MASTEC INC
Form S-1
November 18, 2005

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As filed with the Securities and Exchange Commission on November 18, 2005
Registration Statement No. 333-

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

Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MasTec, Inc.
(Exact name of registrant as specified in its charter)

Florida	**1623**	**65-0829355**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

800 S. Douglas Road, 12th Floor
Coral Gables, Florida 33134
Telephone (305) 599-1800
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)
Alberto de Cardenas
Executive Vice President & General Counsel
800 S. Douglas Road, 12th Floor
Coral Gables, Florida 33134
Telephone (305) 599-1800
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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1221 Brickell Avenue	**599 Lexington Ave.**
Miami, Florida 33131	**New York, New York 10022**
(305) 579-0500	**(212) 848-4000**

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $.10 par value	shares	$	$150,000,000	$17,656(1)

(1) Registration Statement No. 333-111845, previously filed by MasTec, Inc. on January 12, 2004, was withdrawn on January 7, 2005. In accordance with Rule 457(p), the registration fee of $17,656 associated with the withdrawn registration statement, is offset against the entire registration fee due in connection with this registration statement.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

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The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued , 2005

Shares
COMMON STOCK

MasTec, Inc. is offering shares of its common stock

Our common stock is listed on the New York Stock Exchange under the symbol MTZ. On , 2005 the last reported sale price of our common stock on the New York Stock Exchange was $ per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 7 for a discussion of these risks.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to MasTec
Per share	$	$	$
Total	$	$	$

We have granted the underwriters a 30-day option to purchase up to an aggregate of additional shares of common stock at the public offering price, less the underwriting discounts and commissions solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that the shares of our common stock will be ready for delivery to purchasers on or about , 2005.

Joint Book-Running Managers

MORGAN STANLEY **FRIEDMAN BILLINGS RAMSEY**

NEEDHAM & COMPANY, LLC **KAUFMAN BROS., L.P.**

, 2005

You should rely only on the information contained in this prospectus. We and the underwriters have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date of this prospectus. Our business,

financial condition, results of operations and prospects may have changed since those dates. See Where You Can Find More Information About MasTec.

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1994 Stock Incentive Plan
1994 Stock Option Plan
1997 Non-Qualified Employee Stock Purchase Plan
1999 Non-Qualified Stock Option Plan
Non Employee Directors Stock Plan
Employment Agreement w/Alberto de Cardenas
Subsidiaries
Consent of BDO Seidman, LLP
Consent of Ernst & Young LLP

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this prospectus and in the documents that we incorporate by reference into this prospectus. This prospectus may contain certain forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Risk Factors. Unless the context otherwise requires, references in this prospectus to MasTec, we, us and our mean MasTec, Inc. and its subsidiaries.

MASTEC, INC.

Our Company

We are a leading specialty contractor operating throughout the United States and in Canada across a range of industries. Our core activities are the building, installation, maintenance and upgrade of communications and utility infrastructure and transportation systems. We provide similar infrastructure services to our customers, most of which are companies in the telecommunications, satellite television and cable television industries as well as utility companies and governments. Our customers rely on us to build and maintain infrastructure and networks that are critical to their delivery of voice, video and data communications, electricity and transportation systems.

We have been in business for over 70 years and currently operate through a network of 220 locations and 7,500 employees. Our national footprint and ability to respond quickly and efficiently has resulted in longstanding relationships. For fiscal year 2004 and the nine months ended September 30, 2005, 69.7% and 64.8%, respectively, of our revenues were derived under multi-year master service agreements and other service agreements. Our customers include some of the largest communication and utility companies in the United States, including DirecTV, Verizon Communications, BellSouth, Sprint Nextel and Florida Power & Light.

For fiscal year 2004 and the nine months ended September 30, 2005, we had revenue of $913.8 million and $697.4 million, respectively. For fiscal year 2004, 65.0%, 19.2% and 15.8% of our revenues were from our communications, utilities and government customers, respectively. For the nine months ended September 30, 2005, 63.0%, 21.2% and 15.8% of our revenues were from our communications, utilities and government customers, respectively. Our 18-month backlog at September 30, 2005 was $1.1 billion and we expect to realize approximately 20.8% of this backlog in 2005.

Our Industry

Our industry is comprised of national, regional and local companies that provide outsourced infrastructure services to companies in the communication, utility and government industries. We estimate that the total amount of outsourced infrastructure spending in markets that we serve was approximately $31 billion in 2004.

We believe the following industry trends impact demand for our services:

Demand for voice, video and data services;

Increased outsourcing of network infrastructure installation and maintenance;

Inadequacy of existing electric power transmission and distribution networks; and

Increased funding for energy and highway transportation projects.

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Competitive Strengths

Our competitive strengths include:

National Capability and Brand. We believe our experience, technical expertise and national capability allow us to satisfy our customers needs and allocate people, equipment and resources efficiently. We offer all of our services under the MasTec® service mark and maintain uniform performance standards across projects, geographic areas and industries.

Ability to Respond Quickly and Effectively. The services we provide to the various industries we serve are similar and permit us to utilize qualified personnel across multiple industries. We are able to respond quickly and effectively to industry changes and major weather events by allocating our employees, fleet and other assets as and where they are needed.

Customer Base. Our customers include some of the largest communication and utility companies in the United States. These customers have significant and ongoing infrastructure needs and the financial resources necessary to fund those needs. We provide services with many of our significant customers under multi-year master service agreements and other service agreements.

Reputation for Reliable Customer Service and Technical Expertise. We believe that over the years we have established a reputation for quality customer service and technical expertise. We believe our reputation for technical expertise and strong training programs gives us an advantage in competing for new work.

Experienced Management Team. Our management team plays a significant role in establishing and maintaining long-term relationships with our customers, supporting the growth of our business and managing the financial aspects of our operations.

Strategy

The key elements of our business strategy are as follows:

Capitalize on Favorable Industry Trends. Many of our customers have increased spending on their network infrastructure in order to enhance their ability to offer voice, video and data services, and to deliver electric power or improve the logistics of their transportation networks. Specifically, our communications customers are investing in fiber optic network enhancements in response to demand for faster and more robust internet, broadband and advanced video offerings. In addition, many companies are increasing outsourcing network installation and maintenance work.

Operate More Efficiently. We have implemented new financial and business procedures in order to improve our operating effectiveness, consequently increasing our operating margins and cash flows.

Improve Our Financial Strength. With the proceeds of this offering, we intend to reduce our debt and increase our cash, which will significantly improve our financial condition.

Pursue Acquisitions, Strategic Alliances and Divestitures. We will focus on acquisitions and alliances that allow us to expand our operations into targeted geographic areas or allow us to expand our service offerings in areas that require skill sets or equipment that we do not currently maintain. We may also consider sales or divestitures of portions of our assets, operations, real estate or other properties.

Certain Information about Us in this Prospectus

We are incorporated under the laws of the State of Florida. Our principal executive offices are located at 800 Douglas Road, 12th Floor, Coral Gables, Florida 33134. Our telephone number is (305) 599-1800.

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The Offering

Common stock offered by us	shares.
Common stock to be outstanding after the offering	shares.
Over-allotment option	shares.
Use of proceeds	We estimate that net proceeds from this offering will be approximately $ million, based on an assumed offering price of $ per share. In February 2006 we intend to use at least $75 million and up to $100 million of the net proceeds of the offering to redeem a portion of our 7.75% senior subordinated notes due February 2008. We expect to use the remaining net proceeds from this offering for working capital, possible acquisitions of assets and businesses, organic growth and other general corporate purposes. Although we regularly evaluate potential acquisition opportunities, we currently have no definitive agreements to make any acquisitions. Our management has broad discretion over the allocation of the net proceeds from this offering, see Risk Factors Our management has broad discretion over the use of proceeds from this offering and may use the proceeds in ways that may be dilutive.
New York Stock Exchange symbol	MTZ .

This preliminary prospectus is subject to completion prior to this offering. Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters over-allotment option.

In addition to the shares of common stock expected to be outstanding after this offering, as of the closing of this offering and based upon the number of options granted as of September 30, 2005, we had additional shares of common stock available for issuance under the following plans and arrangements:

- 15,735,189 shares issuable under our stock option and stock purchase plans, consisting of:
  - 8,541,021 shares underlying options outstanding at a weighted average exercise price of $12.72 per share, of which 6,786,034 shares were exercisable; and
  - 7,194,168 shares available for future issuance under our stock option and stock purchase plans.

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Summary Consolidated Financial Data

The following table states our summary consolidated financial data and is derived from our consolidated financial statements. The table reflects our consolidated results of operations for the periods indicated including the reclassification of results of operations for our Brazil and network services operations in 2002 and 2003 to discontinued operations. The summary consolidated data as of September 30, 2005 and for each of the nine month periods ended September 30, 2004 and 2005 are derived from our condensed unaudited consolidated financial statements included elsewhere in this prospectus and, in our opinion, include all adjustments, which are only normal recurring adjustments, necessary for a fair presentation. Our results of operations for the nine months ended September 30, 2005 may not be indicative of results that may be expected for the full fiscal year. The following summary consolidated financial data should be read together with our consolidated financial statements and notes thereto as well as Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,			Nine Months Ended September 30,	
	2002	**2003**	**2004**	**2004**	**2005**
				(Unaudited)	
	(In thousands, except per share amounts)				
Statement of Operations Data					
Revenue	$ 766,467	$ 827,480	$ 913,795	$ 667,071	$ 697,427
Costs of revenue, excluding depreciation	$ 683,855	$ 744,587	$ 828,743	$ 607,120	$ 621,560
Loss from continuing operations before cumulative effect of change in accounting principle	$ (107,238)(1)	$ (24,440)	$ (26,217)	$ (20,451)	$ (1,558)
Loss from continuing operations	$ (119,834)	$ (24,440)	$ (26,217)	$ (20,451)	$ (1,558)
Loss on write-off of assets of discontinued operations, net	$	$	$ (19,165)	$ (19,165)	$
Loss from discontinued operations, net of tax	$ (16,722)	$ (27,859)	$ (4,055)	$ (2,966)	$ (1,008)
Loss on sale of assets of discontinued operations, net of tax	$	$	$	$	$ (583)
Net loss	$ (136,556)	$ (52,299)	$ (49,437)	$ (42,582)	$ (3,149)
Basic and diluted net loss per share:					
Continuing operations	$ (2.50)	$ (.51)	$ (.54)	$ (.42)	$ (.03)
Discontinued operations	$ (.35)	$ (.58)	$ (.48)	$ (.46)	$ (.03)
Basic and diluted net loss per share before cumulative effect of change in accounting principle	$ (2.59)	$ (1.09)	$ (1.02)	$ (.88)	$ (.06)
Basic and diluted net loss per share	$ (2.85)	$ (1.09)	$ (1.02)	$ (.88)	$ (.06)

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	December 31, 2002	December 31, 2003	December 31, 2004	September 30, 2005 (unaudited)
	(In thousands)			
Balance Sheet Data				
Working capital	$ 139,154	$ 113,360	$ 134,463	$ 131,976
Property and equipment, net	$ 118,475	$ 85,832	$ 69,303	$ 56,451
Total assets	$ 622,681	$ 628,263	$ 600,523	$ 609,389
Total debt	$ 198,642	$ 201,665	$ 196,158	$ 196,238
Total shareholders equity	$ 263,010	$ 215,818	$ 191,153	$ 190,405

(1) Includes charges of $12.8 million to reduce the carrying amount of certain assets held for sale and in use, and non-core assets, restructuring charges of $8.3 million, impairment of goodwill of $79.7 million, and provisions for bad debt totaling $15.4 million.

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RISK FACTORS

You should carefully consider the risks described below, together with all of the other information in this prospectus, before making a decision to invest in our common stock. If any of the following risks actually occurs, our business, financial condition and results of operations could suffer. In this case, the trading price of our common stock could decline and you may lose all or part of your investment in our common stock.

Risks Related to Our Industry and Our Customers Industries

An economic downturn or reduced capital expenditures in the industries we serve may result in a decrease in demand for our services.

Commencing in 2001 and through 2003, the communications industry suffered a severe downturn that resulted in a number of our customers filing for bankruptcy protection or experiencing financial difficulties. The downturn resulted in reduced capital expenditures for infrastructure projects, even among those customers that did not experience financial difficulties. Although our strategy is to increase the percentage of our business derived from large, financially stable customers in the communications, utility and government industries, these customers may not continue to fund capital expenditures for infrastructure projects at current levels. Even if they do continue to fund projects, we may not be able to increase our share of their business. Bankruptcies or decreases in our customers capital expenditures and disbursements could reduce our revenue, profitability or liquidity.

Many of the industries we serve are subject to consolidation and rapid technological and regulatory change, and our inability or failure to adjust to our customers changing needs could reduce demand for our services.

