

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2003

Commission File Number 001-08106



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

Florida  
(State or other jurisdiction of  
incorporation or organization)

65-0829355  
(I.R.S. Employer  
Identification No.)

3155 N.W. 77th Avenue, Miami, FL  
(Address of principal executive offices)

33122-1205  
(Zip Code)

Registrant's telephone number, including area code: (305) 599-1800

Former name, former address and former fiscal year, if changed since last report: Not Applicable

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

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

As of August 8, 2003, MasTec, Inc. had 48,099,900 shares of common stock, \$0.10 par value, outstanding.

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**MASTEC, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

(Unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Revenue	\$ 209,108	\$ 213,041	\$ 389,677	\$ 416,823
Costs of revenue, excluding depreciation	175,267	183,018	328,052	347,604
Depreciation	7,380	8,347	15,730	18,197
Amortization	132	128	283	256
General and administrative expenses	15,912	19,266	33,821	41,345
Interest expense	5,282	4,589	9,938	9,636
Interest income	94	249	212	644
Other (expense) income, net	(598)	4,988	(118)	4,714
Income before provision for income taxes, minority interest and cumulative effect of accounting change	4,631	2,930	1,947	5,143
Provision for income taxes	1,968	1,197	908	2,123
Minority interest	102	65	138	13
Income before cumulative effect of accounting change	2,765	1,798	1,177	3,033
Cumulative effect of accounting change, net of tax	--	--	--	(25,671)
Net income (loss)	\$ 2,765	\$ 1,798	\$ 1,177	\$ (22,638)
Basic weighted average common shares outstanding	48,030	47,914	48,024	47,911
Basic earnings per share before cumulative effect of accounting change	\$ 0.06	\$ 0.04	\$ 0.02	\$ 0.06
Cumulative effect of accounting change	--	--	--	(0.53)
Basic earnings (loss) per share	\$ 0.06	\$ 0.04	\$ 0.02	\$ (0.47)
Diluted weighted average common shares outstanding	48,215	48,223	48,086	48,142
Diluted earnings per share before cumulative effect of accounting change	\$ 0.06	\$ 0.04	\$ 0.02	\$ 0.06
Cumulative effect of accounting change	--	--	--	(0.53)
Diluted earnings (loss) per share	\$ 0.06	\$ 0.04	\$ 0.02	\$ (0.47)

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

**MASTEC, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands)

(Unaudited)

	<b>June 30, 2003</b>	<b>(Audited) December 31, 2002</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,223	\$ 8,730
Accounts receivable, unbilled revenue and retainage, net	209,108	185,235
Inventories	26,794	23,736
Income tax refund receivable	429	24,598
Prepaid expenses and other current assets	39,582	32,873
	<hr/>	<hr/>
Total current assets	280,136	275,172
Property and equipment, net	99,650	118,475
Goodwill	150,984	150,984
Deferred taxes	35,857	40,271
Other assets	45,944	38,890
	<hr/>	<hr/>
Total assets	<b>\$ 612,571</b>	<b>\$ 623,792</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current maturities of debt	\$ 3,315	\$ 1,207
Accounts payable	63,283	63,492
Other current liabilities	48,402	65,696
	<hr/>	<hr/>
Total current liabilities	115,000	130,395
	<hr/>	<hr/>
Other liabilities	21,470	22,214
	<hr/>	<hr/>
Long-term debt	197,156	197,435
	<hr/>	<hr/>
Shareholders' equity:		
Preferred stock, no par value; authorized shares - 5,000,000; issued and outstanding shares - none	--	--
Common stock \$0.10 par value; authorized shares - 10,000,000; issued and outstanding shares - 48,053,753 and 48,006,234 shares, respectively	4,805	4,801
Capital surplus	348,414	348,319
Retained deficit	(53,633)	(54,810)
Foreign currency translation adjustments	(20,641)	(24,562)
	<hr/>	<hr/>
Total shareholders' equity	278,945	273,748
	<hr/>	<hr/>
Total liabilities and shareholders' equity	<b>\$ 612,571</b>	<b>\$ 623,792</b>

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

**MASTEC, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2003</b>	<b>2002</b>
Cash flows from operating activities:		
Net income (loss)	\$ 1,177	\$(22,638)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	16,013	18,453
Minority interest	(138)	(13)
Loss (Gain) on disposal of assets	38	(5,138)
Cumulative change in accounting principle, net	-	25,671

Changes in assets and liabilities:		
Accounts receivables, unbilled revenue and retainage, net	(22,211)	16,834
Inventories	(2,635)	(5,422)
Income tax refund receivable	27,783	44,151
Other assets, current and non-current portion	(7,513)	(7,833)
Accounts payable	(1,239)	(4,267)
Other liabilities, current and non-current portion	(17,769)	(18,613)
	<hr/>	<hr/>
Net cash (used in) provided by operating activities	(6,494)	41,185
	<hr/>	<hr/>
Cash flows from investing activities:		
Capital expenditures	(4,838)	(10,662)
Cash paid for acquisitions and contingent consideration, net of cash acquired	(1,861)	(12,544)
Payments received from sub-leases	2,676	--
Investment in life insurance policy	(168)	--
Proceeds from sale of assets	6,178	12,998
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	1,987	(10,208)
	<hr/>	<hr/>
Cash flows from financing activities:		
Proceeds (repayments) on revolving credit facilities, net	1,829	(69,084)
Payment on capital lease obligations	(2,600)	--
Net proceeds from common stock issued	99	88
	<hr/>	<hr/>
Net cash used in financing activities	(672)	(68,996)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(5,179)	(38,019)
Net effect of currency translation on cash	672	(1,280)
Cash and cash equivalents - beginning of period	8,730	48,478
	<hr/>	<hr/>
Cash and cash equivalents - end of period	\$ 4,223	\$ 9,179
	<hr/>	<hr/>

#### Supplemental disclosure of non-cash information:

During the six months ended June 30, 2003 and 2002, we paid approximately \$1.9 and \$12.5 million, respectively, related to contingent consideration from earlier acquisitions which was reflected as a reduction in other current liabilities.

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

## MASTEC, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

#### Note 1 — Nature of the Business and Summary of Significant Accounting Policies

We are a leading end-to-end communication, broadband and energy infrastructure service provider for a broad range of clients in North America and Brazil. MasTec, Inc. ("MasTec") designs, builds, installs, maintains, and upgrades internal and external networks and other facilities for its clients. MasTec is one of the few national, multi-disciplinary infrastructure providers that furnishes a comprehensive solution to our clients' infrastructure needs ranging from basic installation and construction to sophisticated engineering, design and integration. Our diverse and long-standing client base and our experienced management and integrated value added service offering provide a stable base of repeat business that enables us to quickly and efficiently meet client demands.

A summary of the significant accounting policies followed in the preparation of the accompanying consolidated financial statements is presented below.

*Basis for Presentation of Consolidated Financial Statements.* The accompanying unaudited consolidated financial statements of MasTec have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements and should be read together with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2002. The financial information furnished reflects all adjustments, consisting only of normal recurring accruals, which are, in our opinion, necessary for a fair presentation of the financial position, results of operations and cash flows for the quarterly periods presented. The results of operations for the periods presented are not necessarily indicative of future results of operations.

*Reclassifications.* Certain reclassifications have been made to prior year amounts to conform with current year presentation.

*Management estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We base these estimates on historical experience and on various other assumptions that we believes to be reasonable under the circumstances, the results of which form the basis for judgments about results and the carrying values of assets and liabilities. The more significant estimates relate to revenue recognition, allowance for doubtful accounts, intangible assets, accrued insurance, income taxes, litigation and contingencies. Actual results and values may differ from these estimates.

*Principles of consolidation.* The consolidated financial statements include MasTec, Inc. and its subsidiaries. Other parties' interests in consolidated entities are reported as "Minority interests" in the consolidated statement of operations. All intercompany accounts and transactions have been eliminated.

*Comprehensive income (loss).* Comprehensive income (loss) is a measure of net income or loss and all other changes in equity that result from transactions other than with shareholders. Comprehensive income (loss) consists of net income or losses and foreign currency translation adjustments. Comprehensive income for the three months ended June 30, 2003 and 2002 was \$6.3 and \$0.3 million, respectively. Our comprehensive income (loss) for the six months ended June 30, 2003 and 2002 was \$5.3 and \$(25.2) million, respectively.

*Foreign currency.* We operate in Brazil, Canada and Mexico, which subjects us to greater political, monetary, economic and regulatory risks than our domestic operations. Assets and liabilities of foreign subsidiaries and equity with a functional currency other than U.S. dollars are translated into U.S. dollars at exchange rates in effect at the end of the reporting period. Foreign entity revenue and expenses are translated into U.S. dollars at the average rates that prevailed during the period. The resulting net translation gains and losses are reported as foreign currency translation adjustments in shareholders' equity as a component of other accumulated comprehensive income. Exchange gains and losses on transactions and equity investments denominated in a currency other than their functional currency are included in results of operations as incurred.

*Revenue recognition.* Revenue and related costs for short-term construction projects (i.e., generally projects with a duration of less than one month) are recognized as the services are rendered, generally using units of output. Revenue generated by certain long-term construction contracts are accounted for by the percentage of completion method under which income is recognized based on the ratio of estimated cost incurred to total estimated contract cost. We follow this method since reasonably dependable estimates of the revenue and costs applicable to various stages of a contract can be made. Recognized revenue and profits are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts that give rise to the revision become known. We also provide management, coordination, consulting and administration services for network infrastructure projects. Compensation for such services is recognized ratably over the term of the service agreement. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

Billings in excess of costs and estimated earnings on uncompleted contracts are classified as current liabilities. Any costs in excess of billings are classified as current assets. Work in process on contracts is based on work performed but not billed to clients as per individual contract terms and is included in "Accounts receivable, unbilled revenue, and retainage, net".

*Allowance for doubtful accounts.* We maintain allowances for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. We analyze historical bad debt experience, client concentrations, client credit-worthiness, 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.

*Earnings per share.* Basic earnings per common share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share include the dilutive effect of stock options using the treasury stock method. Differences between the weighted average common shares outstanding used to calculate basic and diluted earnings per share relates to stock options assumed exercised under the Treasury method of accounting. For the three and six months ended June 30, 2003 the difference is approximately 186,000 and 62,000, respectively. For the three and six months ended June 30, 2002, this difference between the weighted average common shares outstanding used to calculate basic and diluted earnings is approximately 309,000 and 231,000, respectively.

*Cash and cash equivalents.* We consider all short-term investments with maturities of three months or less when purchased to be cash equivalents. Of the total cash and cash equivalents at June 30, 2003 and December 31, 2002, we had cash and cash equivalents denominated in Brazilian reais that translate to approximately \$1.3 and \$1.5 million, respectively.

*Inventories.* Inventories (consisting principally of materials and supplies) are carried at the lower of first-in, first-out cost or market.

*Property and equipment.* Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the term of the lease or the estimated useful lives of the improvements. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized and depreciated over the remaining useful life of the asset. The carrying amounts of assets sold or retired and related accumulated depreciation are eliminated in the year of disposal and the resulting gains and losses are included in "Other income or (expense), net".

*Deferred Financing Costs.* Deferred financing costs related to our revolving credit facility and the senior subordinated notes whose short and long-term portions are included in other current and non-current assets in the consolidated balance sheets. These deferred financing costs are amortized over the related terms of the debt using the effective interest method. The net deferred financing costs were \$5.8 million at June 30, 2003 and \$6.2 million at December 31, 2002.

