.

(p) Section 8.11(d) is hereby amended in its entirety to read as follows:

(d) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than (i) for any fiscal quarter ending during the period from June 30, 2004 to and including December 31, 2004, 1.5:1.0, (ii) for any fiscal quarter ending during the period from January 1, 2005 to and including June 30, 2005, 1.75:1.0, (iii) for any fiscal quarter ending during the period from July 1, 2005 to and including March 31, 2006, 2.0:1.0 and (iv) for any fiscal quarter ending after April 1, 2006, 2.25:1.0.

2. Conditions Precedent. This Amendment shall be effective immediately, without any other action by any of the parties hereto, upon satisfaction of the following conditions precedent:

(a) Receipt by the Administrative Agent of counterparts of this Amendment duly executed by the Borrower, the Guarantors, the Lenders holding a majority of the Revolving Commitments, the Required Lenders and the Administrative Agent;

(b) Receipt by the Administrative Agent (i) for the account of each Lender delivering an executed counterpart of this Amendment to the Administrative Agent of an amendment fee equal to twenty five basis points (0.25%) of the sum of (A) such Lender's Revolving Commitment and (b) such Lender's Credit-Linked Commitment and (ii) any other fees and expenses payable by the Borrower in connection with this Amendment; and

(c) Receipt by the Administrative Agent of the letter agreement executed by the Administrative Agent and the Loan Parties referenced in the definition of Permitted Charges in the Credit Agreement.

3. Miscellaneous.

(a) The Credit Agreement, as amended by this Amendment, and the obligations of the Loan Parties thereunder and under the other Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms.

(b) Each Guarantor (a) acknowledges and consents to all of the terms and conditions of this Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Credit Agreement or the other Loan Documents.

(c) The Borrower and the Guarantors hereby represent and warrant as follows:

(i) Each Loan Party has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(ii) This Amendment has been duly executed and delivered by the Loan Parties and constitutes each of the Loan Parties' legal, valid and binding obligations, enforceable against such Loan Parties in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(iii) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by any Loan Party of this Amendment, other than those that have already been obtained and are in full force and effect.

(d) The Loan Parties represent and warrant to the Lenders that (i) the representations and warranties of the Loan Parties set forth in Article VI of the Credit Agreement and in each other Loan Document are true and correct in all material respects as of the date hereof with the same effect as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate solely to an earlier date, and except that the representations and warranties contained in subsections (a) and (b) of Section 6.05 of the Credit Agreement shall be deemed to refer to the most recent financial statements furnished pursuant to clauses (a) and (b), respectively, of Section 7.01 of the Credit Agreement, and (ii) after giving effect to this Amendment, no event has occurred and is continuing which constitutes a Default or an Event of Default.

(e) This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by telecopy shall be effective as an original and shall constitute a representation that an executed original shall be delivered.

(f) **THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

[remainder of page intentionally left blank]

Each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER:

QUANTA SERVICES, INC.,
a Delaware corporation

By: /s/ Dana A. Gordon

Name: Dana A. Gordon
Title: Vice President

GUARANTORS:

ARBY CONSTRUCTION, INC.
AUSTIN TRENCHER, INC.
CCLC, INC.
CONTI COMMUNICATIONS, INC.
CROCE ELECTRIC COMPANY, INC.
DILLARD SMITH CONSTRUCTION COMPANY
DRIFTWOOD ELECTRICAL CONTRACTORS, INC.
GLOBAL ENERCOM MANAGEMENT, INC.
GOLDEN STATE UTILITY CO.
H.L. CHAPMAN PIPELINE CONSTRUCTION, INC.
MANUEL BROS., INC.
MEARS GROUP, INC.
NETWORK ELECTRIC COMPANY
NORTH PACIFIC CONSTRUCTION CO., INC.
NORTH SKY COMMUNICATIONS, INC.
PARKSIDE SITE & UTILITY COMPANY CORPORATION
PARKSIDE UTILITY CONSTRUCTION CORP.
PWR FINANCIAL COMPANY
QPC, INC.
QSI, INC.
QUANTA GOVERNMENT SERVICES, INC.
QUANTA GOVERNMENT SOLUTIONS, INC.
QUANTA LIV ACQUISITION, INC.
QUANTA LVII ACQUISITION, INC.
QUANTA LVIII ACQUISITION, INC.
QUANTA LIX ACQUISITION, INC.
QUANTA LX ACQUISITION, INC.
QUANTA LXI ACQUISITION, INC.
QUANTA LXII ACQUISITION, INC.
QUANTA LXIII ACQUISITION, INC.