We derive, and anticipate that we will continue to derive, a substantial portion of our revenue from customers in the communications industry. The communications industry is subject to rapid changes in technology and governmental regulation. Changes in technology may reduce the demand for the services we provide. New or developing technologies could displace the wire line systems used for the transmission of voice, video and data, and improvements in existing technology may allow communications providers to significantly improve their networks without physically upgrading them. Additionally, the communications industry has been characterized by a high level of consolidation that may result in the loss of one or more of our customers. Utilities have also entered into a phase of consolidation similar to the communications industry which could lead to the same uncertainties.

Our industry is highly competitive which may reduce our market share and harm our financial performance.

Our industry is highly fragmented, and we compete with other companies in most of the markets in which we operate, ranging from small independent firms servicing local markets to larger firms servicing regional and national markets. We also face competition from existing or prospective customers that employ in-house personnel to perform some of the same types of services we provide. There are relatively few barriers to entry into the markets in which we operate and, as a result, any organization that has adequate financial resources and access to technical expertise and skilled personnel may become one of our competitors.

Most of our customers work is awarded through a bid process. Consequently, price is often the principal factor in determining which service provider is selected, especially on smaller, less complex projects. Smaller competitors are sometimes able to win bids for these projects based on price alone due to their lower costs and financial return requirements.

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Risks Related to Our Business

We derive a significant portion of our revenue from a few customers, and the loss of one of these customers or a reduction in their demand, the amount they pay or their ability to pay, for our services could impair our financial performance.

In the year ended December 31, 2004, we derived approximately 21.4% and 12.3% of our revenue from DirecTV, Inc. and Comcast Cable Communications, Inc., respectively. In the nine months ended September 30, 2005, we derived approximately 27.5% and 10.4% of our revenue from DirecTV and Verizon Communications, respectively. In addition, our largest 10 customers accounted for approximately 43.9%, 55.0% and 63.7% of our revenue in the years ended December 31, 2002, 2003 and 2004, respectively, and approximately 64.6% of our revenue in the nine months ended September 30, 2005.

Because our business is concentrated among relatively few major customers, our revenue could significantly decline if we lose one or more of these customers or if the amount of business we obtain from them is reduced, which could result in reduced profitability and liquidity. For example, we have experienced a decrease of $94.6 million in revenue related to upgrade work for Comcast in the nine months ended September 30, 2005 compared to the same period in 2004 and we expect to continue to experience a decrease in revenue from Comcast due to the completion of the rebuild and upgrade of their broadband networks in 2004. In addition, our revenue, profitability and liquidity could decline if certain customers reduce the amounts they pay for our services or if our customers are unable to pay for our services. A number of our customers filed for bankruptcy protection or experienced financial difficulties commencing in 2001 through 2003 during the last economic downturn in the communications industry which negatively impacted our revenue, profitability and liquidity. Included in general and administrative expense in 2002, 2003 and 2004 were provisions for bad debts of $15.4 million, $8.8 million and $5.1 million, respectively, and approximately $3.8 million for the nine months ended September 30, 2005. As of September 30, 2005, we had remaining receivables from customers undergoing bankruptcy reorganization totaling $14.7 million, of which $8.0 million is included in specific reserves for bad debts, with the remaining amounts expected to be recovered through enforcement of liens or bonds.

Most of our contracts do not obligate our customers to undertake any infrastructure projects or other work with us.

A significant portion of our revenue is derived from service agreements. Under our service agreements, we contract to provide customers with individual project services, through work orders, within defined geographic areas on a fixed fee basis. Under these agreements, our customers have no obligation to undertake any infrastructure projects or other work with us. A significant decline in the projects customers assign us under service agreements could result in a decline in our revenue, profitability and liquidity.

Most of our contracts may be canceled on short notice, so our revenue is not guaranteed.

Most of our contracts are cancelable on short notice, ranging from immediate cancellation to cancellation upon 180 days notice, even if we are not in default under the contract. Many of our contracts, including our service agreements, are periodically open to public bid. We may not be the successful bidder on our existing contracts that are re-bid. We also provide a significant portion of our services on a non-recurring, project-by-project basis. We could experience a reduction in our revenue, profitability and liquidity if:

- our customers cancel a significant number of contracts;
- we fail to win a significant number of our existing contracts upon re-bid; or
- we complete the required work under a significant number of our non-recurring projects and cannot replace them with similar projects.

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We may not accurately estimate the costs associated with our services provided under fixed-price contracts which could impair our financial performance.

A substantial portion of our revenue is derived from master service agreements and other service agreements that are fixed price contracts. Under these contracts, we set the price of our services on a per unit or aggregate basis and assume the risk that the costs associated with our performance may be greater than we anticipated. Our profitability is therefore dependent upon our ability to accurately estimate the costs associated with our services. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at the work sites differing materially from what was anticipated at the time we bid on the contract and higher costs of materials and labor. Certain agreements or projects could have lower margins than anticipated or losses if actual costs for our contracts exceed our estimates, which could reduce our profitability and liquidity.

We account for a majority of our projects using units-of-delivery methods or percentage-of-completion, therefore variations of actual results from our assumptions may reduce our profitability.

For installation/construction projects, we recognize revenue on projects on the units-of-delivery or percentage-of-completion methods, depending on the type of project. We recognize revenue on unit based projects using the units-of-delivery method. Under the units-of-delivery method, revenue is recognized as the units are completed at the contractually agreed price per unit. Our profitability is reduced if the actual cost to complete each unit exceeds our original estimates. We are also required to immediately recognize the full amount of any estimated loss on these projects if the estimated costs to complete the remaining units for the project exceed the revenue to be earned on such units. For certain customers with unit based construction/installation contracts, we recognize revenue only after the service is performed and as the related work orders are approved. Revenue from completed work orders not collected in accordance with the payment terms established with these customers is not recognized until collection is assured. If we are required to recognize a loss on a project, we could experience reduced profitability which could negatively impact our liquidity.

We recognize revenue on non-unit based fixed price contracts using the percentage-of-completion method. Under the percentage-of-completion method, we record revenue as work on the contract progresses. The cumulative amount of revenue recorded on a contract at a specified point in time is that percentage of total estimated revenue that incurred costs to date bear to estimated total contract costs. The percentage-of-completion method therefore relies on estimates of total expected contract costs. Contract revenue and total cost estimates are reviewed and revised periodically as the work progresses. Adjustments are reflected in contract revenue in the fiscal period when such estimates are revised. Estimates are based on management s reasonable assumptions and experience, but are only estimates. Variation of actual results from estimates on a large project or on a number of smaller projects could be material. We immediately recognize the full amount of the estimated loss on a contract when our estimates indicate such a loss. Such adjustments and accrued losses could result in reduced profitability which could negatively impact our liquidity.

Amounts included in our backlog may not result in actual revenue or translate into profits.

Approximately 78.7% of our 18-month backlog at September 30, 2005 was comprised of master service agreements and other service agreements which do not require our customers to purchase a minimum amount of services and are cancelable on short notice. These backlog amounts are based on our estimates and therefore may not result in actual revenue in any particular period or at all. In addition, contracts included in our backlog may not be profitable. We have historically experienced variances in the realization of our backlog because of project delays or cancellations resulting from weather conditions, external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. If our backlog fails to materialize, we could experience a reduction in our revenue, profitability and liquidity.

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Our business is seasonal and is affected by adverse weather conditions and the spending patterns of our customers, exposing us to variable quarterly results.

The budgetary years of many of our specialty infrastructure services customers end December 31. As a result, some of our customers reduce their expenditures and work order requests towards the end of the year. Adverse weather conditions, particularly during the winter season, also affect our ability to perform outdoor services in certain regions of the United States and Canada. As a result, we experience reduced revenue in the first and fourth quarters of each calendar year.

Natural catastrophes such as the recent hurricanes in the United States could also have a negative impact on the economy overall and on our ability to perform outdoor services in affected regions or utilize equipment and crews stationed in those regions, which in turn could significantly impact the results of any one or more of our reporting periods.

We are self-insured against many potential liabilities.

Although we maintain insurance policies with respect to automobile liability, general liability, workers compensation and employee group health claims, those policies are subject to high deductibles, and we are self-insured up to the amount of the deductible. Since most claims against us do not exceed the deductibles under our insurance policies, we are effectively self-insured for substantially all claims. We actuarially determine any liabilities for unpaid claims and associated expenses, including incurred but not reported losses, and reflect those liabilities in our balance sheet as other current and non-current liabilities. The determination of such claims and expenses and the appropriateness of the liability is reviewed and updated quarterly. However, insurance liabilities are difficult to assess and estimate due to the many relevant factors, the effects of which are often unknown, 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. If our insurance claims or costs exceed our estimates of insurance liabilities, we could experience a decline in profitability and liquidity.

Increases in our insurance premiums or collateral requirements could significantly reduce our profitability, liquidity and credit facility availability.

Because of factors such as increases in claims (primarily workers compensation claims), projected significant increases in medical costs and wages, lost compensation and reductions in coverage and our financial position, insurance carriers may be unwilling to continue to provide us with our current levels of coverage without a significant increase in insurance premiums or collateral requirements to cover our deductible obligations. An increase in premiums or collateral requirements could significantly reduce our profitability and liquidity as well as reduce availability under our revolving credit facility to support some of these collateral requirements.

We may be unable to obtain sufficient bonding capacity to support certain service offerings and the need for performance and surety bonds may reduce our availability under our credit facility.

Some of our contracts require performance and surety bonds. Bonding capacity in the infrastructure industry has become increasingly difficult to obtain, and bonding companies are denying or restricting coverage to an increasing number of contractors. Companies that have been successful in renewing or obtaining coverage have sometimes been required to post additional collateral to secure the same amount of bonds which reduces availability under our credit facility. We may not be able to maintain a sufficient level of bonding capacity in the future, which could preclude us from being able to bid for certain contracts and successfully contract with certain customers. In addition, even if we are able to successfully renew or obtain performance or payment bonds in the future, we may be required to post letters of credit in connection with the bonds which would reduce availability under our credit facility. We reported net losses for the years ended December 31, 2002, 2003, 2004 and for the nine months ended September 30, 2005. If we continue to incur net losses, our overall level of bonding capacity could be reduced.

New accounting pronouncements including SFAS 123R may significantly impact our future results of operations and earnings per share.

We currently account for our stock-based award plans to employees and directors in accordance with APB No. 25, Accounting for Stock Issued to Employees under which compensation expense is recorded to the extent that the current market price of the underlying stock exceeds the exercise price. Under this method, we generally do not recognize any compensation related to employee stock option grants we issue under our stock option plans at fair value. In December 2004, the Financial Accounting Standards Board issued SFAS 123R Share-Based Payment or SFAS 123R. This statement, which will be effective for us beginning on January 1, 2006, will require us to recognize the expense attributable to stock options granted or vested subsequent to December 31, 2005 and will have a material negative impact on our future profitability.

SFAS 123R will require us to recognize share-based compensation as compensation expense in our statement of operations based on the fair values of such equity on the date of the grant, with the compensation expense recognized over the vesting period. This statement will also require us to adopt a fair value-based method for measuring the compensation expense related to share-based compensation. We are in the process of evaluating the impact of the adoption of SFAS 123R on our results of operations. In connection with evaluating the impact of SFAS 123R, we are considering the potential use of different valuation methods to determine the fair value of share-based compensation and reviewing all assumptions used in those valuation methods. We believe the adoption of SFAS 123R will have a material negative impact on our profitability regardless of the valuation method used. Future changes in generally accepted accounting principles may also have a significant effect on our reported results.

We may incur goodwill impairment charges in our reporting entities which could harm our profitability.

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, we periodically review the carrying values of our goodwill to determine whether such carrying values exceed the fair market value. During the fourth quarter of 2002, we performed a review of goodwill for impairment which resulted in a charge of approximately $79.7 million, or $51.9 million net of tax. The primary factors contributing to the impairment charge were the overall deterioration of the business climate during 2002 and the continued depression of the market values of our common stock and the equity securities of other companies that serve our industry. In the year ended December 31, 2004, we charged $12.3 million against goodwill in connection with the bankruptcy of our Brazilian subsidiary, which is included in the consolidated statements of operations under discontinued operations. We may incur additional impairment charges related to goodwill in any of our reporting entities in the future if the markets they serve or their business deteriorates. Any such charges would be reflected on our consolidated financial statements as operating expenses and could reduce our profitability.

We may incur restructuring charges which could reduce our profitability.

From time to time we review our operations in an effort to improve profitability. In 2002, we implemented a restructuring program under which we:

- eliminated service offerings that no longer fit into our business strategy;
- reduced or eliminated services that did not produce adequate revenue or margin;
- reduced costs of businesses that provided adequate profit contributions but needed margin improvements; and
- reviewed new business opportunities capable of utilizing our existing human and physical resources.

As a result of this program, we incurred a pre-tax charge of $3.7 million in 2002. We could incur charges in the future as a result of similar reviews, which would be reflected as operating expenses and could reduce our profitability.