*Software Capitalization.* We capitalize certain costs incurred in connection with developing or obtaining internal use software in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". These capitalized software costs are included in "Property and equipment, net" in the consolidated balance sheets and are being amortized ratably over a period not to exceed seven years.

*Intangibles and other long-lived assets.* Intangibles, long-lived assets and goodwill are recorded at estimated fair value. Intangibles are amortized on a straight-line basis over periods of up to five years. We assess the impairment of identifiable intangibles, long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Effective January 1, 2002, we adopted Statement of Financial Accounting Standard ("SFAS") No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that goodwill be assessed at least annually for impairment by applying a fair-value based test. Goodwill is no longer amortized over its estimated useful life. In addition, acquired intangible assets are required to be recognized and amortized over their useful lives if the benefit of the asset is based on contractual or legal rights. Upon adoption of SFAS No. 142 a write-down of goodwill resulted, net of tax, in the amount of \$25.7 million, which is reflected in the consolidated financial statements as a cumulative effect due to a change in accounting principle as discussed in Note 2. Impairment losses subsequent to adoption are performed during the fourth quarter of each year and are reflected in operating income or loss in the consolidated statement of operations.

We review our long-lived assets, including property and equipment that are held and used in operations, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable as required by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". If such an event or change in circumstances is present, we estimate the undiscounted future cash flows, less the future outflows necessary to obtain those inflows, expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the related assets, an impairment loss will be recognized or a review of depreciation policies may be appropriate. Impairment losses resulting

from such abandonment are recognized in operating income. Assets to be disposed of are reclassified as assets held for sale at the lower of their carrying amount or fair value less costs to sell. Write-downs to fair value less costs to sell are reported above the operating income line as "Other income (expense), net". We adopted SFAS No. 144 effective January 1, 2002.

*Accrued insurance.* We carry insurance for worker's compensation, employer's liability, auto liability, and general liability claims subject to a \$1.0 million deductible per claim. Losses up to the deductible amounts are accrued based upon estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. The accruals are based upon known facts and historical trends and we believe such accruals to be accurate. Because we retain those risks, up to certain limits, a change in experience or actuarial assumptions that did not affect the rate of claims payments could nonetheless materially affect our financial condition and results of operations in a particular period. In August 2003, we renewed our insurance policies and increased our deductibles.

*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. We make estimates of our income taxes in each of the jurisdictions in which we operate. This process involves estimating the 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 in the consolidated balance sheet. While we consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event that we determine that we will not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination is made.

*Stock Based Compensation.* We account for stock-based award plans in accordance with Accounting Principle Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. Pursuant to APB Opinion No. 25, no compensation expense is recorded.

*Fair value of financial instruments.* We estimate the fair market value of financial instruments through the use of public market prices, quotes from financial institutions and other available information. Judgment is required in interpreting data to develop estimates of market value and, accordingly, amounts are not necessarily indicative of the amounts that could be realized in a current market exchange. Short-term financial instruments, including cash and cash equivalents, accounts and notes receivable, accounts payable and other liabilities, consist primarily of instruments without extended maturities, the fair value of which, based on our estimates, equaled their carrying values. At June 30, 2003 and December 31, 2002, the fair value of senior subordinated notes was \$198.3 and \$170.5 million, respectively, based on quoted market values. Letters of credit are used to back certain insurance policies. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined in the marketplace.

*New Pronouncements.* In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and capitalize that amount as part of the book value of the long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss. This statement is effective for financial statements for fiscal years beginning after June 15, 2002. We adopted provisions of this statement effective January 1, 2003. The adoption of SFAS No. 143 did not have an effect on our earnings or financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement requires the recording of costs associated with exit or disposal activities at their fair values only once a liability exists. Under previous guidance, certain exit costs were accrued when we committed to an exit plan, which may have been before an actual liability arose. The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. We adopted SFAS No. 146 effective January 1, 2003. The adoption of SFAS No. 146 did not have a material effect on our earnings or financial position.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 requires a company to consolidate a variable interest entity ("VIE"), as defined, when the company will absorb a majority of the variable interest entity's expected losses, receive a majority of the variable interest entity's expected residual returns, or both. FIN 46 also requires consolidation of existing, non-controlled affiliates if the VIE is unable to finance its operations without investor support, or where the other investors do not have exposure to the significant risks and rewards of ownership. FIN 46 applies immediately to a VIE created or acquired after January 31, 2003. For a VIE acquired before February 1, 2003, FIN 46 applies in the first fiscal year or interim period beginning after June 15, 2003. The adoption of this Interpretation did not have an effect on our financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends SFAS 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires contracts with similar characteristics to be accounted for on a comparable basis. We do not expect the adoption of SFAS 149, which will be effective for contracts entered into or modified after June 30, 2003, to have a material effect on our financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting guidance for certain financial instruments that, under previous guidance, could have been classified as either a liability or equity. These financial instruments include mandatory redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. SFAS No. 150 now requires those instruments to be classified as liabilities (or as assets under some circumstances) in the statement of financial position. SFAS No. 150 also requires the terms of those instruments and any settlement alternatives to be disclosed. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003. Otherwise, it is effective at the beginning of the first interim period beginning after June 15, 2003. We do not anticipate that the adoption of SFAS No. 150 will have a material impact on our financial position and results of operations.

## **Note 2 – Goodwill and Other Intangible Assets**

In January 2002, we adopted SFAS No. 142, which requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, SFAS No. 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon adoption of SFAS No. 142 and annually thereafter.

Under SFAS No. 142, goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value as determined using a discounted cash flow methodology applied to the particular unit. This methodology differs from previous policy, in accordance with accounting standards existing at that time, of using undiscounted cash flows on an enterprise-wide basis to determine recoverability. Upon adoption of SFAS No. 142 in the first quarter of 2002, a one-time, non-cash charge was recorded of approximately \$25.7 million, net of \$13.8 million tax benefit, to reduce the carrying value of goodwill. This charge is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations. The SFAS No. 142 goodwill impairment recorded in the first quarter of fiscal 2002 is associated with goodwill resulting from the acquisition of various inside plant infrastructure businesses and is based on discounting our projected future cash flows for these companies. During 2001 and 2002, our inside plant infrastructure businesses experienced

losses due to a decrease in demand for services from telecommunications equipment manufacturers, competitive local exchange carriers and corporate clients. Based on that trend, earnings forecasts were revised, resulting in an impairment of the goodwill associated with acquisitions of businesses that provide these services.

Impairment adjustments recognized after adoption are required to be recognized as operating expense. Impairment reviews are performed annually during the fourth quarter of each year. The first of these reviews took place in the fourth quarter of 2002.

### Note 3 — Other Assets and Liabilities

Prepaid expenses and other current assets on the consolidated balance sheets as of June 30, 2003 and December 31, 2002 were \$39.6 and \$32.9 million, respectively, primarily consisting of miscellaneous short-term receivables, refundable taxes, assets held for sale, security deposits, and prepaid expenses.

Other non-current assets consist of the following as of June 30, 2003 and December 31, 2002 (in thousands):

	<u>2003</u>	<u>2002</u>
Long-term receivables, including retainage	\$ 11,080	\$ 9,340
Non-core investments	11,895	12,122
Real estate held for sale	1,683	1,683
Deferred financing costs	4,343	4,834
Life insurance policies	5,545	5,374
Non-compete agreement	555	810
Other	10,843	4,727
	<u>          </u>	<u>          </u>
Total	\$ 45,944	\$ 38,890
	<u>          </u>	<u>          </u>

Other current and non-current liabilities consist of the following as of June 30, 2003 and December 31, 2002 (in thousands):

	<u>2003</u>	<u>2002</u>
<u>Current liabilities</u>		
Obligations related to prior acquisitions	\$ 1,683	\$ 3,549
Accrued compensation	13,978	21,302
Accrued insurance	9,831	11,354
Accrued interest	6,454	6,480
Restructuring accruals	1,113	2,735
Other	15,343	20,276
	<u>          </u>	<u>          </u>
Total	\$ 48,402	\$ 65,696
	<u>          </u>	<u>          </u>
<u>Non-current liabilities</u>		
Accrued insurance	\$ 16,330	\$ 18,521
Minority interest	2,041	1,797
Other	3,099	1,896
	<u>          </u>	<u>          </u>
Total	\$ 21,470	\$ 22,214
	<u>          </u>	<u>          </u>

### Note 4 – Debt

Debt is comprised of the following (in thousands):

	<u>June 30, 2003</u>	<u>December 31, 2002</u>
Notes payable for equipment, at interest rates from 7.5% to 8.5% due in installments through the year 2004	\$ 1,487	\$ 1,955
Other lines of credit	3,110	827
7.75% senior subordinated notes due February 2008	195,874	195,860
	<u>          </u>	<u>          </u>
Total debt	200,471	198,642
Less current maturities	(3,315)	(1,207)
	<u>          </u>	<u>          </u>
Long-term debt	\$ 197,156	\$ 197,557
	<u>          </u>	<u>          </u>

## Revolving Credit Facility

We have a revolving credit facility for U.S. operations that provides for borrowings up to an aggregate of \$125.0 million, based on a percentage of eligible accounts receivable and unbilled receivables as well as a fixed amount of equipment that decreases quarterly. Although the credit facility provides for borrowings of up to \$125.0 million, the amount that we can borrow at any given time is based upon a formula that takes into account, among other things, our eligible billed and unbilled accounts receivable, which can result in borrowing availability of less than the full amount of the facility. As of June 30, 2003 and December 31, 2002, net availability under the credit facility totaled \$30.0 and \$39.0 million net of outstanding standby letters of credit aggregating \$37.9 and \$47.0 million, respectively. Substantially all of the outstanding letters of credit are issued to insurance providers as part of our insurance program. We had no outstanding draws under the credit facility as of June 30, 2003 and December 31, 2002. Amounts outstanding under the revolving credit facility mature on January 22, 2007.

The credit facility is collateralized by a first priority security interest in substantially all of our U.S. assets and a pledge of the stock of certain of our operating subsidiaries. Interest under the facility accrues at rates based, at our option, on the agent bank's base rate plus a margin of between 0.75% and 1.75% or its LIBOR rate (as defined in the credit facility) plus a margin of between 2.25% and 3.25% each depending on certain financial thresholds. The credit facility includes an unused facility fee of 0.50%, which may be adjusted to as low as 0.375% or as high as 0.625% depending on the achievement of certain financial thresholds.

The credit facility, as amended in March 2003, contains customary events of default (including cross-default) provisions and covenants related to our North American operations that prohibit, among other things, making investments and acquisitions in excess of a specified amount, incurring additional indebtedness in excess of a specified amount, paying cash dividends, making other distributions in excess of a specified amount, making capital expenditures in excess of a specified amount, creating liens, prepaying other indebtedness, including our 7.75% senior subordinated notes, and engaging in certain mergers or combinations without the prior written consent of the lenders. In addition, deterioration in the quality of billed and unbilled receivables reduces availability under the credit facility.

The credit facility contains certain financial covenants that require us to maintain specified tangible net worth values and a minimum fixed charge coverage ratio (all as defined in the credit facility).

As of June 30, 2003 and December 31, 2002 we were in compliance with all of the covenants under the credit facility as amended in March 2003. Failure to achieve certain results could cause us not to meet these covenants in the future.