QUANTA LXIV ACQUISITION, INC.
QUANTA LXV ACQUISITION, INC.,
each a Delaware corporation

By: /s/ Dana A. Gordon

Name: Dana A. Gordon
Title: Vice President

QUANTA LXVI ACQUISITION, INC.
QUANTA LXVII ACQUISITION, INC.
QUANTA LXVIII ACQUISITION, INC.
QUANTA LXIX ACQUISITION, INC.
QUANTA LXX ACQUISITION, INC.
QUANTA LXXI ACQUISITION, INC.
QUANTA LXXII ACQUISITION, INC.
QUANTA LXXIII ACQUISITION, INC.
QUANTA UTILITY INSTALLATION CO., INC.
R.A. WAFFENSMITH & CO., INC.
SOUTHEAST PIPELINE CONSTRUCTION, INC.
SOUTHWESTERN COMMUNICATIONS, INC.
SPALJ CONSTRUCTION COMPANY
SUMTER UTILITIES, INC.
TOM ALLEN CONSTRUCTION COMPANY
TTGP, INC.
TTLP, INC.
TXLP, INC.
UNDERGROUND CONSTRUCTION CO., INC.
VCI TELCOM, INC.
W.C. COMMUNICATIONS, INC.,
each a Delaware corporation

By: /s/ Dana A. Gordon

Name: Dana A. Gordon
Title: Vice President

ADVANCED TECHNOLOGIES AND INSTALLATION CORPORATION,
ALLTECK LINE CONTRACTORS (USA), INC.
MUSTANG LINE CONTRACTORS, INC.
POTELCO, INC.,
each a Washington corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

BRADFORD BROTHERS, INC.
TTM, INC.,
each a North Carolina corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

COMMUNICATION MANPOWER, INC.
TRAWICK CONSTRUCTION COMPANY, INC.,
each a Florida corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

CROWN FIBER COMMUNICATIONS, INC.,
a Virginia corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

ENVIRONMENTAL PROFESSIONAL ASSOCIATES, LIMITED
W.H.O.M. CORPORATION
each a California corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

FIVE POINTS CONSTRUCTION CO.
MEJIA PERSONNEL SERVICES, INC.
TRANS TECH ACQUISITION, INC.
SOUTHWEST TRENCHING COMPANY, INC.
each a Texas corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

INTERMOUNTAIN ELECTRIC, INC.,
a Colorado corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

IRBY CONSTRUCTION COMPANY,
a Mississippi corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

METRO UNDERGROUND SERVICES, INC. OF ILLINOIS
PROFESSIONAL TELECONCEPTS, INC. (IL)
each an Illinois corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

PAR ELECTRICAL CONTRACTORS, INC.,
a Missouri corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

PROFESSIONAL TELECONCEPTS, INC. (NY),
A New York corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

THE RYAN COMPANY, INC.,
a Massachusetts corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

QDE, LLC
QUANTA ASSET MANAGEMENT LLC
each a Delaware limited liability company

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

QUANTA DELAWARE, INC.,
a Delaware corporation

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

TOTAL QUALITY MANAGEMENT LLC,
a Delaware limited liability company
COAST TO COAST, LLC,
a California limited liability company

By: Environmental Professional Associates,
Limited, Its Member

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

NORTHERN LINE LAYERS, LLC,
a Delaware limited liability company

By: PAR Electrical Contractors, Inc.,
Its Member

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

TJADER, L.L.C.
OKAY CONSTRUCTION COMPANY, LLC
each a Delaware limited liability company

By: Spalj Construction Company,
Its Member

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

MEARS/CPG, LLC
MEARS ENGINEERING, LLC
MEARS/HDD, LLC
MEARS SERVICES, LLC
each a Michigan limited liability company