Our credit facility and senior subordinated notes impose restrictions on us which may prevent us from engaging in transactions that might benefit us, including responding to changing business and economic conditions or securing additional financing, if needed.

At September 30, 2005, we had $195.9 million in senior subordinated notes outstanding due 2008 under an indenture and $0.3 million in other notes payable outstanding. We also have a $150.0 million revolving credit facility. The terms of our indebtedness contain customary events of default and covenants that prohibit us from taking certain actions without satisfying certain financial tests or obtaining the consent of the lenders. The prohibited actions include, among other things:

- making investments in excess of specified amounts;
- incurring additional indebtedness in excess of a specified amount;
- paying cash dividends;
- making capital expenditures in excess of a specified amount;
- creating certain liens;
- prepaying our other indebtedness, including the senior subordinated notes;
- engaging in certain mergers or combinations; and
- engaging in transactions that would result in a change of control (as defined in the credit facility and senior subordinated notes indenture).

Our credit facility provides that if our net borrowing base availability falls below $20.0 million we must comply with a minimum fixed charge coverage ratio. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources. In the past, we have not been in compliance with certain financial covenants of our credit facility and have had to seek amendments or waivers from our lenders. Should we be unable to comply with the terms and covenants of our credit facility, we would be required to obtain further modifications of the facility or secure another source of financing to continue to operate our business. A default could result in the acceleration of either our obligations under the credit facility or under the indenture relating to the senior subordinated notes, or both. In addition, these covenants may prevent us from engaging in transactions that benefit us, including responding to changing business and economic conditions or securing additional financing, if needed. Our business is capital intensive and, to the extent we need additional financing, we may not be able to obtain such financing at all or on favorable terms, which may decrease our profitability and liquidity.

If we are unable to attract and retain qualified managers and skilled employees, we will be unable to operate efficiently which could reduce our revenue, profitability and liquidity.

Our business is labor intensive, and some of our operations experience a high rate of employee turnover. At times of low unemployment rates in the areas we serve, it can be difficult for us to find qualified and affordable personnel. We may be unable to hire and retain a sufficient skilled labor force necessary to support our operating requirements and growth strategy. Our labor expenses may increase as a result of a shortage in the supply of skilled personnel. If we are unable to hire employees with the requisite skills, we may also be forced to incur significant training expenses. Additionally, our business is managed by a number of key executive and operational officers and is dependent upon retaining and recruiting qualified management. Labor shortages, increased labor or training costs or the loss of key personnel could result in reduced revenue, profitability and liquidity.

Increases in the costs of fuel could reduce our operating margins.

The price of fuel needed to run our vehicles and equipment is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns and environmental concerns. Most of our contracts do not allow us to adjust our pricing. Accordingly, any increase in fuel costs could reduce our profitability and liquidity.

We may choose, or be required, to pay our subcontractors even if our customers do not pay, or delay paying, us for the related services.

We use subcontractors to perform portions of our services and to manage work flow. In some cases, we pay our subcontractors before our customers pay us for the related services. If we choose, or are required, to pay our subcontractors for work performed for customers who fail to pay, or delay paying, us for the related work, we could experience a decrease in profitability and liquidity.

If we are unable to obtain our audited financial statements on a timely basis or otherwise fail to comply with state department of transportation requirements, we could experience a decrease in our revenue and profitability from some governmental customers.

State DOTs require us to submit an annual application in order to qualify as an approved direct bidder for their projects. In some states, our application must be accompanied by audited financial statements which must be submitted within a certain number of days after the end of each fiscal year in order to be considered timely. In 2004, we failed to complete the audit of our financial statements for the fiscal year ended December 31, 2003 on a timely basis. If we fail to submit audited financial statements and other information on a timely basis, or if our prequalification application is delayed or rejected for any reason, our status as an approved bidder for any new state DOT work in certain states could be suspended. While we can currently provide services as a subcontractor, until we re-establish our qualification to bid, our status as an approved bidder for Florida DOT work remains suspended. This has resulted in a decrease in revenue from this customer and may result in continued decreases in the future. If we are unable to comply with the applicable state DOT requirements we would be unable to serve as a direct provider of new services to those state DOTs and we could experience a decrease in revenue and profitability from these customers.

Our failure to comply with environmental laws could result in significant liabilities.

Some of the work we perform is in underground environments. If the field location maps supplied to us are not accurate, or if objects are present in the soil that are not indicated on the field location maps, our underground work could strike objects in the soil containing pollutants and result in a rupture and discharge of pollutants. In such a case, we may be liable for fines and damages.

We own and lease several facilities at which we store our equipment. Some of these facilities contain fuel storage tanks which may be above or below ground. If these tanks were to leak, we could be responsible for the cost of remediation as well as potential fines.

We sometimes perform directional drilling operations below certain environmentally sensitive terrains and water bodies. Due to the inconsistent nature of the terrain and water bodies, it is possible that such directional drilling may cause a surface fracture releasing subsurface materials. These releases may contain contaminants in excess of amounts permitted by law, potentially exposing us to remediation costs and fines.

We are currently engaged in litigation related to environmental liabilities in Coos Bay, Oregon. See Legal Proceedings.

In addition, new environmental laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or leaks, or the imposition of new clean-up requirements could require us to incur significant costs or become the basis for new or increased liabilities that could negatively impact our profitability and liquidity.

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Our failure to comply with the regulations of the U.S. Occupational Safety and Health Administration, the U.S. Department of Transportation and other state and local agencies that oversee transportation and safety compliance could reduce our revenue, profitability and liquidity.

The Occupational Safety and Health Act of 1970, as amended, or OSHA, establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by the Occupational Safety and Health Administration and various record keeping, disclosure and procedural requirements. Various standards, including standards for notices of hazards, safety in excavation and demolition work, may apply to our operations. We have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with OSHA and other state and local laws and regulations.

We have, from time to time, received notice from the U.S. Department of Transportation that our motor carrier operations will be monitored and that the failure to improve our safety performance could result in suspension or revocation of vehicle registration privileges. If we cannot successfully resolve these issues, our ability to service our customers could be damaged which could lead to a reduction of our revenue, profitability and liquidity.

Our business is subject to hazards that could result in substantial liabilities and weaken our financial condition.

Construction projects undertaken by our employees involve exposure to electrical lines, pipelines carrying potentially explosive materials, heavy equipment, mechanical failures and adverse weather conditions. If serious accidents or fatalities occur, we may be restricted from bidding on certain work and certain existing contracts could be terminated. In addition, if our safety record were to deteriorate, our ability to bid on certain work could suffer. The occurrence of accidents in our business could result in significant liabilities or harm our ability to perform under our contracts or enter into new contracts with customers, which could reduce our revenue, profitability and liquidity.

Many of our communications customers are highly regulated and the addition of new regulations or changes to existing regulations may adversely impact their demand for our specialty contracting services and the profitability of those services.

Many of our communications customers are regulated by the Federal Communications Commission. The FCC may interpret the application of its regulations to communication companies in a manner that is different than the way such regulations are currently interpreted and may impose additional regulations. If existing or new regulations have an adverse affect on our communications customers and adversely impact the profitability of the services they provide, then demand for our specialty contracting services may be reduced.

Claims, lawsuits and proceedings could reduce our profitability and liquidity and weaken our financial condition.

We are subject to various claims, lawsuits and proceedings which arise in the ordinary course of business. Claimants may seek large damage awards and defending claims can involve significant costs. When appropriate, we establish reserves against these items that we believe to be adequate in the light of current information, legal advice and professional indemnity insurance coverage, and we adjust such reserves from time to time according to case developments. If our reserves are inadequate, or if in the future our insurance coverage proves to be inadequate or unavailable or there is an increase in liabilities for which we self-insure, we could experience a reduction in our profitability and liquidity. In addition, claims, lawsuits and proceedings may harm our reputation or divert management resources away from operating our business. See Legal Proceedings.

Acquisitions involve risks that could result in a reduction of our profitability and liquidity.

We have made, and in the future plan to make, strategic acquisitions. However, we may not be able to identify suitable acquisition opportunities or may be unable to obtain the consent of our lenders and therefore not be able to complete such acquisitions. We may decide to pay for acquisitions with our common stock which may dilute your investment in our common stock or decide to pursue acquisitions that investors may not agree with. In addition, acquisitions may expose us to operational challenges and risks, including:

- the ability to profitably manage additional businesses or successfully integrate the acquired business operations and financial reporting and accounting control systems into our business;
- increased indebtedness associated with an acquisition;
- the ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions or unforeseen internal difficulties;
- the availability of funding sufficient to meet increased capital needs;
- diversion of management s attention; and
- the ability to hire qualified personnel required for expanded operations.

A failure to successfully manage the operational challenges and risks associated with or resulting from acquisitions could result in a reduction of our profitability and liquidity. Borrowings associated with these acquisitions may also result in higher levels of indebtedness which could impact our ability to service the debt within the scheduled repayment terms.

Risks Related to Our Company and Our Common Stock

We have identified a material weakness in our disclosure controls and procedures and internal control over financial reporting related to inventory practices and policies related to certain department of transportation projects that may prevent us from being able to report accurately our financial results or prevent fraud, which could harm our business and operating results and the trading price of our stock.

Effective disclosure controls and procedures and internal controls are necessary for us to provide reliable and accurate financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002 requires that we assess, and our independent registered certified public accounting firm attest to, the design and operating effectiveness of our internal control over financial reporting. If we cannot provide reliable and accurate financial reports and prevent fraud, our business and operating results could be harmed. In connection with our evaluation of our disclosure controls and procedures and internal control over financial reporting as of December 31, 2004, we identified a material weakness in the inventory practices and policies related to certain department of transportation projects. We may in the future discover additional areas of our disclosure controls or internal control over financial reporting that need improvement. Any remedial measures we take may not succeed in designing, implementing and maintaining adequate controls over our financial processes and reporting in the future and may not be sufficient to address and eliminate the material weakness. Remedying the material weakness that has been identified, or material weaknesses that we or our independent registered public accounting firm may identify in the future, could require us to incur additional costs or divert management resources which could reduce our profitability.

We have not yet fully remediated the material weakness related to the inventory practices and policies related to certain department of transportation projects, with respect to inventory pricing on receipt and the related costs of sales, and inventory tracking prior to sale or use. If we do not remedy this material weakness, we may be required to report in subsequent reports that we file with the Securities and Exchange Commission that a material weakness in our disclosure controls and procedures and internal controls over financial reporting continues to exist. Any delay or failure to design and implement new or improved controls, or difficulties encountered in their implementation or operation, could harm our

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operating results, cause us to fail to meet our financial reporting obligations, or prevent us from providing reliable and accurate financial reports or avoiding or detecting fraud. Disclosure of material weaknesses, any failure to remediate such material weaknesses in a timely fashion or having or maintaining ineffective internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our access to capital.

We may incur significant damages and expenses due to the purported class action complaints that were filed against us and certain of our officers.

In the second quarter of 2004, several complaints for a purported securities class action were filed against us and certain of our officers in the United States District Court for the Southern District of Florida and one was filed in the United States District Court for the Southern District of New York. These cases have been consolidated in the Southern District of Florida. The complaints allege certain violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, related to current and prior period earnings reports. In addition, in December 2004 a derivative action based on the same factual predicate as the purported securities class actions was filed by a shareholder. We may be unable to successfully resolve these disputes without incurring significant expenses. See Legal Proceedings.

The market price of our common stock has been, and may continue to be, highly volatile.

From 2001 to 2003, for example, our common stock fluctuated from a high of $24.75 in the first quarter of 2001 to a low of $1.31 in the first quarter of 2003. During 2004 and 2005, our common stock fluctuated from a high of $16.50 to a low of $3.63. We may continue to experience significant volatility in the market price of our common stock. See Price Range of Common Stock and Dividend Policy .

Numerous factors could have a significant effect on the price of our common stock, including:

- announcements of fluctuations in our operating results or the operating results of one of our competitors;
- future sales of our common stock or other securities;
- announcements of new contracts or customers by us or one of our competitors;
- market conditions for providers of services to communications companies, utilities and government;
- changes in recommendations or earnings estimates by securities analysts; and
- announcements of acquisitions by us or one of our competitors.

In addition, the stock market has experienced significant price and volume fluctuations in recent years that have been unrelated or disproportionate to the operating performance of companies. The market price for our common stock has been volatile and could also cause the market price of our common stock to decrease and cause you to lose some or all of your investment in our common stock.

A small number of our existing shareholders have, and after the offering will continue to have, the ability to influence major corporate decisions.

Jorge Mas, our Chairman, and other members of his family will beneficially own approximately % of the outstanding shares of our common stock after the offering. Accordingly, they are in a position to influence:

- the vote of most matters submitted to our shareholders, including any merger, consolidation or sale of all or substantially all of our assets;
- the nomination of individuals to our Board of Directors; and
- a change in our control.

These factors may discourage, delay or prevent a takeover attempt that you might consider in your best interest or that might result in you receiving a premium for your common stock.