Our variable rate credit facility exposes us to interest rate risk. However, we believe that changes in interest rates should not materially affect our financial position, results of operations or cash flows since at June 30, 2003 and December 31, 2002, we had no borrowings under the credit facility.

## Senior Subordinated Notes

We have \$200.0 million, 7.75% senior subordinated notes due in February 2008, with interest due semi-annually, of which \$195.9 million, net of discount, is outstanding as of June 30, 2003 and December 31, 2002. The notes also contain default (including cross-default) provisions and covenants restricting many of the same transactions as under the credit facility.

We did not hold any derivative financial or commodity instruments at June 30, 2003 or December 31, 2002.

## Note 5 – 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 evaluated current operations, the growth and opportunity potential of each service offering and the consolidation of back-office processes. As a result of this review, a restructuring program was implemented that included four categories to accomplish:

- o Elimination of service offerings that no longer fit into our core business strategy. This process includes reducing or eliminating service offerings that do not fit the long-term business plan.
- o Reduction or elimination of services that do not produce adequate revenue or margins to support our targeted levels of profitability and return on investment, or justify the required investments in capital resources. This includes exiting contracts that do not meet our minimum rate of return requirements, and aggressively seeking to improve margins and reduce costs.
- o Analyses of businesses that provide adequate profit contributions but still need margin improvements that include aggressive cost reductions and efficiencies.
- o Review new business opportunities in similar business lines that can utilize 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 involuntary terminations impacted both the salaried and hourly employee groups. Approximately 1,025 employees were impacted during 2002. Approximately 25 facilities were closed during 2002 as part of the program. As of June 30, 2003 and December 31, 2002, we had remaining obligations under existing lease agreements for closed facilities of approximately \$1.1 and \$2.1 million, respectively.

The following is a reconciliation of the restructuring accruals as of June 30, 2003 (in thousands):

Accrued costs at December 31, 2002	
Severance costs	\$ 571
Lease cancellation costs	2,164
	<hr/>
	2,735
Cash payments	1,622
	<hr/>
Accrued costs at June 30, 2003	\$ 1,113



## Note 6 – Stock Option Plans

We account for stock-based award plans in accordance with APB Opinion No. 25, and related interpretations. Pursuant to APB Opinion No. 25, compensation related to stock options is the difference between the grant price and the fair market value of the underlying common shares at the grant date. Generally, we issue options to employees with a grant price equal to the market value of our common stock on the grant date. Accordingly, no compensation expense has been recognized. During the fourth quarter of fiscal 2002, we adopted the disclosure provisions of SFAS No. 148.

The following table illustrates the effect on net results and earnings per share had we adopted the fair value based method of accounting for stock-based employee compensation for all periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income (loss):				
As reported	\$ 2,765	\$ 1,798	\$ 1,177	\$ (22,638)
Pro forma	\$ 1,795	\$ 183	\$ (742)	\$ (26,463)
Basic income (loss) per share:				
As reported	\$ 0.06	\$ 0.04	\$ 0.02	\$ (0.47)
Pro forma	\$ 0.04	\$ 0.01	\$ (0.02)	\$ (0.55)
Diluted income (loss) per share:				
As reported	\$ 0.06	\$ 0.04	\$ 0.02	\$ (0.47)
Pro forma	\$ 0.04	\$ 0.01	\$ (0.02)	\$ (0.55)

## Note 7 – Operations by Segments and Geographic Areas

We operate in one reportable segment as a specialty contractor. We provide engineering, placement and maintenance of aerial and underground: fiber-optic, coaxial and copper cable systems owned by local and long distance communications carriers and cable television multiple system operators. Additionally, we provide similar services related to the installation of integrated voice, data and video local and wide area networks within office buildings and similar structures and also provide construction and maintenance services to electrical and other utilities. All operating units have been aggregated into one reporting segment due to their similar customer bases, products and production and distribution methods. We also operate in Brazil through an 87.5% joint venture which consolidates net of a 12.5% minority interest after tax. The Brazilian operations perform similar services and for the three months ended June 30, 2003 and 2002 had revenue of \$6.5 and \$ 10.9 million, respectively. For the six months ended June 30, 2003 and 2002 it had revenue of \$11.6 and \$26.4 million, respectively. Total assets for Brazil aggregated \$37.9 and \$35.2 million as of June 30, 2003 and December 31, 2002, respectively.

## Note 8 – Commitments and Contingencies

In November of 1997, we filed two suits in the 11<sup>th</sup> Judicial Circuit Court of Florida against Miami-Dade County seeking unpaid amounts due under several contracts with the county for road repair, paving, sidewalk construction and road striping. Miami-Dade County filed counterclaims seeking recovery of amounts paid by the county to us for work that was not actually performed by one of our subcontractors. Following a mediation that occurred in December of 2002, we settled all claims arising out of the litigation and paid Miami-Dade County \$2.25 million in February 2003. Following the settlement, the litigation has been dismissed.

The labor union representing the workers of Sistemas e Instalaciones de Telecomunicacion S.A. (“Sintel”), a former MasTec subsidiary, has instigated an investigative action with a Spanish federal court that commenced in July 2001 alleging that five former members of the board of directors of Sintel, including Jorge Mas, the Chairman of the Board of MasTec, and his brother Juan Carlos Mas, approved a series of allegedly unlawful transactions that led to the bankruptcy of Sintel. We are also named as a potentially liable party. The union alleges Sintel and its creditors were damaged in the approximate amount of 13 billion pesetas (\$89.4 million and \$81.9 million at June 30 and December 31, 2002 exchange rates, respectively). As discussed in prior filings, the Spanish judge has taken no action to enforce a bond order pending since July 2001 for the amount of alleged damages. A Spanish judge has met with certain of our executives, but neither the executives nor MasTec have been served in the action.

On January 9, 2002, Harry Schipper, one of our shareholders, filed a shareholder derivative lawsuit in the U.S. District Court for the Southern District of Florida against us as nominal defendant and against certain current and former members of the Board of Directors and senior management, including Jorge Mas, Chairman of the Board, and Austin J. Shanfelter, President and Chief Executive Officer. The lawsuit alleges mismanagement, misrepresentation and breach of fiduciary duty as a result of a series of allegedly fraudulent and criminal transactions, including both the matters described above, the severance paid to the former Chief Executive Officer, and our investment in and financing of a client that subsequently filed for bankruptcy protection, as well as certain other matters. The lawsuit seeks damages and injunctive relief against the individual defendants on MasTec’s behalf. The Board of Directors has formed a special committee, as contemplated by Florida law, to investigate the allegations of the complaint and to determine whether it is in the best interests of MasTec to pursue the lawsuit. The lawsuit has been administratively dismissed without prejudice by agreement of the parties to permit the committee to complete its investigation. On July 16, 2002, Mr. Schipper made a supplemental demand on our Board of Directors by letter to investigate allegations that (a) we reported greater revenue in an unspecified amount on certain contracts than permitted under the contract terms and (b) we recognized between \$3 to \$5 million in income for certain projects on the books of two separate subsidiaries. These additional allegations have also been referred to the special committee for investigation. The named individual defendants have advised us that they believe they have meritorious defenses to the claims.

We are also a party to other pending legal proceedings arising in the normal course of business. While complete assurance cannot be given as to the outcome of any legal claims, we believe that any financial impact would not be material to our results of operations, financial position or cash flows.

We have commitments to pay life insurance premiums on policies on the life of the Chairman of the Board and the Chief Executive Officer totaling \$22.7 million over the next nineteen years, obligations related to prior year acquisitions of \$1.7 million, capital leases totaling \$2.3 million, operating lease commitments of \$36.7 million and lines of credit (excluding our \$125.0 revolving credit facility) of \$3.1 million as of June 30, 2003.

Our operations in Brazil are subject to the risks of political, currency, economic or social instability, including the possibility of expropriation, confiscatory taxation, hyper-inflation or other adverse regulatory or legislative developments, or limitations on the repatriation of investment income, capital and other assets. We cannot predict whether any of these factors will occur in the future or the extent to which such factors would have a material adverse effect on our Brazilian operations.

In certain circumstances, we are required to provide performance bonds in connection with contractual commitments.

From time to time, we enter into agreements with certain vendors under which we commit to lease a fixed number of vehicles or equipment at a predetermined price. During the first quarter of 2003, we entered into one such agreement with a vendor to lease up to \$7.5 million of machinery and equipment. As of June 30, 2003, we have utilized \$4.9 million of this commitment. The lease for such machinery and equipment is recorded as an operating lease.

## **Note 9 – Concentrations of Risk**

In the course of operations, we are subject to certain risk factors, including but not limited to, risks related to rapid technological and structural changes in the industries we serve, the volume of work received from clients, contract cancellations on short notice, operating strategies, economic downturn, collectibility of receivables, significant fluctuations in quarterly results, effect of continued efforts to streamline operations, management of growth, dependence on key personnel, availability of qualified employees, competition, recoverability of goodwill, and potential exposures to environmental liabilities and political and economic instability in foreign operations. For information about additional risks, see our Annual Report on Form 10-K for the year ended December 31, 2002.

We have more than 200 clients throughout the United States, Canada and Brazil, which include some of the largest and most prominent companies in the communications, broadband and energy fields, as well as government agencies such as departments of transportation. Clients include incumbent local exchange carriers, broadband and satellite operators, public and private energy providers, long distance carriers, financial institutions and wireless service providers. We grant credit, generally without collateral to our customers. Consequently, we are subject to potential credit risk related to changes in business and economic factors. However, we have certain lien rights on work performed and concentrations of credit risk are limited due to the diversity of the customer base. We believe billing and collection policies are adequate to minimize potential credit risk. One customer accounted for more than 12.2% and 10.2% of revenues during the three and six months ended June 30, 2003, respectively. No one customer accounted for more than 10% of revenues during the three and six months ended June 30, 2002.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. We analyze historical bad debt experience, client concentrations, client credit-worthiness, 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. If judgments regarding the collectibility of accounts receivables were incorrect, adjustments to the allowance may be required, which would reduce profitability. Prior to 2001, the allowance for doubtful accounts averaged approximately \$3.0 to \$6.0 million annually, as we had not incurred significant bad debts or experienced significant client bankruptcies. However, during 2002 and 2001, we recorded bad debt provisions of \$15.4 million and \$185.5 million, respectively, primarily due to the unprecedented number of clients that filed for bankruptcy protection during the year 2001 and general economic climate of 2002. As of June 30, 2003 and December 31, 2002, we had remaining receivables from clients undergoing bankruptcy reorganization totaling \$17.6 and \$10.6 million net of \$10.9 and \$7.0 million, respectively, in specific reserves. These receivables are included in accounts receivable, on the Consolidated balance sheets. Based on the analytical process described above, we believe that we will recover the net amounts recorded. We maintain an allowance for doubtful accounts of \$24.4 and \$25.8 million as of June, 2003 and December 31, 2002, including the bankruptcy reserves discussed above, for both specific customers and as a general reserve. There can be no assurance that we will collect the amounts reflected on our records for these clients as well as other clients. Should additional clients file for bankruptcy or experience difficulties, or should anticipated recoveries in existing bankruptcies and other workout situations fail to materialize, we could experience reduced cash flows and losses in excess of the current allowance.