By: Mears Group, Inc., The Sole Member of each of the foregoing limited liability companies

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

S.K.S. PIPELINERS, LLC,
a Delaware limited liability company

By: Arby Construction, Inc., Its Member

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

TNS-VA, LLC,
a Delaware limited liability company

By: Professional Teleconcepts, Inc. (NY)
Its Member

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

AIRLAN TELECOM SERVICES, L.P.
NORTH HOUSTON POLE LINE, L.P.
LINDSEY ELECTRIC, L.P.
DIGCO UTILITY CONSTRUCTION, L.P.
each a Texas limited partnerships

By: Mejia Personnel Services, Inc., Its General Partner

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

QUANTA SERVICES MANAGEMENT PARTNERSHIP, L.P.
QUANTA ASSOCIATES, L.P.
each a Texas limited partnerships

By: QSI, Inc., Its General Partnership

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

TRANS TECH ELECTRIC, L.P.,
a Texas limited partnership

By: TTGP, Inc., Its General Partner

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

PWR NETWORK, LLC,
a Delaware limited liability company

By: PWR Financial Company, Its Sole Member

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

QUANTA RECEIVABLES, L.P.,
a Delaware limited partnership

By: PWR Financial Company, Its General Partner

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

Q RESOURCES, LLC,
a Delaware limited liability company

By: Quanta Holdings, Inc., its Member

By: /s/ Dana A. Gordon
Name: Dana A. Gordon
Title: Vice President

ADMINISTRATIVE AGENT:	BANK OF AMERICA, N.A., as Administrative Agent By: /s/ David A. Johanson Name: David A. Johanson Title: Vice President
LENDERS:	BANK OF AMERICA, N.A., as a Lender, Swing Line Lender, L/C Issuer and Credit-Linked L/C Issuer By: /s/ Gary L. Mingle Name: Gary L. Mingle Title: Senior Vice President
	FRANKLIN FLOATING RATE TRUST FRANKLIN FLOATING RATE MASTER SERIES FRANKLIN FLOATING RATE DAILY ACCESS FUND By: /s/ Tyler Chan Name: Tyler Chan Title: Vice President
	NEW YORK LIFE INSURANCE COMPANY By: /s/ F. David Melka Name: F. David Melka Title: Investment Vice President
	NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION By: New York Life Investment Management LLC, Its Investment Manager By: /s/ F. David Melka Name: F. David Melka Title: Director

ELF FUNDING TRUST III
By: New York Life Investment Management LLC,
As Attorney-In-Fact

By: /s/ F. David Melka
Name: F. David Melka
Title: Director

MOUNTAIN CAPITAL CLO 11 LTD.

By: /s/ Chris Siddons
Name: Chris Siddons
Title: Director

MOUNTAIN CAPITAL CLO 1 LTD.

By: /s/ Chris Siddons
Name: Chris Siddons
Title: Director

ARCHIMEDES FUNDING III, LTD.
By: ING Capital Advisors LLC,
as Collateral Manager

By: /s/ Peanie C. Wang
Name: Peanie C. Wang
Title: Vice President

ARCHIMEDES FUNDING IV (CAYMAN), LTD.
By: ING Capital Advisors LLC,
as Collateral Manager

By: /s/ Peanie C. Wang
Name: Peanie C. Wang
Title: Vice President

ENDURANCE CLO I, LTD.
c/o ING Capital Advisors LLC,
as Collateral Manager

By: /s/ Peanie C. Wang
Name: Peanie C. Wang
Title: Vice President

SEQUILS-ING I (HBDGM), LTD.
By: ING Capital Advisors LLC,
as Collateral Manager

By: /s/ Peanie C. Wang
Name: Peanie C. Wang
Title: Vice President

ING-ORYX CLO, LTD.
By: ING Capital Advisors LLC,
as Collateral Manager

By: /s/ Peanie C. Wang
Name: Peanie C. Wang
Title: Vice President

NEMEAN CLO, LTD.
By: ING Capital Advisors LLC,
as Investment Manager

By: /s/ Peanie C. Wang
Name: Peanie C. Wang
Title: Vice President

JPMORGAN CHASE BANK

By: /s/ Robert Mendoza
Name: Robert Mendoza
Title: Vice President

FIRST TRUST/FOUR CORNERS SENIOR
FLOATING RATE INCOME FUND

By: Four Corners Capital Management, LLC
As Collateral Manager

By: /s/ Robert I. Bernstein
Name: Robert I. Bernstein
Title: Chief Credit Officer