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Our articles of incorporation and Florida law contain anti-takeover provisions that may make it more difficult to effect a change in our control.

Certain provisions of our articles of incorporation and bylaws and the Florida Business Corporation Act could delay or prevent an acquisition or change in control and the replacement of our incumbent directors and management, even if doing so might be beneficial to our shareholders by providing them with the opportunity to sell their shares possibly at a premium over the then market price of our common stock. For example, our Board of Directors is divided into three classes. At any annual meeting of our shareholders, our shareholders only have the right to appoint approximately one-third of the directors on our Board of Directors. Consequently, it will take at least two annual shareholder meetings to effect a change in control of our Board of Directors, which may discourage hostile takeover bids. In addition, our articles of incorporation authorize our Board of Directors, without further shareholder approval, to issue preferred stock. The issuance of preferred stock could also dilute the voting power of the holders of common stock, including by the grant of voting control to others, which could delay or prevent an acquisition or change in control.

Our management has broad discretion over the use of proceeds from this offering and may use the proceeds in ways that may be dilutive.

We estimate that our net proceeds from the sale of the shares of common stock we are offering will be approximately $ million, after deducting estimated offering expenses, underwriting discounts and commissions. In February 2006 we intend to use at least $75 million and up to $100 million of the net proceeds of the offering to redeem a portion of our 7.75% senior subordinated notes. Our management will retain broad discretion to allocate the balance of the proceeds from this offering and the net proceeds could be used for corporate purposes that do not increase our operating results or market value.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We are making this statement pursuant to the safe harbor provisions for forward-looking statements described in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts but are the intent, belief, or current expectations of our business and industry. We make statements in this prospectus that are forward-looking. When used in this prospectus or in any other presentation, statements which are not historical in nature, including the words anticipate, estimate, could, should, may, plan, seek, expect, believe, int project and similar expressions are intended to identify forward-looking statements. They also include statements regarding:

- our future growth and profitability;
- our competitive strengths; and
- our business strategy and the trends we anticipate in the industries and economies in which we operate.

These forward-looking statements are based on our current expectations and are subject to a number of risks, uncertainties and assumptions. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Important factors that could cause actual results to differ materially from those in forward-looking statements include:

- economic downturns, reduced capital expenditures, consolidation and technological and regulatory changes in the industries we serve;
- the ability of our customers to terminate or reduce the amount of work or in some cases prices paid for services under many of our contracts;
- technical and regulatory changes in our customers industries;
- the highly competitive nature of our industry;
- our ability to attract and retain qualified managers and skilled employees;
- our dependence on a limited number of customers;
- the seasonality and quarterly variations we experience in our revenue and profitability;
- increases in fuel and labor costs;
- the restrictions imposed by our credit facility and senior notes; and
- the other factors referenced in this prospectus, including, without limitation, under Business , Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations.

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Furthermore, forward-looking statements speak only as of the date they are made. If any of these risks or uncertainties materialize, or if any of our underlying assumptions are incorrect, our actual results may differ significantly from the results that we express in or imply by any of our forward-looking statements. These and other risks are detailed in this prospectus, in the documents that we incorporate by reference into this prospectus and in other documents that we file with the Securities and Exchange Commission. We do not undertake any obligation to publicly update or revise these forward-looking statements after the date of this prospectus to reflect future events or circumstances. We qualify any and all of our forward-looking statements by these cautionary factors.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of the shares of common stock we are offering will be approximately $ million (approximately $ million if the underwriters exercise their over-allotment option in full) after deducting estimated offering expenses, underwriting discounts and commissions. For purposes of this calculation we have assumed a public offering price of $ per share. In February 2006 we intend to use at least $75 million and up to $100 million of the net proceeds of the offering to redeem a portion of our 7.75% senior subordinated notes due February 2008. We expect to use the remaining net proceeds from this offering for working capital, possible acquisitions of assets and businesses, organic growth and other general corporate purposes. Although we regularly evaluate potential acquisition opportunities, we currently have no definitive agreements to make any acquisitions. Our management has broad discretion over the allocation of the net proceeds from this offering, see Risk Factors Our management has broad discretion over the use of proceeds from this offering and may use the proceeds in ways that may be dilutive.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is listed on the New York Stock Exchange under the symbol MTZ. The following table states, for the quarters indicated, the high and low sale prices per share of our common stock, as reported by the New York Stock Exchange.

	High	Low
Year Ended December 31, 2003		
First Quarter	$ 3.30	$ 1.31
Second Quarter	$ 6.48	$ 1.88
Third Quarter	$ 11.90	$ 5.35
Fourth Quarter	$ 15.50	$ 10.00
Year Ended December 31, 2004		
First Quarter	$ 16.50	$ 6.85
Second Quarter	$ 9.81	$ 3.63
Third Quarter	$ 6.52	$ 4.11
Fourth Quarter	$ 10.72	$ 5.05
Year Ended December 31, 2005		
First Quarter	$ 10.20	$ 7.87
Second Quarter	$ 9.40	$ 6.56
Third Quarter	$ 11.95	$ 8.66
Fourth Quarter (through November 17, 2005)	$ 11.39	$ 9.24

On November 17, 2005, the closing sale price of our common stock as reported on the New York Stock Exchange was $10.74 per share. The number of shareholders of record on November 17, 2005 was approximately 2058.

We have never paid any cash dividends and do not currently anticipate paying any cash dividends in the foreseeable future. Our Board of Directors will make any future determination as to the payment of dividends at its discretion, and its determination will depend upon our operating results, financial condition and capital requirements, general business conditions and any other factors that the Board of Directors considers relevant. In addition, our revolving credit facility prohibits us from paying dividends or making other distributions on our common stock without the prior written consent of the lenders. You should read Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources.

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DILUTION

Our diluted net tangible book value as of September 30, 2005 was approximately $ million, or $ per share of common stock. Net tangible book value per share represents our total tangible assets less our total liabilities, divided by the aggregate number of shares of our common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering and the net tangible book value per share of our common stock immediately after this offering. After (i) giving effect to the sale of the shares of our common stock in this offering (assuming no exercise of the over-allotment option granted to the underwriters) at an assumed public offering price of $ per share, the last reported sale price of our common stock on , 2005 on the New York Stock Exchange, and (ii) deducting the estimated underwriting discounts and commissions and the estimated offering expenses payable by us, our net tangible book value at September 30, 2005 would have been approximately $ million or $ per share. This represents an immediate increase in net tangible book value of $ per share of common stock to existing stockholders and an immediate dilution of $ per share to new investors. Dilution per share represents the difference between the amount per share paid by the new investors in this offering and the net tangible book value per share at September 30, 2005, giving effect to this offering. Purchasers of our common stock offered pursuant to this prospectus will suffer immediate and substantial dilution in net tangible book value per share. The following table illustrates the increase in net tangible book value of $ per share and the dilution to new investors.

Public offering price per share		$
Diluted net tangible book value per share as of September 30, 2005 before this offering	$	
Increase in net tangible book value per share attributable to new investors		
Net tangible book value per share as of September 30, 2005 after giving effect to this offering		
Dilution per share to new investors		

These calculations assume no issuance of shares of our common stock through the exercise of stock options as of September 30, 2005. To the extent all of these options had been exercised as of September 30, 2005, our net tangible book value per share of common stock would have further decreased and the dilution per share of common stock to new investors in this offering would have further increased.

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CAPITALIZATION

The following table states our capitalization as of September 30, 2005 on an actual basis and on an as adjusted basis to reflect the sale of shares of common stock by us in this offering, at an assumed public offering price of $ per share, and the application of the estimated net proceeds from the offering as described in Use of Proceeds. You should read the information in the following table in conjunction with the sections of this prospectus entitled Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and their notes included elsewhere in this prospectus.

	September 30, 2005	
	Actual	As Adjusted
	(Dollars in thousands)	
Cash and cash equivalents	$ 2,894	
Long term debt, including current portion	$ 196,238	
Shareholders equity:		
Preferred stock, par value $1.00 per share; 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, par value $0.10 per share; 100,000,000 shares authorized; 49,142,346 shares issued and outstanding; shares issued and outstanding as adjusted	4,914	
Capital surplus	355,469	
Accumulated deficit	(170,433)	
Accumulated other comprehensive income	455	
Total shareholders equity	190,405	
Total capitalization	$ 386,643	

After the closing of this offering and based upon the number of options granted as of September 30, 2005, we had additional shares of common stock available for issuance under the following plans and arrangements:

- 15,735,189 shares issuable under our stock option and stock purchase plans, consisting of:
  - 8,541,021 shares underlying options outstanding at a weighted average exercise price of $12.72 per share, of which 6,786,034 shares were exercisable; and
  - 7,194,168 shares available for future issuance under our stock option and stock purchase plans.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table states our selected consolidated financial data which are derived from our consolidated financial statements. The table reflects our consolidated results of operations for the periods indicated including the reclassification of results of operations for our Brazil and network services from 2000 through 2003 to discontinued operations. The selected consolidated data as of September 30, 2005 and 2004 and for each of the nine months then ended are derived from our condensed unaudited consolidated financial statements included elsewhere in this prospectus and, in our opinion, include all adjustments, which are only normal recurring adjustments, necessary for a fair presentation. Our results of operations for the nine months ended September 30, 2005, may not be indicative of results that may be expected for the full fiscal year. The following selected financial data should be read together with our consolidated financial statements and notes thereto as well as Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,					Nine Months Ended September 30,	
	2000(1)	2001	2002	2003	2004	2004	2005
						(Unaudited)	
	(In thousands, except per share amounts)						
Statement of Operations Data							
Revenue	$ 1,190,120	$ 1,116,894	$ 766,467	$ 827,480	$ 913,795	$ 667,071	$ 697,427
Costs of revenue, excluding depreciation	$ 906,010	$ 885,014	$ 683,855	$ 744,587	$ 828,743	$ 607,120	$ 621,560
Income (loss) from continuing operations before cumulative effect of change in accounting principle	$ 62,812(2)	$ (74,203)(3)	$ (107,238)(4)	$ (24,440)	$ (26,217)	$ (20,451)	$ (1,558)
Income (loss) from continuing operations	$ 62,812	$ (74,203)	$ (119,834)	$ (24,440)	$ (26,217)	$ (20,451)	$ (1,558)
Loss on write-off of assets of discontinued operations, net	$	$	$	$	$ (19,165)	$ (19,165)	$
Income (loss) from discontinued operations, net of tax	$ 719	$ (19,524)	$ (16,722)	$ (27,859)	$ (4,055)	$ (2,966)	$ (1,008)
Loss on sale of assets of discontinued operations, net of	$	$	$	$	$	$	$ (583)

tax														
Net income (loss)	$	63,531	$	(93,727)	$	(136,556)	$	(52,299)	$	(49,437)	$	(42,582)	$	(3,149)
Basic net income (loss) per share:														
Continuing operations	$	1.35	$	(1.55)	$	(2.50)	$	(.51)	$	(.54)	$	(.42)	$	(.03)
Discontinued operations	$	0.02	$	(0.41)	$	(.35)	$	(.58)	$	(.48)	$	(.46)	$	(.03)
Diluted net income (loss) per share:														
Continuing operations	$	1.30	$	(1.55)	$	(2.50)	$	(.51)	$	(.54)	$	(.42)	$	(.03)
Discontinued operations	$	0.01	$	(0.41)	$	(.35)	$	(.58)	$	(.48)	$	(.46)	$	(.03)
Basic net income (loss) per share before cumulative effect of change in accounting principle	$	1.37	$	(1.96)	$	(2.59)	$	(1.09)	$	(1.02)	$	(.88)	$	(.06)
Basic net income (loss) per share	$	1.37	$	(1.96)	$	(2.85)	$	(1.09)	$	(1.02)	$	(.88)	$	(.06)
Diluted net income (loss) per share before cumulative effect of change in accounting principle	$	1.31	$	(1.96)	$	(2.59)	$	(1.09)	$	(1.02)	$	(.88)	$	(.06)
Diluted net income (loss) per share	$	1.31	$	(1.96)	$	(2.85)	$	(1.09)	$	(1.02)	$	(.88)	$	(.06)

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	December 31,					
	2000(1)	2001	2002	2003	2004	September 30, 2005
			(In thousands)			(unaudited)
Balance Sheet Data						
Working capital	$ 241,952	$ 246,589	$ 139,154	$ 113,360	$ 134,463	$ 131,976
Property and equipment, net	$ 159,673	$ 151,774	$ 118,475	$ 85,832	$ 69,303	$ 56,451
Total assets	$ 956,345	$ 853,294	$ 622,681	$ 628,263	$ 600,523	$ 609,389
Total debt	$ 209,483	$ 269,749	$ 198,642	$ 201,665	$ 196,158	$ 196,238
Total shareholders equity	$ 498,713	$ 403,815	$ 263,010	$ 215,818	$ 191,153	$ 190,405

(1) While our 2000 financial statements were audited at the time we filed our 2000 Form 10-K, in connection with the filing of our 2003 Form 10-K we restated previous financial statements (including our 2000 financial statements) to reflect understatements in computing self insurance reserves at December 31, 2000 which required us to increase insurance expense by $1.6 million, net of tax, which has not been audited.