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## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Except for historical information, the matters discussed below may contain forward-looking statements, such as statements regarding our future growth and profitability, growth strategy and anticipated trends 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, including that our revenue or profit may differ from that projected, that we may be further impacted by slowdowns in our clients' businesses or deterioration in our clients' financial condition, that our reserves may be inadequate or our equity investments may be impaired, that the outcome of pending litigation may be adverse to us and that we may experience increased costs associated with realigning our business or may be unsuccessful in those efforts. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from results expressed or implied in any forward-looking statements made by us. These and other risks are detailed in this quarterly report on Form 10-Q and in other documents filed by us with the Securities and Exchange Commission ("SEC"), including our Annual Report filed on Form 10-K. We do not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances.

### **General**

We are a leading end-to-end infrastructure service provider offering services in telecommunications, broadband, intelligent road traffic systems, and energy markets to a broad range of clients in North America and Brazil.

We design, build, install, maintain and upgrade external networks and other facilities for our clients. We are one of the few national, multi-disciplinary infrastructure providers that furnishes a comprehensive solution to our clients' infrastructure needs ranging from basic installation and construction to sophisticated engineering, design and integration. Our diverse and long-standing client base, experienced management and integrated value added service offering provide a stable base of repeat business and enable us to quickly and efficiently meet client demands.

Our strategy is to use these competitive strengths to increase market share in the fragmented network infrastructure industry by expanding relationships across multiple service offerings with long-time clients and selected new clients who have both financial liquidity and end-user customers. We target predictable recurring maintenance and upgrade work under exclusive, multiple year master service and other agreements. We are also focused on leveraging our administrative base and achieving other cost savings and efficiencies through better utilization of our equipment, facilities and personnel and through economies of scale.

During the second quarter of 2002, we initiated a restructuring plan designed to improve gross margins and reduce general and administrative costs. The majority of the expenses associated with this plan were incurred in the fourth quarter of 2002. While some of the benefits of this plan are reflected in our results of operations, there can be no assurance that we will be able to effect all of the plan's efficiencies or that the plan will result in all of the expected benefits.

## **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 accounting principles generally accepted in the United States. 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 under different assumptions or conditions.

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 short-term construction projects (i.e., generally projects with a duration of less than one month) are recognized as the services are rendered, generally using units of output. We recognize revenue and related costs as work progresses on long-term, fixed price contracts using the percentage-of-completion method, which relies on estimates of total expected contract revenue and costs. We follow this method since reasonably dependable estimates of the revenue and costs applicable to various stages of a contract can be made. Recognized revenue is subject to revisions as the contract progresses to completion. Revisions in estimates are charged to income in the period in which the facts that give rise to the revision become known. If we do not accurately estimate revenue and costs, the profitability of such contracts can be affected adversely. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

### **Allowance for Doubtful Accounts**

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. We analyze historical bad debt experience, client concentrations, client credit-worthiness, analysis of client financial condition and credit reports, the availability of mechanic's 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 on a monthly 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.

### **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 to determine adjustments to estimated remaining useful lives and depreciation rates.

### **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 SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". In analyzing potential impairment, we use projections of future cash flows from the assets. These projections are based on our views of growth rates for the related business and 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. 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.

### **Valuation of Intangible Assets and Investments**

We adopted SFAS No. 142, "Goodwill and Other Intangible Assets" effective January 1, 2002. In accordance with that statement, we conduct, on at least an annual basis, a review of our reporting units to determine whether their carrying value exceeds fair market value. Should this be the case, the value of our goodwill may be impaired and written down. The valuations employ a combination of present value techniques to measure fair value corroborated by comparisons to estimated market multiples. When necessary, we engage third party specialists to assist us with our valuations. Impairment losses are reflected in operating income or loss in the consolidated statements of operations.

### **Insurance Reserves**

We maintain insurance policies subject to a \$1.0 million deductible per claim for certain auto, property and casualty and workers' compensation claims. We are required to post letters of credit to secure our obligation to reimburse the insurance carrier for amounts that could potentially be advanced by the carrier that are not covered by insurance. Our estimated liability for claims and the associated expenses is reflected in other current and non-current liabilities. The determination of such claims and expenses and the appropriateness of the related liability is reviewed and updated semi-annually. 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 also may be required to post additional collateral with the insurance carrier, which may affect our liquidity. In August 2003, we renewed our insurance policies and increased our deductibles.

### **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.

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. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event that we determine that we will not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination is made.

## Litigation and Contingencies

Litigation and contingencies are reflected in our consolidated financial statements based on assessments, along with legal counsel, of the expected outcome from such litigation. If the final outcome of such litigation and contingencies differs significantly from that currently expected, it could result in a charge to earnings when determined.

## Results of Operations

	Three Months Ended June 30,				Six Months Ended June 30,			
	2003		2002		2003		2002	
Revenue	\$ 209,108	100.0 %	\$ 213,041	100.0 %	\$ 389,677	100.0 %	\$ 416,823	100.0 %
Costs of revenue	175,267	83.8 %	183,018	85.9 %	328,052	84.2 %	347,604	83.4 %
Depreciation	7,380	3.5 %	8,347	3.9 %	15,730	4.0 %	18,197	4.4 %
Amortization	132	0.1 %	128	0.1 %	283	0.1 %	256	0.1 %
General and administrative expenses	15,912	7.6 %	19,266	9.0 %	33,821	8.7 %	41,345	9.9 %
Interest expense, net of interest income	5,188	2.5 %	4,340	2.0 %	9,726	2.5 %	8,992	2.2 %
Other (expense) income, net	(598)	(0.3) %	4,988	2.3 %	(118)	-	4,714	1.2 %
Income before provision for income taxes, minority interest and cumulative effect of accounting change	4,631	2.2 %	2,930	1.4 %	1,947	0.5 %	5,143	1.2 %
Provision for income taxes	1,968	0.9 %	1,197	0.6 %	908	0.2 %	2,123	0.5 %
Minority interest	102	-	65	-	138	-	13	-
Income before cumulative effect of accounting change	\$ 2,765	1.3 %	\$ 1,798	0.8 %	\$ 1,177	0.3 %	\$ 3,033	0.7 %
Cumulative effect of accounting change, net of tax	-	-	-	-	-	-	(25,671)	(6.1) %
Net income (loss)	\$ 2,765	1.3 %	\$ 1,798	0.8 %	\$ 1,177	0.3 %	\$ (22,638)	(5.4) %

### Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Our revenue was \$209.1 million for the three months ended June 30, 2003, compared to \$213.0 million for the same period in 2002, representing a decrease of \$3.9 million or 1.8%. The decrease was principally due to the reduction or elimination of certain unprofitable service offerings, and a continued reduction in capital expenditures by some of our clients. The decrease was also due to severe weather conditions during the three months ended June 30, 2003.

Our costs of revenue were \$175.3 million or 83.8% of revenue for the three months ended June 30, 2003, compared to \$183.0 million or 85.9% of revenue for the same period in 2002. The decrease is a result of our restructuring plan whose implementation started in the fourth quarter of 2002 and severe weather conditions. The plan resulted in the reduction or elimination of unprofitable work and aggressive cost cutting in certain contracts and geographical areas. We continue to implement additional measures to streamline costs.

Depreciation was \$7.4 million or 3.5% of revenue for the three months ended June 30, 2003, compared to \$8.3 million or 3.9% of revenue for the same period in 2002. We reduced depreciation expense in the three months ended June 30, 2003 by reducing capital expenditures and disposing of excess equipment.

Amortization of intangibles of \$0.1 million or 0.1% of revenue for the three months ended June 30, 2003, remained relatively constant compared to \$0.1 million or 0.1 % of revenue for the same period in 2002. In accordance with SFAS No. 142 (see Note 2 to the Consolidated Financial Statements), goodwill is no longer amortized and no new intangibles were acquired.

General and administrative expenses were \$15.9 million or 7.6% of revenue for the three months ended June 30, 2003, compared to \$19.3 million or 9.0 % of revenue for the same period in 2002. The decrease in general and administrative expenses is related to the overall decline in revenues experienced during the three months ended June 30, 2003. The decrease is also due in part to our restructuring plan implemented in late 2002. The plan resulted in the termination of employees, the consolidation of facilities and office closures. We continue to implement additional measures to streamline our cost structure consistent with our reduced revenue.

Interest expense, net of interest income, was \$5.2 million or 2.5% of revenue for the three months ended June 30, 2003, compared to \$4.3 million or 2.0 % of revenue for the same period in 2002 as we increased borrowings to support working capital needs. We incur interest expense from our long-term debt and periodic credit line borrowings to meet working capital needs and support various letters of credit.

Other (expense) income decreased to \$(0.6) million for the three months ended June 30, 2003 from \$5.0 million for the three months ended June 30, 2002. Other income for the three months ended June 30 2002 reflects the gain on disposal of certain non-core assets, investments and excess equipment.

For the three months ended June 30, 2003, our effective tax rate was approximately 41.6%, compared to 40.9 % in 2002. The 0.7% increase is due to proportionately higher income before taxes in 2003.

### **Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002**

Our revenue was \$389.7 million for the six months ended June 30, 2003, compared to \$416.8 million for the same period in 2002, representing a decrease of \$27.1 million or 6.5%. This decrease was due primarily to the reduction or elimination of certain unprofitable service offerings and severe weather conditions. The decrease was also due to a continued reduction in capital expenditures by incumbent communications and broadband clients and our decision to reduce services to certain competitive telecommunications carriers.

Our costs of revenue were \$328.1 million or 84.2% of revenue for the six months ended June 30, 2003, compared to \$347.6 million or 83.4 % of revenue for the same period in 2002. In the six months ended June 30, 2003, margins were negatively impacted in part by severe weather in the first three months of the period and the under-utilization of personnel and equipment and demobilization and redeployment costs, partially offset by the benefits associated with the continued implementation of our restructuring plan. For the 6 months ended 2002, we also experienced higher margins due to the completion of certain projects with competitive local exchange carriers (CLEC's).

Depreciation was \$15.7 million or 4.0% of revenue for the six months ended June 30, 2003, compared to \$18.2 million or 4.4 % of revenue for the same period in 2002. We reduced depreciation expense in the six months ended June 30, 2003 by reducing capital expenditures and disposing of excess equipment.

Amortization of intangibles of \$0.3 million or 0.1% of revenue for the six months ended June 30, 2003, remained relatively consistent compared to \$0.3 million or 0.1 % of revenue for the same period in 2002. In accordance with SFAS No. 142 (see Note 2 to the Consolidated Financial Statements), goodwill is no longer amortized and there are no new intangibles.

General and administrative expenses were \$33.8 million or 8.7% of revenue for the six months ended June 30, 2003, compared to \$41.3 million or 9.9 % of revenue for the same period in 2002. The decrease in general and administrative expenses is related to the overall decline in revenues experienced during the six months ended June 30, 2003. The decrease is also due to our restructuring plan which resulted in the termination of employees, the consolidation of facilities and office closures. We continue to implement additional measures to streamline our cost structure consistent with our reduced revenue.

Interest expense, net of interest income, was \$9.7 million or 2.5% of revenue for the six months ended June 30, 2003, compared to \$9.0 million or 2.2 % of revenue for the same period in 2002 as we increased borrowings to support working capital needs. We incur interest expense from our long-term debt and periodic credit line borrowings to meet working capital needs and support various letters of credit.

Other (expense) income decreased to \$(0.1) million for the six months ended June 30, 2003 from \$4.7 million during the six months ended June 30, 2002. Other income for the six months ended June 30, 2002 reflects the gain on disposal of certain non-core assets and investments held for sale as of December 31, 2001.