SECURITY INCOME FUND-INCOME OPPORTUNITY SERIES

By: Four Corners Capital Management, LLC
As Collateral Manager

By: /s/ Robert I. Bernstein
Name: Robert I. Bernstein
Title: Chief Credit Officer

FIRST TRUST/FOUR CORNERS SENIOR
FLOATING RATE INCOME FUND II

By: Four Corners Capital Management, LLC.
As Collateral Manager

By: /s/ Robert I. Bernstein
Name: Robert I. Bernstein
Title: Chief Credit Officer

LANDMARK III CDO LIMITED

By: Aladdin Capital Management LLC
as Manager

By: /s/ Angela Bozorgmir
Name: Angela Bozorgmir
Title: Director

LANDMARK II CDO LIMITED

By: Aladdin Capital Management LLC
as Manager

By: /s/ Angela Bozorgmir
Name: Angela Bozorgmir
Title: Director

LANDMARK I CDO LIMITED

By: Aladdin Capital Management LLC
as Manager

By: /s/ Angela Bozorgmir
Name: Angela Bozorgmir
Title: Director

GULF STREAM-COMPASS CLO 2003-1 LTD.

By: Gulf Stream Asset Management LLC
as Collateral Manager

By: /s/ Barry Love
Name: Barry Love
Title: Chief Credit Officer

OAK HILL CREDIT PARTNERS I, Limited

By: Oak Hill CLO Management I, LLC
As Investment Manager

By: /s/ Scott D. Krase
Name: Scott D. Krase
Title: Authorized Person

OAK HILL CREDIT PARTNERS II, LIMITED

By: Oak Hill CLO Management II, LLC
As Investment Manager

By: /s/ Scott D. Krase
Name: Scott D. Krase
Title: Authorized Person

OAK HILL CREDIT PARTNERS III, LIMITED

By: Oak Hill CLO Management III, LLC
As Investment Manager

By: /s/ Scott D. Krase
Name: Scott D. Krase
Title: Authorized Person

HANOVER SQUARE CLO LTD.
UNION SQUARE CDO LTD.
MONUMENT PARK CDO LTD.

By BLACKSTONE DEBT ADVISORS L.P. As Collateral Manager

By: /s/ Dean Criares
Name: Dean Criares
Title: Managing Director

LONG LANE MASTER TRUST IV

By: /s/ Meredith J. Koslick
Name: Meredith J. Koslick
Title: Assistant Vice President

SEMINOLE FUNDING LLC

By: /s/ Meredith J. Koslick
Name: Meredith J. Koslick
Title: Assistant Vice president

SAWGRASS TRADING LLC

By: /s/ Meredith J. Koslick
Name: Meredith J. Koslick
Title: Assistant Vice President

HARCH CLO I, LTD.

By: /s/ Michael E. Lewitt
Name: Michael E. Lewitt
Title: Authorized Signatory

BLACK DIAMOND CLO 2000-1, LTD.

By: /s/ Paul Cope
Name: Paul Cope
Title: Director

OCTAGON INVESTMENT PARTNERS III, LTD.

By: Octagon Credit Investors, LLC
as Portfolio Manager

By: /s/ Andrew D. Gordon
Name: Andrew D. Gordon
Title: Portfolio Manager

OCTAGON INVESTMENT PARTNERS VI, LTD.

By: Octagon Credit Investors, LLC
as Collateral Manager

By: /s/ Andrew D. Gordon
Name: Andrew D. Gordon
Title: Portfolio Manager

APEX (TRIMARAN) CDO I, LTD.
By: Trimaran Advisors, L.L.C.