(2) Includes a net write-down and other charges of $26.3 million related primarily to non-core assets.

(3) Includes charges of $16.5 million to reduce the carrying amount of certain assets held for sale and in use, and non-core assets, as well as provisions for bad debt totaling $182.2 million related to customers who filed for bankruptcy protection and severance charges of $11.5 million.

(4) Includes charges of $12.8 million to reduce the carrying amount of certain assets held for sale and in use, and non-core assets, restructuring charges of $8.3 million, impairment of goodwill of $79.7 million, and provisions for bad debt totaling $15.4 million.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and related notes included in this prospectus. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in Cautionary Note Statement Regarding Forward-Looking Statements. The consolidated results of operations in 2002 and 2003 reflect the reclassification of 2002 and 2003 results of continuing operations for the Brazil operations and our network services operations to discontinued operations.

Overview

We are a leading specialty contractor operating throughout the United States and in Canada and across a range of industries. Our core activities are the building, installation, maintenance and upgrade of communications and utility infrastructure and transportation systems. Our primary customers are companies in the communication (including satellite television and cable television) industry, as well as, utility companies and governments. We provide similar infrastructure services across the industries we serve. Our customers rely on us to build and maintain infrastructure and networks that are critical to their delivery of voice, video and data communications, electricity and transportation systems.

We, or our predecessor companies, have been in business for over 70 years. We offer all of our services under the MasTec® service mark and operate through a network of approximately 220 locations and 7,500 employees as of September 30, 2005. We believe that we are currently the second largest, publicly held, specialty infrastructure provider to communications companies that offer voice, video and data services and the fourth largest, publicly held, provider of infrastructure services to the electric utility industry.

Revenue

We provide services to our customers which are companies in communications, as well as, utilities and government. Revenue for customers in these industries is as follows:

	Year Ended December 31,			Nine Months Ended September 30,	
	2002	2003	2004	2004	2005
				(Unaudited)	
			(In thousands)		
Communications	$ 481,957	$ 496,646	$ 593,635	$ 429,985	$ 439,137
Utilities	162,822	198,583	175,314	131,084	147,753
Government	121,688	132,251	144,846	106,002	110,537
	$ 766,467	$ 827,480	$ 913,795	$ 667,071	$ 697,427

A significant portion of our revenue is derived from projects performed under service agreements. Some of these agreements are billed on a time and materials basis and revenue is recognized as the services are rendered. We also provide services under master service agreements which are generally multi-year agreements. Certain of our master service agreements are exclusive up to a specified dollar amount per work order for each defined geographic area. Work performed under master service and other agreements is typically generated by work orders, each of which is performed for a fixed fee. The majority of these services typically are of a maintenance nature and to a lesser extent upgrade services. These master service agreements and other service agreements are frequently awarded on a competitive bid basis, although customers are sometimes willing to negotiate contract extensions beyond their original terms without re-bidding. Our master service agreements and other service agreements have various terms, depending upon the nature of the services provided, and are typically subject to termination on short notice. Under our master service and similar type service agreements we furnish various specified units of service for a separate fixed price per unit of service. We recognize revenue as the related unit of service is performed. For service agreements on a fixed fee basis profitability will be reduced if the actual costs to complete each unit exceed original estimates. We also immediately recognize the full amount of any estimated loss on these fixed fee projects if estimated costs to complete the remaining units for the project exceed the revenue to be received from such units.

The remainder of our revenue is generated pursuant to contracts for specific installation/construction projects or jobs. For installation/construction projects, we recognize revenue on the units-of-delivery or percentage-of-completion methods. Revenue on unit based projects is recognized using the units-of-delivery method. Under the units-of-delivery method, revenue is recognized as the units are completed at the contractually agreed price per unit. For certain customers with the unit based installation/construction projects, we recognize revenue after the service is performed and the work orders are approved to ensure that collectibility is probable from these customers. Revenue from completed work orders not collected in accordance with the payment terms established with these customers is not recognized until collection is assured. Revenue on non-unit based contracts is recognized using the percentage-of-completion method. Under the percentage-of-completion method, we record revenue as work on the contract progresses. The cumulative amount of revenue recorded on a contract at a specified point in time is that percentage of total estimated revenue that incurred costs to date bear to estimated total contract costs. Customers are billed with varying frequency: weekly, monthly or upon attaining specific milestones. Such contracts generally include retainage provisions under which 2% to 15% of the contract price is withheld from us until the work has been completed and accepted by the customer. If, as work progresses, the actual contract costs exceed estimates, the profit recognized on revenue from that contract decreases. We recognize the full amount of any estimated loss on a contract at the time the estimates indicate such a loss.

Our status as an approved bidder on any state department of transportation, or DOT, work is dependent in part on the acceptance of our prequalification applications. Due to our failure to file our audited financial statements for the year ended December 31, 2003, on a timely basis, our status as an approved bidder was suspended in a number of states. We have re-established our qualification to bid in a number of states in 2005. Although we submitted our 2005 application on time with the 2004 financial statements, our application has not yet been accepted by the Florida DOT. While we can currently provide services as a subcontractor, until we re-establish our qualification to bid, our status as an approved bidder for Florida DOT work remains suspended. This has resulted in a decrease in revenue from this customer and may result in continued decreases in the future.

Revenue by type of contract is as follows:

	Year Ended December 31,			Nine Months Ended September 30,	
	2002	**2003**	**2004**	**2004**	**2005**
				(Unaudited)	
		(In thousands)			
Master service and other service agreements	$ 494,357	$ 560,127	$ 636,563	$ 476,884	$ 451,954
Installation/construction projects agreements	272,110	267,353	277,232	190,187	245,473
	$ 766,467	$ 827,480	$ 913,795	$ 667,071	$ 697,427

Costs of Revenue

Our costs of revenue include the costs of providing services or completing the projects under our contracts including operations payroll and benefits, fuel, subcontractor costs, equipment rental, materials not provided by our customers, and insurance. Profitability will be reduced if the actual costs to complete each unit exceed original estimates on fixed price service agreements. We also immediately recognize the full amount of any estimated loss on fixed fee projects if estimated costs to complete the remaining units for the project exceed the revenue to be received from such units.

Our customers generally supply materials such as cable, conduit and telephone equipment. Customer furnished materials are not included in revenue and costs of revenue due to all materials being purchased by the customer. The customer determines the specifications of the materials that are to be utilized to perform installation/construction services. We are only responsible for the performance of the installation/construction services and not the materials for any contract that includes customer furnished materials and we do not have any risk associated with customer furnished materials. Our customers retain the financial and performance risk of all customer furnished materials.

General and Administrative Expenses

General and administrative expenses include all costs of our management and administrative personnel, severance payments, reserves for bad debts, rent, utilities, travel and business development efforts and back office administration such as financial services, insurance, administration, professional costs and clerical and administrative overhead.

Other Matters

In March 2004, we ceased performing contractual services in Brazil, abandoned all assets of our Brazil subsidiary and made a determination to exit the Brazil market. During the year ended December 31, 2004, we wrote off approximately $12.3 million in goodwill and the net investment in our Brazil subsidiary of approximately $6.8 million which consisted of the accumulated foreign currency translation loss of $21.3 million less a net deficit in assets of $14.5 million. The abandoned subsidiary has been classified as a discontinued operation and its net losses are not included in our consolidated net loss from continuing operations for the years ended December 31, 2002, 2003 and 2004. The net income (loss) for our Brazil subsidiary was reclassified to discontinued operations in the amount of $1.2 million and $(21.8) million for the years ended December 31, 2002 and 2003, respectively. The net loss for the year ended December 31, 2004 included in discontinued operations was $20.2 million. In November 2004, the subsidiary applied for relief and was adjudicated bankrupt by a Brazilian bankruptcy court. The subsidiary is currently being liquidated under court supervision.

During the fourth quarter 2004, we ceased performing services and committed to sell our network services operations and exit this service market. These operations have been classified as a discontinued operation and their net losses are not included in our consolidated net loss from continuing operations for the years ended December 31, 2002, 2003, and 2004. The net loss for the network services operations was reclassified to discontinued operations in the amount of $17.9 million and $6.0 million for the years ended December 31, 2002 and 2003, respectively. The net loss for the year ended December 31, 2004 and nine months ended September 30, 2005 included in discontinued operations was $3.0 million and $1.6 million, respectively.

On May 24, 2005, we sold certain assets of our network services operations for $100,000 in cash and a promissory note in the principal amount of $108,501 due in May 2006. We recorded a loss on the sale of approximately $583,000, net of tax, in the nine months ended September 30, 2005. The loss resulted from additional selling costs and remaining obligations that were not assumed by the buyer.

Financial Metrics

Members of our senior management team regularly review key performance metrics and the status of operating initiatives within our business. These key performance indicators include:

- revenue and profitability by project;
- monthly, quarterly and annual changes in revenue by project;
- backlog;

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- costs of revenue, and general and administrative expenses as percentages of revenue;
- number of vehicles and equipment per employee;
- days sales outstanding;
- interest and debt service coverage ratios;
- safety results and productivity; and
- customer service metrics.

We analyze this information periodically through operating reviews which include detailed discussions related to projects, proposed investments in new business opportunities or property and equipment and integration and cost reduction efforts.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, allowance for doubtful accounts, intangible assets, reserves and accruals, impairment of assets, income taxes, insurance reserves and litigation and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities, that are not readily apparent from other sources. Actual results may differ from these estimates if conditions change or if certain key assumptions used in making these estimates ultimately prove to be materially incorrect.

We believe the following critical accounting policies involve our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

Revenue and related costs for master and other service agreements billed on a time and materials basis are recognized as the services are rendered. There are also some master service agreements that are billed on a fixed fee basis. Under our fixed fee master service and similar type service agreements we furnish various specified units of service for a separate fixed price per unit of service. We recognize revenue as the related unit of service is performed. For service agreements on a fixed fee basis, profitability will be reduced if the actual costs to complete each unit exceed original estimates. We also immediately recognize the full amount of any estimated loss on these fixed fee projects if estimated costs to complete the remaining units exceed the revenue to be received from such units.

We recognize revenue on unit based installation/construction projects using the units-of-delivery method. Our unit based contracts relate primarily to contracts that require the installation or construction of specified units within an infrastructure system. Under the units-of-delivery method, revenue is recognized at the contractually agreed upon price as the units are completed and delivered. Our profitability will be reduced if the actual costs to complete each unit exceed our original estimates. We are also required to immediately recognize the full amount of any estimated loss on these projects if estimated costs to complete the remaining units for the project exceed the revenue to be earned on such units. For certain customers with unit based installation/construction contracts we recognize revenue after service has been performed and work orders are approved to ensure that collectibility is probable from these customers. Revenue from completed work orders not collected in accordance with the payment terms established with these customers is not recognized until collection is assured.

Our non-unit based, fixed price installation/construction contracts relate primarily to contracts that require the construction and installation of an entire infrastructure system. We recognize revenue and related costs as work progresses on non-unit based, fixed price contracts using the percentage-of-completion method, which relies on contract revenue and estimates of total expected costs. We estimate total project costs and profit to be earned on each long-term, fixed-price contract prior to commencement of work on the contract. We follow this method since reasonably dependable estimates of the revenue and costs applicable to various stages of a contract can be made. Under the percentage-of-completion method, we record revenue and recognize profit or loss as work on the contract progresses. The cumulative amount of revenue recorded on a contract at a specified point in time is that percentage of total estimated revenue that incurred costs to date bear to estimated total contract costs, after adjusting estimated total contract costs for the most recent information. If, as work progresses, the actual contract costs exceed our estimates, the profit we recognize from that contract decreases. We recognize the full amount of any estimated loss on a contract at the time our estimates indicate such a loss.

Our customers generally supply materials such as cable, conduit and telephone equipment. Customer furnished materials are not included in revenue and cost of sales as all materials are purchased by the customer. The customer determines the specification of the materials that are to be utilized to perform installation/construction services. We are only responsible for the performance of the installation/construction services and not the materials for any contract that includes customer furnished materials and we do not have any risk associated with customer furnished materials. Our customers retain the financial and performance risk of all customer furnished materials.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Management analyzes past due balances based on invoice date, historical bad debt experience, customer concentrations, customer credit-worthiness, customer financial condition and credit reports, the availability of mechanics and other liens, the existence of payment bonds and other sources of payment, and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. We review the adequacy of reserves for doubtful accounts on a quarterly basis. If our estimates of the collectibility of accounts receivable are incorrect, adjustments to the allowance for doubtful accounts may be required, which could reduce our profitability.