For the six months ended June 30, 2003 and 2002 respectively our effective tax rate was approximately 41.2% and 41.4 %.

### **Financial Condition, Liquidity and Capital Resources**

We derive a significant amount of our revenue from communications providers. During the last two years, the communications industry suffered a severe downturn that resulted in a number of our clients filing for bankruptcy protection or experiencing financial difficulties. The downturn has adversely affected capital expenditures for infrastructure projects even among clients that did not experience financial difficulties. Capital expenditures by telecommunications and other clients in 2003 are expected to remain at low levels similar to the prior two years. Furthermore, there can be no assurance that additional clients will not file for bankruptcy protection or otherwise experience financial difficulties in 2003. Although we have refocused our business on established, stable communications, energy, government entities and other clients, there can be no assurance that these clients will continue to fund capital expenditures for infrastructure projects at current levels or that we will be able to increase our market share with these stronger clients. Further decreases in our clients' capital expenditures could reduce our cash flows and adversely impact our liquidity.

Our primary liquidity needs are for working capital, capital expenditures, letters of credit and debt service. Our primary sources of liquidity are cash flows from operations, borrowings under revolving lines of credit, tax refunds and sale of property and assets. During the fourth quarter of 2002, we recorded certain restructuring charges aggregating \$8.2 million, including consulting fees, of which \$1.1 million remains outstanding as of June 30, 2003. We anticipate payment of the remaining amounts through 2004.

Net cash used in operating activities was \$6.5 million for the six months ended June 30, 2003. The net cash used in operating activities in 2003, in part resulted from seasonal increases in revenue and related receivables, changes in other working capital components, net of a \$27.8 million receipt of income tax

refunds resulting from losses incurred in 2002. In February 2003, we also made an interest payment on our Senior Subordinated Debentures of approximately \$7.8 million. A portion of the proceeds from the income tax refund were used to repay all borrowings under our revolving credit facility at the time of receipt.

Included in our results of operations is a non-cash provision for income taxes of \$2.0 million and \$0.9 million for the three and six months ended June 30, 2003 respectively. We do not anticipate payment of these taxes due to net operating loss carryforwards generated in 2001 and 2002. During the three and six months ended June 30, 2002, we recorded non-cash provisions for income taxes of \$1.2 million and \$2.1 million respectively.

During the six months ended June 30, 2003, we paid approximately \$1.9 million related to contingent consideration from earlier acquisitions that was reflected as a reduction in other current liabilities. We also invested \$2.2 million in our domestic fleet and \$0.5 million in our international fleet to replace or upgrade equipment, along with \$2.1 million in technology enhancements. Also during the six months ended June 30, 2003, we received proceeds and notes receivable of approximately \$6.2 million on the sale of assets and disposal of assets held for sale.

During the six months ended June 30, 2003, our financing activities primarily consisted of borrowings under our revolving debt to support international operations. Additionally, \$2.6 million of payments were made on our capital leases.

We have a credit facility for U.S. operations that provides for borrowings up to an aggregate of \$125.0 million, based on a percentage of eligible accounts receivable and unbilled receivables as well as a fixed amount of equipment that decreases quarterly. Although the credit facility provides for borrowings of up to \$125.0 million, the amount that we can borrow at any given time is based upon a formula that takes into account, among other things, our eligible billed and unbilled accounts receivable, which can result in borrowing availability of less than the full amount of the facility. As of June 30, 2003 and December 31, 2002, availability under the credit facility totaled \$30.0 and \$39.0 million net of outstanding standby letters of credit aggregating \$37.9 and \$47.0 million, respectively. Substantially all of the outstanding letters of credit are issued to our insurance providers as part of our insurance program. We had no outstanding draws under the credit facility as of June 30, 2003 and December 31, 2002. Amounts outstanding under the revolving credit facility mature on January 22, 2007. The credit facility is collateralized by a first priority security interest in substantially all of our U.S. assets and a pledge of the stock of certain of our operating subsidiaries. Interest under the facility accrues at rates based, at our option, on the agent bank's base rate plus a margin of between 0.75% and 1.75% or its LIBOR rate (as defined in the credit facility) plus a margin of between 2.25% and 3.25% each depending on certain financial thresholds. The facility includes an unused facility fee of 0.50%, which may be adjusted to as low as 0.375% or as high as 0.625% depending on the achievement of certain financial thresholds.

The credit facility, as amended in March 2003, contains customary events of default (including cross-default) provisions and covenants related to our North American operations that prohibit, among other things, making investments and acquisitions in excess of a specified amount, incurring additional indebtedness in excess of a specified amount, paying cash dividends, making other distributions in excess of a specified amount, making capital expenditures in excess of a specified amount, creating liens, prepaying other indebtedness including our 7.75% senior subordinated notes, and engaging in certain mergers or combinations without the prior written consent of the lenders. In addition, deterioration in the quality of our billed and unbilled receivables will reduce availability under our credit facility.

The credit facility contains certain financial covenants that require us to maintain specified tangible net worth values and a minimum fixed charge coverage ratio (all as defined in the credit facility).

As of June 30, 2003 and December 31, 2002 we were in compliance with all of the covenants under the credit facility as amended in March 2003. Failure to achieve certain results could cause us not to meet these covenants in the future.

We have \$200.0 million, 7.75% senior subordinated notes due in February 2008, with interest due semi-annually, of which \$195.9 million, net of discount, is outstanding as of June 30, 2003 and December 31, 2002. The notes also contain default (including cross-default) provisions and covenants restricting many of the same transactions as under our credit facility.

The following table sets forth our contractual commitments as of June 30, 2003 (in thousands) and our anticipated payment obligations (in thousands) during the periods indicated below:

Contractual Obligations	As of	July 1, 2003	January 1, 2005	January 1, 2006	January 1, 2007	Thereafter
	June 30, 2003	to December 31, 2004	to December 31, 2005	to December 31, 2006	to December 31, 2007	
Senior subordinated notes (1)	\$ 195,874	\$ -	\$ -	\$ -	\$ -	\$ 195,874
Notes payable for equipment (1)	1,487	205	1,282	-	-	-
Other lines of credit (1)	3,110	3,110	-	-	-	-
Obligations related to acquisitions (2)	1,683	1,683	-	-	-	-
Capital leases (3)	2,329	659	468	468	468	266
Severance Operating leases	36,692	23,516	7,087	3,695	1,418	976
<b>Total</b>	<b>\$ 241,175</b>	<b>\$ 29,173</b>	<b>\$ 8,837</b>	<b>\$ 4,163</b>	<b>\$ 1,886</b>	<b>\$ 197,116</b>

(1) See Note 4 to the Notes to Consolidated Financial Statements.

(2) Primarily related to contingent consideration for acquisitions.

Other Commercial Commitments	As of June 30, 2003	July 1, 2003 to December 31, 2004	January 1, 2005 to December 31, 2005	January 1, 2006 to December 31 2006	January 1, 2007 to December 31 2007	Thereafter
Standby letters of credit	\$ 37,930	\$ 37,930	\$ -	\$ -	\$ -	\$ -
Executive life insurance	22,688	3,080	1,624	1,124	1,124	15,736
Total	<u>\$ 60,618</u>	<u>\$ 41,010</u>	<u>\$ 1,624</u>	<u>\$ 1,124</u>	<u>\$ 1,124</u>	<u>\$ 15,736</u>

### Seasonality

Our North American operations are historically seasonally slower in the first and fourth quarters of the year. This seasonality is primarily the result of client budgetary constraints and preferences and the effect of winter weather on network activities. Some of our clients, particularly the incumbent local exchange carriers, tend to complete budgeted capital expenditures before the end of the year and defer additional expenditures until the following budget year. Revenue in local currency from our Brazilian operations is not expected to fluctuate seasonally.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Notes 7, 8 and 9 to Consolidated Financial Statements for disclosure about market risk.

### ITEM 4. CONTROLS AND PROCEDURES

- a. *Evaluation of disclosure controls and procedures.* Our chief executive officer and chief financial officer are responsible for establishing and maintaining "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) for MasTec. Our disclosure controls and procedures include "internal controls," as that term is used in Section 302 of the Sarbanes-Oxley Act of 2002 and described in the Securities and Exchange Commission's Release No. 34-46427 (August 29, 2002). Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures as of June 30, 2003, have concluded that our disclosure controls and procedures were effective in timely alerting them to material information relating to MasTec (including its consolidated subsidiaries) required to be included in our periodic SEC filings. We have undertaken software upgrades at our numerous back office locations to improve the speed of our information gathering.
- b. *Changes in internal controls.* There were no significant changes in our internal controls or in other factors that could significantly affect those internal controls undertaken in connection with such evaluation, and no corrective actions were taken. As described above, we are effecting software upgrades as part of our ongoing program to improve our internal controls.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See Note 8 to the Notes to Consolidated Financial Statements.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of MasTec was held on May 30, 2003. The holders of MasTec's common stock were entitled to elect three Class II directors to serve until 2006 and until their successors are elected and qualified. Proxies for 46,225,938 of the 48,035,674 shares entitled to vote were received.

The following table sets forth the names of the three persons elected at the Annual Meeting to serve as directors until 2006 and the number of votes cast for or against respect to each person.

	<u>For</u>	<u>Withheld</u>	<u>Against</u>
Austin J. Shanfelter	45,879,393	346,545	-
William N. Shiebler	45,308,866	917,072	-
John Van Heuvelen	45,490,360	735,578	-

Also at the Annual Meeting, a proposal to adopt the 2003 Stock Incentive Plans for employees and non-employees was voted upon with the following votes cast:

2003 Employee Stock Incentive Plan:

<u>For</u>	<u>Against</u>	<u>Withheld</u>
28,409,381	9,565,622	21,268

<u>For</u>	<u>Against</u>	<u>Withheld</u>
28,770,474	9,198,557	27,239

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

**(a) Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
3.1*	Second Amended and Restated Bylaws of MasTec, Inc. Amended and restated as of May 30, 2003.
31*	Certifications Required by Section 302(a) of Sarbanes - Oxley Act of 2002.
32*	Certifications of the Chief Executive Officer and the Chief Financial Officer of MasTec, Inc. required by Section 906 of the Sarbanes-Oxley Act of 2002
10.1	2003 Employee Stock Incentive Plan, filed as Appendix B to our definitive proxy statement for our 2003 Annual Meeting of Stockholders, dated April 25, 2003, filed with the Commission on April 28, 2003, and incorporated by reference herein.
10.2	2003 Stock Incentive Plan for Non-Employees, filed as Appendix C to our definitive proxy statement for our 2003 Annual Meeting of Stockholders, dated April 25, 2003, filed with the Commission on April 28, 2003 and incorporated by reference herein.

\*Exhibits filed with the Securities and Exchange Commission with this Quarterly Report on Form 10-Q.

**(b) Reports on Form 8-K**

On May 14, 2003, MasTec filed a Current Report on Form 8-K dated May 13, 2003, with the Securities and Exchange Commission reporting information under Item 12, Disclosure of Results of Operations and Financial Condition, to report its press release dated May 13, 2003 announcing its results of operations for the quarter ended March 31, 2003.