By: /s/ David M. Millison
Name: David M. Millison
Title: Managing Director

DENALI CAPITAL LLC, managing member of DC Funding Partners, portfolio manager for DENALI CAPITAL CLO III, LTD., or an affiliate

By: /s/ John P. Thacker
Name: John P. Thacker
Title: Chief Credit Officer

OPPENHEIMER SENIOR FLOATING RATE FUND

By: /s/ Lisa Chaffee
Name: Lisa Chaffee
Title: Manager

HARBOURVIEW, CLO IV, LTD.

By: /s/ Lisa Chaffee
Name: Lisa Chaffee
Title: Manager

HARBORVIEW CLO V. LTD.

By: /s/ Lisa Chaffee
Name: Lisa Chaffee
Title: Manager

IKB CAPITAL CORPORATION

By: /s/ David Snyder
Name: David Snyder
Title: President

THE SUMITOMO TRUST & BANKING CO., LTD., NEW YORK BRANCH

By: /s/ Elizabeth A. Quirk
Name: Elizabeth A. Quirk
Title: Vice President

LIGHTPOINT CLO 2004-1, LTD.

By: /s/ Thomas A. Kramer
Name: Thomas A. Kramer
Title: Senior Managing Director &
Chief Executive Officer

TORONTO DOMININ (New York), INC.

By: /s/ Michelle Manning
Name: Michelle Manning
Title: Vice President

FLOATING RATE INCOME STRATEGIES FUND, INC.

By: /s/ Jamin Patel
Name: Jamin Patel
Title:` Authorized Signatory

NATIONWIDE LIFE INSURANCE COMPANY

By: /s/ Thomas S. Leggett
Name: Thomas S. Leggett
Title: Associate Vice President – Public Bonds

NATIONWIDE MUTUAL INSURANCE COMPANY

By: /s/ Thomas S. Leggett
Name: Thomas S. Leggett
Title: Associate Vice President – Public Bonds

NATIONWIDE MUTUAL FIRE INSURANCE COMPANY

By: /s/ Thomas S. Leggett
Name: Thomas S. Leggett
Title: Associate Vice President – Public Bonds

THE TRAVELERS INSURANCE COMPANY

By: /s/ John W. Petchler
Name: John W. Petchler
Title: Vice President

CITICORP INSURANCE AND INVESTMENT TRUST

By: Travelers Asset Management International Company LLC

By: /s/ John W. Petchler
Name: John W. Petchler
Title: Vice President

GOLDENTREE LOAN OPPORTUNITIES I, LIMITED

By: GOLDENTREE ASSET MANAGEMENT, LP

By: /s/ Frederick S. Haddad
Name: Frederick S. Haddad
Title: Portfolio Manager

GOLDENTREE LOAN OPPORTUNITIES II, LIMITED

By: Goldentree Asset Management, LP

By: /s/ Frederick S. Haddad
Name: Frederick S. Haddad
Title: Portfolio Manager

MONUMENT CAPITAL LTD

By: /s/ Robert Bayer
Name: Robert Bayer
Title: Vice President

ALLIANCE CAPITAL FUNDING

By: /s/ Robert Bayer
Name: Robert Bayer
Title: Vice President

KZH PONDVIEW LLC

By: /s/ Dorian Herrera

Name: Dorian Herrera

Title: Authorized Agent

Exhibit 31.1

I, John R. Colson, 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(s) 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)) 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) 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

c) 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(s) 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.

Date: August 9, 2004

By: /s/ JOHN R. COLSON
John R. Colson,
Chairman and Chief Executive Officer

Exhibit 31.2

I, James H. Haddox, 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(s) 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)) 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) 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

c) 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(s) 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.

Date: August 9, 2004

By: /s/ JAMES H. HADDOX
James H. Haddox,
Chief Financial Officer

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned officers of Quanta Services, Inc. (the “Company”) certify, pursuant to 18 U.S.C. § 1350, as adopted by 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 June 30, 2004 as filed with the U.S. Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) 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.

Dated: August 9, 2004	/s/ JOHN R. COLSON John R. Colson, Chief Executive Officer
Dated: August 9, 2004	/s/ JAMES H. HADDOX James H. Haddox, Chief Financial Officer