Our estimates for our allowance for doubtful accounts are subject to significant change during times of economic weakness or uncertainty in either the overall U.S. economy or the industries we serve, and our loss experience has increased during such times.

We recorded provisions against earnings for doubtful accounts of $15.4 million, $8.8 million, $5.1 million and $3.8 million for the years ended December 31, 2002, 2003 and 2004 and the nine months ended September 30, 2005, respectively.

Inventories

Inventories consist of materials and supplies for construction projects, and are typically purchased on a project-by-project basis. Inventories are valued at the lower of cost (using the specific identification method) or market. Construction projects are completed pursuant to customer specifications. The loss of the customer or the cancellation of the project could result in an impairment of the value of materials purchased for that customer or project. Technological or market changes can also render certain materials obsolete. Allowances for inventory obsolescence are determined based upon the specific facts and circumstances for each project and market conditions. During 2002, 2003 and 2004 and the nine months ended September 30, 2005, we recorded inventory obsolescence provisions of $5.2 million, $2.2 million, $0.9 million and $0.9 million, respectively.

Depreciation

We depreciate our property and equipment over estimated useful lives using the straight-line method. We periodically review changes in technology and industry conditions, asset retirement activity and salvage values to determine adjustments to estimated remaining useful lives and depreciation rates.

Effective November 30, 2002, we implemented the results of a review of the estimated service lives of our property and equipment in use. Useful lives were adjusted to reflect the extended use of much of our equipment. In addition, the adjustments made the estimated useful lives for similar equipment consistent among all operating units. Depreciation expense was reduced by $5.8 million for the years ended December 31, 2003 and 2004 from the amount of expense which would had been reported using the previous useful lives as a result of the change of estimate. During 2002 we also implemented a plan to improve profitability by more effectively utilizing our fleet. Under the plan, we began disposing of excess or underutilized assets in 2002.

During 2003 and 2004, we continued to dispose of excess assets and increased our reliance on operating leases to finance equipment needs, thereby reducing our depreciation expense. We anticipate continued declines in our depreciation expense, since we believe we can continue to use more lease opportunities.

Valuation of Equity Investments

We have one investment which we account for by the equity method because we own 49% of the entity and we have the ability to exercise significant influence over the operational policies of the limited liability company. Our share of the earnings or losses in this investment is included in other income, net, in our statements of operations. As of September 30, 2005, our investment exceeded the net equity of such investment and accordingly the excess is considered to be equity goodwill. We periodically evaluate the equity goodwill for impairment under Accounting Principles Board No. 18, The Equity Method of Accounting for Investments in Common Stock , as amended.

Valuation of Long-Lived Assets

We review long-lived assets, consisting primarily of property and equipment and intangible assets with finite lives, for impairment in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144). In analyzing potential impairment, we use projections of future undiscounted cash flows from the assets. These projections are based on our views of growth rates for the related business, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. However, economic conditions, interest rates, the anticipated cash flows of the businesses related to these assets and our business strategies are all subject to change in the future. If changes in growth rates, future economic conditions or discount rates and estimates of terminal values were to occur, long-lived assets may become impaired. During the nine months ended September 30, 2005 and 2004, we recognized impairment losses and write-offs of long-lived assets of approximately $675,000 and $605,000, respectively.

Valuation of Goodwill and Intangible Assets

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets or SFAS 142, we conduct, on at least an annual basis, a review of our reporting units to determine whether their carrying value exceeds fair market value using a discounted cash flow methodology for each unit. Should this be the case, the value of our goodwill may be impaired and written down. Our adoption of SFAS 142 in 2002 resulted in a write-down of our goodwill, net of tax, in the amount of $25.7 million net of $13.8 million tax benefit, to reduce the carrying value of our goodwill. This charge was reflected as a cumulative effect of an accounting change in our consolidated statement of operations included in this prospectus, of which $13.1 million has been reclassified to discontinued operations. Impairment losses subsequent to adoption totaling $79.7 million, or $51.9 million net of tax, are reflected in our operating results in our consolidated statement of operations for 2002.

In connection with the disposition of the Brazil subsidiary as discussed in our financial statements included elsewhere in this prospectus, we wrote off goodwill associated with this reporting entity in the amount of $12.3 million in the nine months ended September 30, 2004.

We could record additional impairment losses if, in the future, profitability and cash flows of our reporting units decline to the point where the carrying value of those units exceed their market value. See Risk Factors We may incur goodwill impairment charges in our reporting entities which could harm our profitability.

Insurance Reserves

We presently maintain insurance policies subject to per claim deductibles of $2 million for our workers compensation, and general liability policies and $3 million for our automobile liability policy. We have excess umbrella coverages up to $100 million per claim and in the aggregate. We also maintain an insurance policy with respect to employee group health claims subject to per claim deductibles of $300,000. We actuarially determine any liabilities for unpaid claims and associated expenses, including incurred but not reported losses, and reflect those liabilities in our balance sheet as other current and non-current liabilities. The determination of such claims and expenses and the appropriateness of the related liability is reviewed and updated quarterly. However, insurance liabilities are difficult to assess and estimate due to the many relevant factors, the effects of which are often unknown, 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. We are working with our insurance carrier to resolve claims more quickly in an effort to reduce our exposure. We are also attempting to accelerate the claims process where possible so that amounts incurred can be reported rather than estimated. In addition, known amounts for claims that are in the process of being settled, but that have been paid in periods subsequent to those being reported, are booked in such reporting period. Our accruals are based upon known facts, historical trends and our reasonable estimate of future expenses and we believe such accruals to be adequate. If we do not accurately estimate the losses resulting from these claims, we may experience losses in excess of our estimated liability, which may reduce our profitability.

We are required to periodically post letters of credit and provide cash collateral to our insurance carriers and surety providers. Such letters of credit amounted to $63.4 million at September 30, 2005 and cash collateral posted amounted to $19.3 million at September 30, 2005. The 2005 increase in collateral for our insurance programs is related to additional collateral provided to the insurance carrier for the 2005 plan year and the fact that the collateral remaining for prior year insurance programs have not decreased. Through September 30, 2005 for the 2005 plan year, we made three quarterly cash collateral installment payments of $4.5 million with the final payment made in October 2005. In addition, we maintain collateral from prior year insurance programs with the current and prior insurance carriers, which amounts are generally reviewed annually for sufficiency. We expect prior year collateral requirements to be reduced at the next annual review by the first quarter of 2006 based on fewer claims remaining from these prior year loss payouts and the actuarial results for the remaining claims received. The increase in collateral is also due to other market factors including growth in our business and liquidity. We may be required to post additional collateral in the future which may reduce our liquidity, or pay increased insurance premiums, which could decrease our profitability as well as reduce our availability under our revolving credit facility. See Risk Factors Increases in our insurance premiums or collateral requirements could significantly reduce our profitability, liquidity and credit facility availability.

Income Taxes

We record income taxes using the liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequence of temporary differences between the financial statement and income tax bases of our assets and liabilities.

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We estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. The recording of a net deferred tax asset assumes the realization of such asset in the future. Otherwise a valuation allowance must be recorded to reduce this asset to its net realizable value. We consider future pretax income and ongoing prudent and feasible tax planning strategies in assessing the need for such a valuation allowance. In the event that we determine that we may not be able to realize all or part of the net deferred tax asset in the future, a valuation allowance for the deferred tax asset is charged against income in the period such determination is made.

As a result of our operating losses, we have recorded valuation allowances aggregating $34.2 million and $32.3 million as of September 30, 2005 and December 31, 2004, respectively, to reduce certain of our net deferred Federal, foreign and state tax assets to their estimated net realizable value. We anticipate that we will generate sufficient pretax income in the future to realize our deferred tax assets. In the event that our future pretax operating income is insufficient for us to use our deferred tax assets, we have based our determination that the deferred tax assets are still realizable based on a feasible tax planning strategy that is available to us involving the sale of one of our operations.

Restructuring Charges

During the second quarter of 2002, we initiated a study to determine the proper balance of downsizing and cost cutting in relation to our ability to respond to current and future work opportunities in each of our service offerings. The review not only evaluated our current operations, but also the growth and opportunity potential of each service offering as well as the consolidation of back-office processes. As a result of this review, we implemented a restructuring program which included:

- Elimination or reduction in the scope of service offerings that no longer fit into our core business strategy or long-term business plan.

- Reduction or elimination of services that do not produce adequate revenue or margins to support the level of profitability, return on investment or investments in capital resources. This includes exiting contracts that do not meet the minimum rate of return requirements and aggressively seeking to improve margins and reduce costs.

- Analysis of businesses that provide adequate profit contributions but still need margin improvements which includes aggressive cost reductions and efficiencies.

- Review of new business opportunities in similar business lines that can utilize our existing human and physical resources.

The elements of the restructuring program included involuntary terminations of employees in affected service offerings and the consolidation of facilities. The plan resulted in a pre-tax charge to operations of $3.7 million in 2002. The involuntary terminations impacted both the salaried and hourly employee groups. Approximately 1,025 employees were impacted in 2002. As of December 31, 2004, all employees to be terminated pursuant to our restructuring program have been terminated. We also closed approximately 25 facilities during 2002 as part of the program in which some of the assets were sold, while other assets were retained and transferred to other locations. These facility closures were not accounted for as discontinued operations due to these facilities not representing separate components of our business for which cash flows could be clearly defined. We also continue to be involved in the markets in which these 25 facilities operated.

In addition to the costs noted above, we paid a consulting firm approximately $4.6 million to assist us in preparing the plan, all of which was expensed in 2002 as the plan was complete as of December 31, 2002. We also recognized valuation allowances and impairment losses related to property and equipment of approximately $12.8 million in connection with the restructuring plan in the year ended December 31, 2002.

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The following is a reconciliation of the restructuring accruals as of December 31, 2004 which represents remaining lease costs as well as reductions in the restructuring accruals during 2003 (in thousands):

Accrued costs at December 31, 2004	$ 212
Cash payments	138
Accrued costs at September 30, 2005	$ 74

Economic conditions, our business strategies or other factors could dictate further downsizing or elimination of elements of our business in the future, resulting in additional restructuring charges in 2005.

Litigation and Contingencies

Litigation and contingencies are reflected in our consolidated financial statements based on our assessments, along with legal counsel, of the expected outcome of such litigation or expected resolution of such contingency. An accrual is made when the loss of such contingency is probable and estimable. If the final outcome of such litigation and contingencies differs significantly from our current expectations, such outcome could result in a charge to earnings. See Legal Proceedings for a discussion of current litigation.

Results of Operations

Overview

While MasTec had been profitable in five of the six preceding years, in 2001, the communications industry suffered a severe downturn and industry participants significantly reduced their capital expenditures for infrastructure networks. In particular, the competitive local exchange carriers which we refer to as CLECs and which had been responsible for the majority of infrastructure spending commitments, experienced large financial losses and curtailed capital expenditures. Many of them filed for bankruptcy. The utility and government customers served by our company also experienced an economic downturn, but to a lesser extent than the telecommunications companies.

The deterioration in our customers businesses resulted in a significant reduction in their spending on the types of services provided by our company. For the fiscal years 2002 and 2003, our revenues decreased to $766.5 million and $827.5 million, respectively, compared with $1.1 billion in fiscal year 2001. As a result of these losses we had $159.7 million of net operating loss carryforwards for U.S. federal income tax purposes as of December 31, 2004. We may not be able to realize these deferred tax assets. See Note 13 to our notes to our consolidated financial statements included elsewhere in this prospectus. In response to the rapid decline in our revenue and cash flow during this period, we reduced our staff from 10,600 employees at year end 2001 to 7,200 at year end 2003. Concurrent with this downsizing of our operations, we also continued to pursue both the integration of the more than 40 companies we acquired from 1994 through 2002 and the company-wide implementation of our new Oracle management information system. In addition to negatively impacting our operating performance, the confluence of these factors adversely affected our ability to maintain adequate financial reporting. We were required to restate our financial results for prior years and we were late in filing required SEC reports for the year ended December 31, 2003 and the first three quarters of 2004.

In response to these conditions, in 2004, we completed the implementation of our Oracle management information system. We also reorganized and expanded our financial management reporting systems and recruited a new Chief Financial Officer in 2004. We also hired a new corporate controller and hired new financial officers for four of our five current service groups. We also added new group presidents to two of our service groups.

We took action to increase our revenues and profitability by repositioning our business and improving our financial controls. Beginning in 2002, we exited the CLEC market and closed unprofitable operations. We focused our communications business on larger, financially stable regional Bell operating companies which we refer to as RBOCs. We also diversified our revenues by expanding our in-home installation business with DirecTV. We believe that these customers have continuing needs for outsourced building, installation, maintenance and upgrade services.

In 2004, economic conditions began improving for our telecommunications and utility customers which enabled them to increase spending on projects that had been delayed during 2001 and 2002 and to pursue the network upgrades necessary to deliver the bundled voice, video and data services increasingly demanded by subscribers. Overall spending was further accelerated as competition increased among telecommunication, satellite and cable operators to provide enhanced voice, video and data services.