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**SIGNATURE**

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

**MASTEC, INC.**

Date: August 14, 2003

/s/ Donald P. Weinstein

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Donald P. Weinstein  
Executive Vice President - Chief Financial Officer  
(Principal Financial and Accounting Officer)



**SECOND AMENDED AND RESTATED  
BYLAWS  
OF  
MASTEC, INC.**

**Amended and Restated as of May 30, 2003**

ARTICLE I

SHAREHOLDERS

Section 1. Annual Meeting. The annual meeting of the shareholders of the Corporation shall be held, either within or without the State of Florida on the third Monday in May of each year, or on such other date as the Board of Directors may determine, and at such place and at such time as the Board of Directors may determine and designate in the notice of the meeting. The annual meeting of shareholders shall be held for the election of directors of the Corporation and for any other proper business as may properly come before the meeting.

Section 2. Special Meeting. Special meetings of the shareholders may be called by the Board of Directors or by the Chairman or the President. Additionally, a special meeting of the shareholders shall be called by the President or by the Secretary upon the written request of the holders of record of at least twenty-five percent (25%) of the shares of stock of the Corporation, issued and outstanding and entitled to vote, unless the Articles of Incorporation of the Corporation require a greater or lesser percentage. A special meeting of the shareholders may be held at such times and at such place either within or without the State of Florida as may be designated in the notice of the special meeting. Such request shall state the purpose or purposes of the proposed special meeting.

Section 3. Notice of Meetings. Except as may be provided by statute, written notice of an annual or special meeting of shareholders stating the time, place, date and purpose of every meeting of shareholders shall be delivered personally, by first-class mail, or by electronic means not less than ten days nor more than sixty days prior to the date of the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his/her address as it appears on the stock transfer books of the Corporation with postage thereon prepaid or at such other address as shall be furnished in writing by him/her to the Corporation for such purpose. Such further notice shall be given as may be required by law or by these Bylaws. Attendance of a person at a meeting of shareholders in person or by proxy constitutes a waiver of notice of the meeting except where the shareholder, at the beginning of the meeting, objects to holding the meeting or transacting business at the meeting.

Section 4. Quorum. The holders of record of at least a majority of the shares of the stock of the Corporation, issued and outstanding and entitled to vote at the meeting, present in person or by proxy, shall, except as otherwise provided by law or by the Articles of Incorporation, constitute a quorum at all meetings of the shareholders. When a quorum has been established, all shareholders present in person or represented by proxy at a meeting of shareholders may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. If, however, such quorum shall not be initially present at any meeting of shareholders, a majority of the shareholders entitled to vote at the meeting shall nevertheless have power to adjourn the meeting from time to time and to another place, without notice other than announcement at the meeting of the date, place and time the meeting will be reconvened, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally called. If after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

Section 5. Organization of Meetings. Meetings of the shareholders shall be presided over by the Chairman of the Board, if there be one, or if he/she is not present, by the President, or if he/she is not present, by a chairman to be chosen at the meeting. The Secretary of the Corporation, or in his/her absence an Assistant Secretary, shall act as Secretary of the meeting, if present. Otherwise, the Chairman of the meeting shall designate a recording secretary.

Section 6. Voting. At each meeting of shareholders, except as otherwise provided by law or the Articles of Incorporation, every shareholder shall be entitled to one vote in person or by proxy for each share of stock entitled to vote held by such shareholder. Except as otherwise expressly required by the Articles of Incorporation, elections of directors shall be determined by a plurality of the votes cast at the meeting and, except as otherwise provided by statute or the Articles of Incorporation, all other action shall be authorized if the holders of the majority of shares present and voting at the meeting approve such action. Each proxy to vote a share of stock shall be in writing and signed by the shareholder of record or by his/her duly authorized agent or representative. A proxy is not valid after the expiration of 11 months after its date unless the person executing it specifies therein the time period for which the proxy is to continue in force. Unless prohibited by law, a proxy otherwise validly granted by telegram or electronic means shall be deemed to have been signed by the granting shareholder. The presiding officer of the meeting shall inspect the election and decide all questions regarding the qualification of voters, the validity of proxies and the acceptance or rejection of votes. At all elections of directors, the voting shall be by ballot or in such other manner as may be determined by the shareholders present in person or by proxy entitled to vote at such election. A complete list of the shareholders entitled to vote at each such meeting or any adjournment thereof, arranged in alphabetical order and voting group, with the address of each, and the number, class and series of shares registered in the name of each shareholder, shall be prepared by the Secretary or the transfer agent and shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting or such shorter time as exists between the record date and the meeting and continuing through the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or at the office of the Corporation's transfer agent or registrar. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder who is present.

Section 7. Inspectors of Election. The Board of Directors in advance of any meeting of shareholders may appoint one or more Inspectors of Election to act at the meeting or any adjournment thereof. If Inspectors of Election are not so appointed, the Chairman of the meeting may, and on the request of any shareholder entitled to vote shall, appoint one or more Inspectors of Election. Each Inspector of Election, before entering upon the discharge of his/her duties, shall take and sign an oath faithfully to execute the duties of Inspector of Election at such meeting with strict impartiality and according to the best of his/her ability. If appointed, Inspectors of Election shall take charge of the polls and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by law.

Section 8. Action by Consent. Unless otherwise provided by the Articles of Incorporation, any action required to be taken at any annual or special meeting of the shareholders, or any other action which may be taken at any annual or special meeting of the shareholders may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, shall be signed by holders of outstanding stock having not less than the

minimum number of votes that would be necessary to authorize such action at a meeting at which all shares entitled to vote thereon were present and voted. Within 10 days after obtaining such authorization by written consent, notice shall be given to those shareholders who have not consented in writing. The notice shall fairly summarize the material features of the authorized action and, if the action is of a type for which dissenters' rights are provided for by statute, the notice shall contain a clear statement of the right of shareholders dissenting therefrom to be paid the fair value of their shares upon compliance with further provisions of such statute regarding the rights of dissenting shareholders.

#### Section 9. Notice of Shareholder Business and Nominations.

(a) Annual Meeting of Shareholders. (1) The proposal of business to be considered by the shareholders, other than nominations of persons for election to the Board of Directors, may be made at an annual meeting of shareholders: (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or a committee thereof or (iii) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Section 9, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 9 and the shareholder proposal requirements set forth in Rule 14a-8 (of the Proxy Rules promulgated under the Securities and Exchange Act of 1934).

(2) Nominations of persons for election to the Board of Directors may be made for an annual meeting of shareholders: (i) pursuant to the Corporation's notice of meeting, or (ii) by or at the direction of the Nominating and Corporate Governance Committee. The shareholders shall have the right to recommend persons for nomination by submitting such recommendation, in written form, to the Corporation's Nominating and Corporate Governance Committee. Such recommendation shall be delivered to or mailed to and received by the Secretary of the Corporation at the principal executive offices of the Corporation not less than 120 calendar days prior to the first anniversary of the date that the Corporation's proxy statement was released to shareholders in connection with the preceding year's annual meeting of shareholders, except that if no annual meeting of shareholders was held in the preceding year or if the date of the annual meeting of shareholders has been changed by more than 30 calendar days from the date contemplated at the time of the preceding year's proxy statement, the notice shall be received by the Secretary at the principal executive offices of the Corporation not less than 150 calendar days prior to the date of the contemplated annual meeting or the date that is 10 calendar days after the date of the first public announcement or other notification to shareholders of the date of the contemplated annual meeting, whichever first occurs. Such written recommendations shall include: (i) the name and address, as they appear on the Corporation's books, of the shareholder recommending such person; (ii) the class and number of shares of the Corporation that are beneficially owned by such shareholder; (iv) the dates upon which the shareholder acquired such shares; (v) documentary support for any claim of beneficial ownership. Additionally, such recommendation shall include, as to each person whom the shareholder proposes to recommend to the Nominating and Corporate Governance Committee for nomination to election or reelection as director, all information relating to such person that is required by Rule 14a-4 (of the Proxy Rules promulgated under the Securities and Exchange Act of 1934) to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, and evidence satisfactory to the Corporation that such nominee has no interests that would limit their ability to fulfill their duties of office. The Nominating and Corporate Governance Committee shall review such recommendations and make nominations that the committee feels are in the best interests of the Corporation and its shareholders. Nothing herein shall require the Nominating and Corporate Governance Committee to nominate the persons recommended.

(3) For business, other than nominations of persons for election to the Board of Directors, to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of Section 9(a)(1), the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must be a proper matter for shareholder action. To be timely, a shareholder's notice must be delivered to or mailed to and received by the Secretary of the Corporation at the principal executive offices of the Corporation not less than 120 calendar days prior to the first anniversary of the date that the Corporation's proxy statement was released to shareholders in connection with the preceding year's annual meeting of shareholders, except that if no annual meeting of shareholders was held in the preceding year or if the date of the annual meeting of shareholders has been changed by more than 30 calendar days from the date contemplated at the time of the preceding year's proxy statement, the notice shall be received by the Secretary at the principal executive offices of the Corporation not less than 150 calendar days prior to the date of the contemplated annual meeting or the date that is 10 calendar days after the date of the first public announcement or other notification to shareholders of the date of the contemplated annual meeting, whichever first occurs. A shareholder's written notice shall set forth with respect to any proposal such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (iii) the class and number of shares of the Corporation that are beneficially owned by such shareholder; (iv) the dates upon which the shareholder acquired such shares; (v) documentary support for any claim of beneficial ownership; (vi) any material interest of such shareholder in such business; and (vii) a statement in support of the matter and, for proposals sought to be included in the Corporation's proxy statement, any other information required by Securities and Exchange Commission Rule 14a-8. In addition, if the shareholder intends to solicit proxies from the shareholders of the Corporation, such shareholder shall notify the Corporation of this intent in accordance with Securities and Exchange Commission Rule 14a-4 and Rule 14a-8, as applicable.

(b) Special Meetings of Shareholders. (1) For business to be properly brought before a special meeting of shareholders called by a shareholder, other than nominations of persons for election to the Board of Directors which are at the direction of the Nominating and Corporate Governance Committee, the shareholder must give timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be received by the Secretary of the Corporation at the principal executive offices of the Corporation at least 120 calendar days prior to the date of the special meeting.

(2) Such shareholder's notice to the Secretary shall set forth with respect to any proposal such shareholder proposes to bring before the special meeting (i) a brief description of the business desired to be brought before the special meeting and the reasons for conducting such business at the special meeting; (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (iii) the class and number of shares of the Corporation that are beneficially owned by such shareholder; (iv) the dates upon which the shareholder acquired such shares; (v) documentary support for any claim of beneficial ownership; (vi) any material interest of such shareholder in such business; and (vii) a statement in support of the matter and, for proposals sought to be included in the Corporation's proxy statement, any other information required by Rule 14a-8. In the event the shareholder desires to recommend one or more persons for nomination for election to the Board of Directors at the special meeting, the shareholder shall deliver such recommendations, in writing, to the Nominating and Corporate Governance Committee at least 120 calendar days prior to the date of the special meeting. The recommendations shall be received by the Nominating and Corporate Governance Committee at the principal executive offices of the Corporation (care of the Secretary). Such written recommendations shall include, as to each person whom the shareholder proposes to recommend to the Nominating and Corporate Governance Committee for nomination to election or reelection as director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, and evidence satisfactory to the Corporation that such nominee has no interests that would limit their ability to fulfill their duties of office. The Nominating and Corporate Governance Committee shall review such recommendations and make nominations that the committee feels are in the best interests of the Corporation and its shareholders. Nothing herein shall require the Nominating and Corporate Governance Committee to nominate the persons recommended.

(c) Compliance with this Section 9. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual or special meeting of shareholders except business brought before such meeting in accordance with the procedures set forth in this Article I, Section 9; provided, however, that, once business has been properly brought before such meeting in accordance with such procedures, nothing in this Article I, Section 9 shall be deemed to preclude discussion by any shareholder of any such business. If the chairman of such meeting determines that business was not properly brought before the meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be considered or transacted.

## ARTICLE II

### DIRECTORS

Section 1. Number, Quorum, Term, Vacancies, Removal. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the shareholders. The Board of Directors of the Corporation shall consist of at least six and not more than twelve persons, the actual number to be determined by a resolution passed by a majority of the whole Board or by a vote of the holders of record of at least a majority of the shares of stock of the Corporation, issued and outstanding and entitled to vote. The directors shall be elected at the annual meeting of the shareholders, except as provided in this Section of this Article, and each director elected shall hold office for the term elected and until his/her successor is duly elected and qualified or until his/her death, resignation or removal. The Board of Directors may elect a Director to be the Chairman of the Board, who shall preside at all meetings of the Board of Directors and of the shareholders, and shall have and perform such other duties as from time to time may be assigned to him/her by the Board of Directors. Directors need not be shareholders of the Corporation.

A majority of the members of the Board of Directors then holding office (but not less than one-third of the total number of directors nor less than two directors) shall constitute a quorum for the transaction of business. At all meetings of a committee of the Board a majority of the directors then members of the committee in office shall constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting at which there is a quorum shall be the act of the Board of Directors or the committee, unless the vote of a larger number is specifically required by statute, by the Articles of Incorporation, or by these Bylaws. If at any meeting of the Board or a committee, there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time and to another place without notice other than announcement at the meeting, until a quorum shall be present.

The Board of Directors shall be divided into three classes which shall be denominated Class I, Class II and Class III, respectively, and whose members shall be as nearly equal in number as may be possible, to serve for the following terms and until their successors shall have been elected and shall have been qualified and unless sooner displaced or removed: Class I to serve until the Annual Meeting of the Corporation's Shareholders in 2002; Class II to serve until the Annual Meeting of the Corporation's Shareholders in 2003; and Class III to serve until the Annual Meeting of the Corporation's Shareholders in 2004. Thereafter, at each subsequent Annual Meeting of Shareholders the successors to the Class of directors whose term shall then expire shall be elected to hold office for a term expiring at the third succeeding Annual Meeting.

Notwithstanding the foregoing, and except as set forth in the Articles of Incorporation, whenever the holders of any series of Preferred Stock shall be entitled, voting separately as a Class, to elect directors, the terms of all directors elected by such holders shall expire at the next succeeding Annual Meeting of Shareholders.

Whenever any vacancy shall have occurred in the Board of Directors by reason of death, resignation, an increase in the number of directors or otherwise, the vacancy shall be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board, or by the shareholders (except as otherwise provided by law or the Articles of Incorporation), and the person so chosen shall hold office until the next annual election and until his/her successor is duly elected and has qualified or until his/her death, resignation or removal.

At a meeting of shareholders, any director or the entire Board of Directors may be removed, solely with cause and provided the notice of the meeting states that one of the purposes of the meeting is the removal of the director or directors. A director may be removed only if the number of votes cast to remove him/her constitutes at least a majority of the votes of all of the outstanding shares of capital stock then entitled to vote generally in the election of directors, voting together as a single class. "Cause" shall mean the failure of a director to substantially perform such director's duties to the Corporation (other than any such failure resulting from incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct injurious to the Corporation.

Section 2. Meetings, Notice. Regular or special meetings of the Board of Directors shall be held at such place either within or without the State of Florida, as may from time to time be fixed by resolution of the Board, or as may be specified in the notice of meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board and, unless the Articles of Incorporation provide otherwise, regular meetings of the Board may be held without notice of the date, time, place or purpose of the meeting. Special meetings may be held at any time upon the call of two directors, the Chairman of the Board, if one be elected, or the President, by oral, telegraphic or other forms of written or electronic notice, duly served on or sent or mailed to each director (including via electronic means) not less than twenty-four hours before such meeting. The notice need not specify the business to be transacted or the purpose of the special meetings. Unless otherwise restricted by the Articles of Incorporation, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting. Notice of a meeting of the Board of Directors need not be given to any director who signs a waiver of notice either before or after the meeting. Attendance of a director at a meeting constitutes a waiver of notice of the meeting except where a director states, at the beginning of the meeting or promptly upon arrival at the meeting, any objection to the transaction of business because the meeting is not lawfully called or convened.

Section 3. Committees. The Board of Directors shall create and maintain, as standing committees of the Board of Directors, an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee, with such duties and functions as set forth in the respective charters and as below described. Additionally, the Board of Directors may, in its discretion, by resolution adopted by a majority of the whole Board, designate from among its members one or more other committees which shall consist of two or more directors. The Board may designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of the committee. Each committee shall have and may exercise such powers as shall be conferred or authorized by the resolution creating the committee and the charter governing such committee; provided, however, such a committee shall not have the power or authority to:

- (a) approve or recommend to shareholders actions or proposals required by statute to be approved by the shareholders,
- (b) fill vacancies on the Board of Directors or any committee thereof,
- (c) adopt, amend or repeal the Bylaws of the Corporation,
- (d) authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors, or
- (e) authorize or approve the issuance or sale or contract for the sale of shares, or determine the designation and relative rights, preferences and

limitations of a voting group, except that the Board of Directors may authorize a committee (or a senior executive officer of the Corporation) to do so within limits specifically prescribed by the Board of Directors.

A majority of any such committee may determine its action, keep regular minutes of its meetings and fix the time and place of its meetings, unless the Board of Directors shall otherwise provide. Except as set forth in the committee charter, the Board shall have power at any time to change the membership of any such committee, to fill vacancies in it, or to dissolve it.

The standing committees of the Board of Directors shall have the functions and duties as set forth beside their names and as further set forth in the resolutions creating the committee or in the respective charters:

**Audit Committee:** The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibilities with respect to: (i) the financial reports and other financial information provided by the Corporation to the public or any governmental body; (ii) the Corporation's compliance with legal and regulatory requirements; (iii) the Corporation's systems of internal controls regarding finance, accounting and legal compliance; (iv) the qualifications and independence of the Corporation's independent auditors; (v) the performance of the Corporation's internal audit function and independent auditors; (vi) the Corporation's auditing, accounting, and financial reporting processes generally; (vii) produce the report of the Audit Committee annually for inclusion in the proxy statement; and (viii) the performance of such other functions as the Board may assign from time to time.

**Compensation Committee:** The Compensation Committee shall assist the Board in discharging its responsibilities relating to the compensation of the Corporation's executives. The Committee shall also be responsible for producing the annual report on executive compensation for inclusion in the Corporation's annual proxy statement, as well as carrying out any other functions as the Board may assign from time to time.

**Nominating and Corporate Governance Committee:** The Nominating and Corporate Governance Committee shall assist the Board in (i) identifying and attracting highly qualified individuals to serve as directors of the Corporation; (ii) selecting director nominees for the next annual meeting of shareholders of the Corporation; (iii) developing and maintaining a set of corporate governance guidelines applicable to the Corporation; (iv) implementing and enforcing a Code of Conduct and Ethics applicable to all employees and consultants; and (v) the performance of such other functions as the Board may assign from time to time.

**Section 4. Action by Consent.** Unless otherwise provided by the Articles of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, if prior to or after such action, a written consent or consents thereto is signed by all members of the Board, or of such committee as the case may be, and such written consent or consents is filed with the minutes of proceedings of the board or committee. Such consents shall have the same effect as a vote of the Board or committee for all purposes.

**Section 5. Compensation.** The Board of Directors may determine, from time to time, the amount of compensation which shall be paid to its members. The Board of Directors shall also have power, in its discretion, to allow a fixed sum and expenses for attendance at each regular or special meeting of the Board, or of any committee of the Board; in addition, the Board of Directors shall also have power, in its discretion, to provide for and pay to directors rendering services to the Corporation not ordinarily rendered by directors, as such, special compensation appropriate to the value of such services, as determined by the Board from time to time (except if the arrangement would render the director not independent under applicable requirements).

**Section 6. Resignation.** A director may resign by written notice to the Corporation. The resignation is effective upon its delivery to the Corporation or a subsequent time as set forth in the notice of resignation.

### ARTICLE III

#### OFFICERS

**Section 1. Title and Election.** The Board of Directors at each annual meeting of directors shall elect such officers as the Board shall deem necessary, including a President, a Secretary, a Treasurer, one or more Vice Presidents (one or more of whom may be designated Executive Vice President or Senior Vice President), Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers, who shall exercise such powers and perform such duties as may be determined from time to time by the Board of Directors. Any number of offices may be held by the same person, unless the Articles of Incorporation or these Bylaws otherwise provide. The Board of Directors may designate any such officer as the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, as from time to time shall be determined by the Board of Directors.

**Section 2. Term of Office.** The officers shall hold office until their resignation or removal or until their successors are chosen and qualify.

**Section 3. Resignation and Removal of Officers.** An officer may resign at any time by delivering written notice to the Corporation and such resignation is effective when the notice is delivered, unless the notice specifies a later effective date and time. Acceptance of such resignation shall not be necessary to make it effective. Any officer elected by the Board of Directors may be removed, either with or without cause, at any time, by the affirmative vote of a majority of the Board of Directors.

**Section 4. Vacancies.** Any vacancy in office resulting for any reason, whether death, resignation, retirement, disqualification, removal from office or otherwise, may be filled by the Board of Directors or by any officer authorized by the Board of Directors or these Bylaws to appoint such officer.

**Section 5. Powers and Duties.** Each officer has the authority and shall perform the duties set forth below or, to the extent consistent with these Bylaws, the duties prescribed by the Board of Directors or by direction of an officer authorized by the Board of Directors to prescribe the duties of officers.

(a) **Chairman of the Board.** The Chairman of the Board, if one be elected, shall preside at all meetings of the Board of Directors and of the shareholders and shall perform such other duties as may from time to time be assigned by the Board of Directors.

(b) **President.** The President shall be the Chief Executive Officer of the Corporation, unless otherwise provided by the Board of Directors, and, in the absence of the Chairman, shall preside at all meetings of the Board of Directors and of the shareholders. The President shall exercise the powers and perform the duties that are customary for the Chief Executive Officer and, subject to the control of the Board of Directors, shall have general management and control of the affairs and business of the Corporation. The President shall have the power to make and execute contracts on behalf of the Corporation and to delegate such power to others. The President also shall have such powers and perform such duties as are specifically imposed or directed by these Bylaws and as may be assigned by the Board of Directors. The President shall appoint and discharge employees and agents of the Corporation (other than officers elected by the Board of Directors) and fix their compensation.

(c) Vice Presidents. If chose, the Vice Presidents, in the order of their seniority, shall perform such duties as Vice Presidents customarily perform and shall perform such other duties and shall exercise such other powers as the President or the Board of Directors may from time to time designate. The Vice President, in the absence or disability of or at the direction of the President, shall perform the duties and exercise the powers of the President. If the Corporation shall have more than one Vice President, the one designated by the Board of Directors shall act in lieu of the President or, in the absence of any such designation, the Vice President first elected shall act in lieu of the President.