Our operating results have improved significantly as a result of the repositioning of our business, our improved financial controls and improved economic conditions for our customers. We timely filed our 2004 10-K and our 10-Qs for the first, second and third quarters of 2005. We reported income from continuing operations of $2.1 million and $7.9 million and $0.04 and $0.15 diluted per share the second and third quarters of 2005, respectively.

For a discussion of trends related to our business, see Business Industry Trends.

Restatement of Financial Statements

In connection with the filing of our 2003 Form 10-K, we restated our annual financial statements for the year ended December 31, 2002 to increase our insurance expense (net of tax) and to record a valuation allowance for certain of our net deferred state tax assets. See Note 2 to our audited consolidated financial statements included in this prospectus for an explanation of these restatements. The following table shows the net impact of the restatements on our loss before cumulative effect of change in accounting principle and benefit for income taxes, net loss before cumulative effect of change in accounting principle and:

	2002	
	As Previously Reported	**As Restated**
	(In thousands)	
Loss before cumulative effect of change in accounting principle and benefit for income taxes	$ (168,608)	$ (173,324)
Net loss before cumulative effect of change in accounting principle	$ (103,135)	$ (110,885)
Net loss before the effect of reclassifying certain continuing operations to discontinued operations	$ (128,806)	$ (136,556)

We also restated our quarterly financial information for 2003 as a result of certain adjustments to revenue and other items that impact these previously issued quarterly reports. See Note 2 and 17 to our

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audited consolidated financial statements included in this prospectus for an explanation of these restatements:

	Quarter Ended March 31, 2003		Quarter Ended June 30, 2003		Quarter Ended September 30, 2003	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
			(In thousands)			
Revenue	$ 180,569	$ 180,297	$ 209,108	$ 207,841	$ 248,373	$ 242,539
(Loss) income before cumulative effect of change in accounting principle and benefit (provision) for income taxes	$ (2,648)	$ (2,920)	$ 4,733	$ 3,466	$ 10,662	$ 4,121
Net (loss) income before cumulative effect of change in accounting principle	$ (1,588)	$ (1,752)	$ 2,765	$ 2,020	$ 6,250	$ 2,310
Net (loss) income before the effect of reclassifying certain continuing operations to discontinued operations	$ (1,588)	$ (1,752)	$ 2,765	$ 2,020	$ 6,250	$ 2,310

Except as otherwise stated, all financial information contained in this prospectus gives effect to the restatements.

Comparisons of Fiscal Year Results

The components of our consolidated statements of operations, expressed as a percentage of revenue, are set forth in the following table:

	Year Ended December 31,			Nine Months Ended September 30,	
	2002	2003	2004	2004	2005
				(Unaudited)	
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of revenue, excluding depreciation	89.2	90.0	90.7	91.0	89.1
Depreciation	4.4	3.3	1.9	2.0	2.0
General and administrative expenses	14.0	8.6	8.2	8.0	7.4
Goodwill impairment	10.4				
Interest expense, net of interest income	2.4	2.3	2.1	2.1	2.1
Other (expense) income, net	(1.3)	0.2		(0.1)	(0.5)
Loss from continuing operations before cumulative effect of change in accounting principle, benefit for income taxes and minority interest	(21.7)	(4.0)	(2.9)	(3.0)	(0.1)
Minority interest				(0.1)	(0.1)
Benefit for income taxes	7.7	1.0			
Loss from continuing operations before cumulative effect of change in accounting principle	(14.0)	(3.0)	(2.9)	(3.1)	(0.2)
Cumulative effect of change in accounting principle	(1.6)				
Loss from continuing operations	(15.6)	(3.0)	(2.9)	(3.1)	(0.2)
Loss from discontinued operations	(2.2)	(3.3)	(2.5)	(3.3)	(0.2)
Net loss	(17.8)%	(6.3)%	(5.4)%	(6.4)%	(0.4)%

The following discussion and analysis of our results of operations should be read in conjunction with our consolidated financial statements and notes thereto contained in this prospectus.

Comparison of Nine Months Ended September 30, 2005 and 2004

Revenue. Our revenue was $697.4 million for the nine months ended September 30, 2005, compared to $667.1 million for the same period in 2004, representing an increase of $30.4 million or 4.6%. This increase was due primarily to the increased revenue of approximately $60.2 million received from DirecTV and increased revenue of $55.0 million from Verizon, including fiber-to-the-home installations which commenced towards the end of 2004. We also experienced an increase in general business activity throughout 2005 compared to 2004. These increases in revenue were partially offset by a significant decrease of $94.6 million in upgrade work for Comcast. In the nine months ending September 30, 2004, the Comcast projects were still operational. In addition, we experienced a decrease in revenue of $10.6 million from transportation customers due to the winding down of projects that were fully operational in 2004 and our decision in 2005 not to bid for new transportation work until we had completed certain long-term transportation projects.

Costs of Revenue. Our costs of revenue were $621.6 million or 89.1% of revenue for the nine months ended September 30, 2005, compared to $607.1 million or 91.0% of revenue for the same period in 2004 reflecting an improvement in margins. The improvement in margins was a result of decreasing subcontractor costs paid to subcontractors performed for our two largest customers with operational payroll staying consistent. In 2005, we reduced the use of subcontractors and did not have to hire additional employees at the same rate. In addition, cost of sales decreased due to a reduction in insurance expense. In the nine months ended September 30, 2004, insurance reserves and expenses in cost of sales increased

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$10.2 million mainly because there were increased claims and loss history in 2004 which resulted in an adjustment to our actuarial assumptions. No such adjustment was needed in 2005. Trends are decreasing from 2004 which has also resulted in the decrease in reserves in 2005. The decrease in costs of revenue was offset by rising fuel costs and an increase in lease costs. Fuel costs, as a percentage of revenue, increased from 2.3% in the nine months ended September 30, 2004 to 3.0% in the nine months ended September 30, 2005. The increase is a direct result of the rising price of fuel in 2005. Lease costs, as a percentage of revenue, increased from 2.5% in the nine months ended September 30, 2004 to 3.1% in the nine months ended September 30, 2005. The increase is due to leasing more on road and off road vehicles instead of purchasing these vehicles.

Depreciation. Depreciation was $14.0 million for the nine months ended September 30, 2005, compared to $13.3 million for the same period in 2004, representing an increase of $690,000. In the nine months ended September 30, 2004, depreciation expense was reduced by $4.1 million related to the change in estimate in useful lives that occurred in November 30, 2002. There was no such reduction in 2005. However, this reduction in 2004 was offset in 2005 by continuing to reduce capital expenditures by entering into operating leases for fleet requirements. We also continue to dispose of excess equipment.

General and administrative. General and administrative expenses were $51.5 million or 7.4% of revenue for the nine months ended September 30, 2005, compared to $53.5 million or 8.0% of revenue for the same period in 2004, representing a decrease of $2.0 million or 3.8%. The decrease in general and administrative expenses was due to decrease in professional and legal fees of $4.7 million, a decrease in insurance expense of $1.9 million and a decrease in provisions for doubtful accounts of $240,000. The professional fees incurred in the nine months ended September 30, 2004 related to the audit, increased fees to third party in assisting us with Sarbanes-Oxley compliance and legal fees related to our defense in various litigation matters. These fees substantially decreased in the nine months ending September 30, 2005 due to performing our Sarbanes-Oxley testing and compliance internally as well as decreasing outside legal fees. In addition, general and administrative expenses decreased due to reduction of insurance expense in 2005. There were increased claims and loss history which resulted in an adjustment to our actuarial assumptions and increased insurance expense in general and administrative of $1.9 million in 2004. No such reserve was needed in 2005. Trends are decreasing from 2004 which has also resulted in the decrease in reserves in 2005. The decrease in the provision for doubtful accounts was a result of the quarterly general provision being partially offset by recoveries of previously reserved receivables in the nine months ended September 30, 2005. The decreases in general and administrative expenses were offset by an increase in salaries, benefits and bonus expenses in 2005 due to hiring additional temporary and permanent finance and accounting professionals throughout the Company towards the end of 2004. In addition, throughout 2005, we hired additional legal, corporate risk and information technology support personnel.

Interest expense, net. Interest expense, net of interest income was $14.4 million or 2.1% of revenue for the nine months ended September 30, 2005 compared to $14.3 million or 2.1% of revenue for the same period in 2004 representing a slight increase of $135,000 or 0.9%. The increase was due to increased interest rates during the period.

Other income, net. Other income was $3.4 million or 0.5% of revenue for the nine months ended September 30, 2005, compared to $1.0 million or 0.1% of revenue for the nine months ended September 30, 2004, representing an increase of $2.4 million. The increase mainly relates to sales of fixed assets in the nine months ended September 30, 2005 resulting in $2.8 million of net gains on these sales compared to approximately $340,000 of net gains on sales in the nine months ended September 30, 2004. In addition, the increase is attributable to the income earned of approximately $585,000 associated with our equity investment in the nine months ended September 30, 2005. The investment did not exist in the nine months ended September 30, 2004.

Minority interest. Minority interest for GlobeTec Construction, LLC was $995,000 or 0.1% of revenue for the nine months ended September 30, 2005, compared to $361,000 or 0.1% of revenue for the same period in 2004, representing an increase of $634,000. We entered into this joint venture in 2004 in which we own 51%. This subsidiary has grown in revenue and profits since inception. In the nine months ended September 30, 2005, the joint venture generated an increased amount of revenue and profits from the nine months ending September 30, 2004 due to increased business activity and cost control initiatives.

Discontinued operations. The loss on discontinued operations was $1.6 million or 0.2% for the nine months ended September 30, 2005 compared to $22.1 million or 3.3% in the nine months ended September 30, 2004. In the nine months ended September 30, 2004, we ceased performing contractual services for customers in Brazil, abandoned all assets of our Brazil subsidiary and made a determination to exit the Brazil market. The abandoned Brazil subsidiary has been classified as a discontinued operation. During the nine months ended September 30, 2004, we wrote off approximately $12.3 million in goodwill and the net investment in the Brazil subsidiary of approximately $6.8 million which consisted of the accumulated foreign currency translation loss of $21.3 million less a deficit in assets of $14.5 million. The net loss for our network services operations was $1.6 million and $1.9 million for the nine months ended September 30, 2005 and 2004, respectively. The net loss includes a $583,000, net of tax, loss on the sale of the operations in the nine months ended September 30, 2005. In May 2005, we sold the operations for $208,501 consisting of cash in the amount of $100,000 and a promissory note in the amount of $108,501 due in May 2006. The loss on the sale resulted from additional selling costs and remaining obligations that were not assumed by the buyer. The net loss from operations of network services operations decreased from the nine months ending September 30, 2004 as a result of the division winding down of the operations.

Comparison of Years Ended December 31, 2004 and 2003

Revenue. Our revenue was $913.8 million for the year ended December 31, 2004, compared to $827.5 million for the same period in 2003, representing an increase of $86.3 million or 10.4%. This increase was due primarily to the increased revenue of approximately $96.7 million received from DirecTV and, to a lesser extent government and telecommunication customers. Revenue from telecommunications increased $23.3 million in 2004. We expect this trend to continue to increase in 2005. The increase in revenue was offset by a decrease in revenue from energy customers by $23.3 million in 2004 due to the gas pipeline and electrical substation revenue projects being completed in 2003 and a slight decrease in revenue from broadband customers due to the Comcast work slowing down towards completion at the end of 2004.

While we have refocused our business towards large, financially stable customers in the communications, utility and governmental industries, these customers may not continue to fund capital expenditures for infrastructure projects at current levels or we may not be able to increase our market share with these stronger customers.

Costs of Revenue. Our costs of revenue were $828.7 million or 90.7% of revenue for the year ended December 31, 2004, compared to $744.6 million or 90.0% of revenue for the same period in 2003 reflecting that the costs remained consistent as a percentage of revenue. In the year ended December 31, 2004, we recorded losses on construction projects in the amount of $7.8 million compared to approximately $28.7 million in the year ended December 31, 2003. These losses arose from project costs that exceeded our expectations for a variety of reasons including internal bid, project management and cost estimation issues, errors in specifications and design, work outside of original contract scope and customer caused delays. In addition, we recorded obsolescence provisions for inventory of $0.9 million mainly due to inventories that were purchased for specific jobs no longer in process and which may not be used in the future. In the year ended December 31, 2003, an obsolescence provision was recorded in the amount of $1.8 million. These decreases were offset by the increase in cost of sales due to the increase in the number of employees and subcontractor costs related to the DirecTV business. In addition, insurance expense increased in the year ended December 31, 2004 due to the increased number of claims reported. As a result of the increased claims and loss history since the beginning of 2004, we adjusted our actuarial assumptions and increased our reserves and expenses by $13.2 million in the year ended December 31, 2004.