(d) Secretary. The Secretary shall attend all meetings of the shareholders and all meetings of the Board of Directors and shall record all votes and minutes of all proceedings in books and records to be kept for that purpose, and shall perform like duties for the standing committees, when requested. The Secretary shall give or cause to be given notice of all meetings of the shareholders and of the Board of Directors and shall perform such other duties as may be prescribed by the Board of Directors. The Secretary shall have custody of the corporate seal of the Corporation and shall have the authority to affix the corporate seal to any instrument, the execution of which on behalf of the Corporation is required to be under its seal as duly authorized and shall attest to the same by signature, whenever required. The Secretary shall cause to be kept such books and records as the Board of Directors, the Chairman of the Board or the President may require and shall cause to be prepared, recorded, transferred, issued, sealed and cancelled, certificates of stock as required by the transactions of the Corporation and its shareholders. The Secretary shall see that all books, reports, statements and certificates and other documents and records required by law are properly kept and filed. The Secretary shall perform such other duties as may be incident to the office of a Secretary of a Corporation or as may be assigned by the Board of Directors, the Chairman of the Board or the President.

(e) Treasurer. The Treasurer shall be charged with the custody of corporate funds and securities and shall keep full and accurate records of the receipts and disbursements in books belonging to the Corporation and shall perform such other duties as Treasurers usually perform or such other duties and exercise such other powers as the Board of Directors, the Chairman of the Board or the President may from time to time designate.

(f) Assistant Vice President, Assistant Secretary and Assistant Treasurer. The Assistant Vice President, Assistant Secretary and Assistant Treasurer, in the absence or disability of any Vice President, the Secretary or the Treasurer, respectively, shall perform the duties and exercise the powers of those offices and, in general, shall perform such other duties as shall be assigned to any of them by the Board of Directors or by the person appointing them. Specifically, the Assistant Secretary may affix the corporate seal to all necessary documents and attest the signature of any officer of the Corporation.

(g) Delegation of Authority and Duties. In case of the absence or disability of any officer of the Corporation or for any other reason the Board of Directors may deem sufficient, the Board of Directors may delegate the powers or duties, or any of them, of such officer to any other officer or to any director, to the extent the powers and duties of the several officers are not provided from time to time by resolution or other directive of the Board of Directors or by the Chairman of the Board or the President (with respect to other officers), the officers shall have all powers and shall discharge the duties customarily and usually held and performed by like officers of corporations similar in organization and business purpose to the Corporation.

(h) Appointment by Officers. A duly appointed officer may appoint one or more officers or assistant officers as deemed necessary or appropriate and as authorized by the Board of Directors.

#### ARTICLE IV

#### INDEMNIFICATION

Section 1. Actions by Others. The Corporation (1) shall indemnify any person who was or is a party to any proceeding (other than an action by or in the right of the Corporation), by reason of the fact that he/she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against liability incurred by him/her in connection with such proceeding, including any appeal thereof, if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his/her conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he/she reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, had no reasonable cause to believe that his/her conduct was unlawful.

Section 2. Actions by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party to any proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he/she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the proceeding to conclusion, actually and reasonably incurred by him/her in connection with the defense or settlement of such proceeding, including any appeal thereof. Such indemnification shall be authorized if such person acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made under this Section in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable unless, and only to the extent that, the court in which such proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 3. Successful Defense. To the extent that a person who is or was a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any proceeding referred to in Section 1 or Section 2 of this Article, or in defense of any claim, issue or matter therein, he/she shall be indemnified against expenses actually and reasonably incurred by him/her in connection therewith.

Section 4. Specific Authorization. Any indemnification under Section 1 or Section 2 of this Article (unless pursuant to a determination by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he/she has met the applicable standard of conduct set forth in said Sections 1 and 2. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such proceeding; (2) if such a quorum is not obtainable or, even if obtainable, by majority vote of a committee duly designated by the Board of Directors (in which directors who are parties may participate) consisting solely of two or more directors not at the time parties to the proceeding; or (3) by independent legal counsel selected by the Board of Directors prescribed in paragraph (1) of this Section or the committee prescribed in paragraph (2) of this Section or, if a quorum of the directors cannot be obtained for paragraph 1 and the committee cannot be designated under paragraph 2, selected by majority vote of the full Board of Directors (in which directors who are parties may participate); or (4) by the shareholders by a majority vote of a quorum consisting of shareholders who were not parties to such proceeding or, if no such quorum is obtainable, by a majority vote of shareholders who were not parties to such proceeding.

Section 5. Advance of Expenses. Expenses incurred by any person who may have a right of indemnification under this Article in defending a civil or criminal proceeding may be paid by the Corporation in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the

director or officer to repay such amount if he/she is ultimately found not to be entitled to indemnification by the Corporation pursuant to this Article. Expenses incurred by other employees and agents may be paid in advance upon such terms or conditions that the Board of Directors deems appropriate.

**Section 6. Right of Indemnity Not Exclusive.** The indemnification and advancement or expenses provided by this Article shall not be deemed exclusive, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees, or agents, under any bylaws, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his/her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person, unless otherwise provided when authorized or ratified.

**Section 7. Insurance.** The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him/her and incurred by him/her in any such capacity, or arising out of his/her status as such, whether or not the Corporation would have the power to indemnify him/her against such liability under the provisions of this Article, or Section 607.0850 of the Florida Business Corporation Act.

**Section 8. Invalidity of Any Provisions of this Article.** The invalidity or unenforceability of any provision of this Article shall not affect the validity or enforceability of the remaining provisions of this Article.

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## ARTICLE V

### CAPITAL STOCK

**Section 1. Certificates.** The interest of each shareholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the Board of Directors may from time to time prescribe. The certificates of stock shall be signed by the President or a Vice President and by the Secretary, or the Treasurer, or an Assistant Secretary, or an Assistant Treasurer, sealed with the seal of the Corporation or a facsimile thereof, and countersigned and registered in such manner, if any, as the Board of Directors may by resolution prescribe. Where any such certificate is countersigned by a transfer agent other than the Corporation or its employee, or registered by a registrar other than the Corporation or its employee, the signature of any such officer may be a facsimile signature. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures' shall have been used thereon had not ceased to be such officer or officers.

**Section 2. Transfer.** The shares of stock of the Corporation shall be transferred only upon the books of the Corporation by the holder thereof in person or by his/her attorney, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require.

**Section 3. Record Dates.** The Board of Directors may fix in advance a date, not less than ten nor more than seventy days preceding the date of any meeting of shareholders, or the date for the payment of any dividend, or the date for the distribution or allotment of any rights, or for the purpose of any other action, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting or any adjournment thereof, or entitled to receive payment of any such dividend or to receive any distribution or allotment of such rights, or otherwise, and in such case only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend or to receive such distribution or allotment or rights, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date is fixed as aforesaid.

**Section 4. Lost Certificates.** In the event that any certificates of stock are lost, stolen, destroyed or mutilated, the Board of Directors may authorize the issuance of a new certificate of the same tenor and for the same number of shares in lieu thereof. The Board may in its discretion, before the issuance of such new certificate, require the owner of the lost, stolen, destroyed or mutilated certificate, or the legal representative of the owner, to make an affidavit or affirmation setting forth such facts as to the loss, destruction or mutilation as it deems necessary, and to give the Corporation a bond in such reasonable sum as it directs to indemnify the Corporation.

## ARTICLE VI

### CHECKS, NOTES, ETC.

**Section 1. Checks, Notes, Etc.** All checks and drafts on the Corporation's bank accounts and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, may be signed by the President or any Vice President and may also be signed by such other officer or officers, agent or agents, as shall be thereunto authorized from time to time by the Board of Directors.

## ARTICLE VII

### MISCELLANEOUS PROVISIONS

**Section 1. Offices.** The registered office of the Corporation shall be located at the office of Corporation Services Company, in the City of Tallahassee, in the State of Florida and shall be the registered agent of this Corporation. The Corporation may have other offices either within or without the State of Florida at such places as shall be determined from time to time by the Board of Directors or the business of the Corporation may require.

**Section 2. Fiscal Year.** The fiscal and operating year of the Corporation shall commence on January 1 and end on December 31 in each year.

**Section 3. Corporate Seal.** The seal of the Corporation shall be circular in form and contain the name of the Corporation, and state of its incorporation. Such seal may be altered from time to time at the discretion of the Board of Directors. Except as otherwise provided by law, the failure to affix the seal of the Corporation to the document shall not affect the validity thereof.

**Section 4. Books.** There shall be kept at such office of the Corporation as the Board of Directors shall determine, within or without the State of Florida, correct books and records of account of all its business and transactions, minutes of the proceedings of its shareholders, Board of Directors and committees, and the stock book, containing the names and addresses of the shareholders, the number, class and series of shares held by them, respectively, and the dates when they

respectively became the owners of record thereof, and in which the transfer of stock shall be registered, and such other books and records as the Board of Directors may from time to time determine.

Section 5. Governing Documents. These Bylaws shall govern the internal affairs of the Corporation, but only to the extent they are consistent with law and the Articles of Incorporation. Nothing contained in the Bylaws shall, however, prevent the imposition by contract of greater voting, notice or other requirements than those set forth in these Bylaws.

## ARTICLE VIII

### AMENDMENTS

Section 1. Amendments. The Bylaws of the Corporation may be altered, amended or repealed, and new Bylaws adopted, by the affirmative vote of at least a majority of the members of the Board of Directors then in office or by the affirmative vote of the holders of at least a majority of the voting power of all shares of stock of the Corporation then entitled to vote generally in the election of directors, voting as a single class; provided, however, that any proposal to amend, alter, change or repeal the provisions of Section 1 of Article II of the Bylaws of the Corporation shall require the affirmative vote of the holders of at least 80% of the voting power of all the shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

**CERTIFICATIONS REQUIRED BY SECTION  
302(a) OF SARBANES-OXLEY ACT OF 2002**

I, Austin J. Shanfelter, President and Chief Executive Officer of MasTec, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of MasTec, Inc. for the quarter ended June 30, 2003;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Austin J. Shanfelter

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Austin J. Shanfelter, President  
and Chief Executive Officer

Date: August 14, 2003

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**CERTIFICATIONS REQUIRED BY SECTION  
302(a) OF SARBANES-OXLEY ACT OF 2002**

I, Donald P. Weinstein, Executive Vice President and Chief Financial Officer of MasTec, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of MasTec, Inc. for the quarter ended June 30, 2003;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated



subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Donald P. Weinstein

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Donald P. Weinstein,  
Executive Vice President  
and Chief Financial Officer

Date: August 14, 2003

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

In connection with the Annual Report of MasTec, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Austin J. Shanfelter, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2003

/s/ Austin J. Shanfelter

\_\_\_\_\_  
Name: Austin J. Shanfelter

Title: President and Chief Executive Officer

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes – Oxley Act of 2002 and is not being filed as part of the Annual Report of MasTec, Inc. on Form 10-Q for the period ending June 30, 2003, or as a separate disclosure document of the Company or the certifying officers.

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

In connection with the Annual Report of MasTec, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald P. Weinstein, Executive Vice President — Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2003

/s/ Donald P. Weinstein

\_\_\_\_\_  
Name: Donald P. Weinstein

Title: Executive Vice President  
Chief Financial Officer

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes – Oxley Act of 2002 and is not being filed as part of the Annual Report of MasTec, Inc. on Form 10-Q for the period ending June 30, 2003, or as a separate disclosure document of the Company or the certifying officers.