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Depreciation. Depreciation was $17.1 million or 1.9% of revenue for the year ended December 31, 2004, compared to $27.6 million or 3.3% of revenue for the same period in 2003, representing a decrease of $10.5 million or 38%. We reduced depreciation expense in the year ended December 31, 2004 by continuing to reduce capital expenditures, disposing of excess equipment in 2003 and 2004 and placing greater reliance on operating leases to meet our equipment needs.

General and Administrative. General and administrative expenses were $74.6 million or 8.2% of revenue for the year ended December 31, 2004, compared to $70.1 million or 8.6% of revenue for the same period in 2003, representing an increase of $4.5 million or 6.3%. The increase in general and administrative expenses was due to additional professional fees incurred in the year ended December 31, 2004 in the amount of $4.3 million related to the audit and quarterly reviews, increased audit fees in connection with our Sarbanes-Oxley compliance, increased consulting fees related to Sarbanes-Oxley compliance and an increase in legal fees related to our defense in various litigation matters. In addition, in 2004 we recorded $644,000 of non-cash stock compensation expense mainly related to the extension of the exercise period on certain stock options held by former employees. There was no such expense in 2003.

Interest Expense, Net. Interest expense, net of interest income, remained consistent at $19.5 million or 2.1% of revenue for the year ended December 31, 2004, compared to $19.2 million or 2.3% of revenue for the same period in 2003.

Other Income, Net. Other income was $191,000 for the year ended December 31, 2004, compared to $1.2 million for the same period in 2003 representing a decrease of $1.0 million or 84.6%. In the year ended December 31, 2003, we sold more equipment at auction and recognized more gains on these sales than in the year ended December 31, 2004.

Benefit for Income Taxes. For 2004 and 2003 our effective tax rates were approximately 0% and 25%, respectively. Our balance sheet as of December 31, 2004, includes a net deferred tax asset of $56.8 million of which $44.3 million relates to federal taxes and the remainder to various state and foreign taxes, net of valuation allowance. The realization of this net deferred tax asset is dependent upon our ability to generate future pretax income. We anticipate that we will generate sufficient pretax income in the future to realize a portion of our net deferred tax asset relating to federal income taxes. In making this assessment, we have considered our projected future pretax income based upon a prudent and feasible tax planning strategy available to us involving the sale of one of our operations. However, this tax planning strategy does not appear viable for the purpose of realizing all of the various income tax components of our net deferred tax asset. Accordingly, we recorded an addition to our valuation allowance of $24.1 million in 2004 to reduce certain of our net deferred Federal, foreign and state tax assets at December 31, 2004, to their estimated net realizable value of $56.8 million. The primary reason for the difference in our effective tax rate from 2003 to 2004 was the effect of worthless stock deduction and increase in valuation allowance.

Deferred tax assets, net in 2004 increased to $56.8 million from $55.3 million. The increase in deferred tax assets, net was due to a reduction in deferred tax assets of $3.6 million and a reduction in deferred tax liabilities of $5.2 million. The decrease in deferred tax assets was primarily related to our increase in net operating loss carryforwards of $11.9 million as a result of our net loss in 2004, and an increase in deferred tax assets relating to accrued self insurance of $10.6 million offset by a decrease in deferred tax assets relating to goodwill of $2.5 million and an increase in the valuation allowance of $24.1 million for Federal, foreign and state tax assets. The reduction in deferred tax liabilities was primarily due to a decrease in deferred tax liabilities for property and equipment of $1.9 million and a decrease in deferred tax liabilities for accounts receivable retainage differences of $2.7 million.

Minority Interest. Minority interest was $0.3 million or 0.04% of revenue for the year ended December 31, 2004, compared to $0 for the same period in 2003. We entered into a joint venture with a third party at the end of 2003. We own 51% of the company. This subsidiary had net income for the year ended December 31, 2004 which resulted in minority interest.

Discontinued Operations. In the year ended December 31, 2004, we ceased performing contractual services for customers in Brazil, abandoned all assets of our Brazil subsidiary and made a determination to

exit the Brazil market. The abandoned Brazil subsidiary has been classified as a discontinued operation and its net loss is not included in the results of continuing operations in 2004 or 2003. The results of operations for the year ended December 31, 2003 for Brazil have been reclassified to a loss from discontinued operations. During the year ended December 31, 2004, we wrote off approximately $12.3 million and the net investment in the Brazil subsidiary of approximately $6.8 million which consisted of the accumulated foreign currency translation loss of $21.3 million less a net deficit in assets of $14.5 million. The net loss for the Brazil subsidiary was $20.2 million and $21.8 million for the years ended December 31, 2004 and 2003, respectively. In November 2004, our subsidiary applied for relief and was adjudicated bankrupt by a Brazilian bankruptcy court. The subsidiary is currently being liquidated under court supervision. During the fourth quarter 2004, we ceased performing services and committed to sell our network services operations and exit this service market. These operations have been classified as a discontinued operation and their net loss is not included in the results of continuing operations in 2004 or 2003. The results of operations for the year ended December 31, 2003 for our network services operations have been reclassified to a loss from discontinued operations. The net loss for our network services operations was $3.0 million and $6.0 million for the years ended December 31, 2004 and 2003, respectively.

Comparison of Years Ended December 31, 2003 and 2002

Revenue. Our revenue was $827.5 million for the year ended December 31, 2003 compared to $766.5 million for the same period in 2002, representing an increase of $61.0 million. The increase in revenue was primarily due to the growth in our broadband revenue and, to a lesser extent, growth in business with our energy and government customers. We experienced a 74.5% increase in revenue from broadband customers such as Comcast and DirecTV for upgrade construction and residential installation work. Overall revenue from broadband customers grew by $113.3 million in 2003. Revenue from energy customers grew by $35.8 million in 2003 to $198.6 million compared to $162.8 million in 2002 primarily due to new gas pipeline and electrical substation contracts. Our revenue from government work increased by $10.6 million in 2003 compared to 2002 due to an increase in dollar value of projects and expansion of the business into new states in 2003. Our overall 2003 revenue growth was reduced by a $98.8 million decrease in telecommunications revenue. Historically, we have derived a significant amount of our revenue from telecommunications customers. Commencing in the latter part of 2001 and throughout 2002, certain segments of the telecommunications industry suffered a severe downturn that resulted in a number of our customers filing for bankruptcy protection or experiencing financial difficulties. The downturn resulted in reduced capital expenditures for infrastructure projects, even among customers that did not experience financial difficulties. Revenue from telecommunication customers continued their downward trend in 2003.

Costs of Revenue. Our costs of revenue was $744.6 million or 90.0% of revenue for the year ended December 31, 2003, compared to $683.9 million or 89.2% of revenue for the same period in 2002. Costs of revenue grew in terms of total dollars in 2003 due to the overall increase in revenue and a slight increase in payroll. Costs of revenue in 2003 include $28.7 million in losses incurred on construction projects during the year. These losses arose from project costs that exceeded our expectations for a variety of reasons including internal bid, project management and cost estimation issues, errors in specifications and designs, work outside of original contract scope and customer-caused delays.

Depreciation. Depreciation was $27.6 million or 3.3% of revenue for the year ended December 31, 2003, compared to $33.8 million or 4.4% of revenue for the same period in 2002, representing a decrease of $6.2 million or 18.3%. In 2003, depreciation expense was reduced by $5.8 million related to the change in estimate in useful lives that occurred on November 30, 2002. In addition, we reduced depreciation expense in 2003 by continuing to reduce capital expenditures, disposing of excess equipment and placing greater reliance on operating leases to meet our equipment needs.

General and Administrative Expenses. General and administrative expenses were $70.1 million or 8.6% of revenue for the year ended December 31, 2003 compared to $107.4 million or 14.0% of revenue for the same period in 2002, representing a decrease of $37.3 million or 34.7%. The decrease mainly relates to a decrease of $27.0 million related to our restructuring plan which resulted in the termination of employees, consolidation of facilities, functions and locations, and the recording of restructuring charges in 2002. In addition, bad debt expense included in general and administrative expense declined by approximately $10.8 million from 2002 to 2003. The large provision in 2002 was related to the after effects in 2002 related to customers declaring bankruptcy in 2001 in the telecommunications sector.

Interest Expense. Interest expense, net of interest income, was $19.2 million or 2.3% of revenue for the year ended December 31, 2003, compared to $18.3 million or 2.4% for the same period in 2002 representing an increase of $874,000. Net interest costs grew as our average borrowings increased to support working capital needs. We incur interest expense primarily from our long-term subordinated debt which carries a fixed rate and to a lesser extent on periodic credit line borrowings to meet working capital needs and support various letters of credit.

Other (Expense) Income. Other income was $1.2 million in the year ended December 31, 2003 compared to other expense of $10 million for the same period in 2002. Other (expense) income in both years includes a gain on disposal of certain non-core assets and investments. During the year 2002, the gain was offset by a $13.2 million valuation allowance to reduce the carrying value of certain assets held for sale, long lived assets in use and investments. During 2003, the gain was slightly offset by the settlement of litigation of approximately $2.3 million and the write-off of certain non-core assets and investments.

Income Taxes. For 2003 and 2002, our effective tax rates were approximately 25% and 35%, respectively. Our balance sheet as of December 31, 2003, includes a net deferred tax asset of $55.3 million of which $41.9 million relates to federal taxes and the remainder to various state and foreign taxes, net of valuation allowance. The realization of this net deferred tax asset is dependent upon our ability to generate future pretax income. We anticipate that we will generate sufficient pretax income in the future to realize the portion of our net deferred tax asset relating to federal income taxes. In making this assessment, we have considered our projected future pretax income based upon a prudent and feasible tax planning strategy available to us involving the sale of one of our operations. However, this tax planning strategy does not appear viable for the purpose of realizing all of the various state income tax components of our net deferred tax asset. Accordingly, we recorded an addition to our valuation allowance of $3.4 million in 2003 to reduce certain of our net deferred state tax assets at December 31, 2003, to their estimated net realizable value of $55.3 million. We also recorded a valuation provision for state deferred taxes in 2002. However, this 2002 provision was less material to our overall deferred benefit in 2002. The primary reason for the difference in our effective tax rate from 2002 to 2003 was the effect of non-US operations; specifically losses from our operations in Mexico and Brazil for which we recorded no tax benefit.

Deferred tax assets, net in 2003 increased to $55.3 million from $46.7 million. The increase in deferred tax assets, net was due to an increase in deferred tax assets of $6.8 million and a reduction in deferred tax liabilities of $1.8 million. The increase in deferred tax assets was primarily related to our net operating loss carryforwards of $23.6 million as a result of our net loss in 2003, offset by a decrease in deferred tax assets relating to goodwill of $12.4 million and an increase in the valuation allowance of $3.4 million for state tax assets. The reduction in deferred tax liabilities was primarily due to an increase in deferred tax liabilities for property and equipment of $4 million offset by a decrease in deferred tax liabilities for other temporary differences of $4.3 million.

Discontinued Operations. In the year ended December 31, 2004, we ceased performing contractual services for customers in Brazil, abandoned all assets of our Brazil subsidiary and made a determination to exit the Brazil market. The abandoned Brazil subsidiary has been classified as a discontinued operation. The results of operations for the years ended December 31, 2003 and 2002 have been reclassified to loss from discontinued operations. The net (loss) income for the Brazil subsidiary was $(21.8) million and $1.2 million for the years ended December 31, 2003 and 2002, respectively. The net loss in 2003 was due to a number of labor claims that were brought by ex-employees against our Brazil operations in 2003. We recorded $9.8 million of expense related to employment claims filed in Brazil in the year ended December 31, 2003 which also resulted in increased legal fees. In addition, we reserved $4.1 million in receivable balances due to the uncertainty of collection in 2003. In the year ended December 31, 2004, we also ceased performing services and committed to sell our network services operations and exit this service market. These operations have been classified as a discontinued operation. The results of operations for the years ended December 31, 2003 and 2002 have been reclassified to loss from discontinued operations. The net loss for the network services operations was $6.0 million and $17.9 million for the years ended December 31, 2003 and 2002, respectively. The net loss in 2002 included $13.1 million of a one-time, non-cash charge to reduce the carrying value of goodwill related to the cumulative effect of an accounting change upon adoption of SFAS No. 142.

Financial Condition, Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from continuing operations, borrowings under our credit facility, and proceeds from sales of assets and investments. We expect to continue to sell older vehicles and equipment as we upgrade with new equipment. We expect to continue to obtain proceeds from these sales in excess of $1.0 million per quarter depending upon market conditions. From time to time, we engage in a review and analysis of our performance to our key strategic objectives. In connection with this process, we consider activities including sale or divestitures of portions of our assets, operations, real estate or other properties. Any actions taken may impact our liquidity. Our primary liquidity needs are for working capital, capital expenditures, insurance collateral in the form of cash and letters of credit and debt service. Interest payments of approximately $7.6 million are due each February and August under our 7.75% senior subordinated notes. In addition to ordinary course working capital requireme