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 March 31, 2005

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.)
800 Douglas Road, Floor 12, Coral Gables, FL (Address of principal executive offices)	33134 (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 o.

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

As of April 30, 2005 MasTec, Inc. had 48,855,397 shares of common stock, $0.10 par value, outstanding.

MASTEC, INC.
FORM 10-Q
QUARTER ENDED MARCH 31, 2005

TABLE OF CONTENTS

MASTEC, INC.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	For the Three Months Ended March 31, 2005	For the Three Months Ended March 31, 2004
Revenue	$ 217,770	$ 194,707
Costs of revenue, excluding depreciation	204,970	188,574
Depreciation	4,965	4,831
General and administrative expenses	16,460	20,513
Interest expense, net	4,851	4,903
Other (income) expense, net	(1,973)	166
Loss from continuing operations before minority interest	(11,503)	(24,280)
Minority interest	(66)	—
Net loss from continuing operations	(11,569)	(24,280)
Discontinued operations:		
Loss on discontinued operations, net of tax benefit of $0 in 2005 and 2004	(445)	(2,621)
Loss on write off of assets of discontinued operations, net	—	(19,165)
Net loss	$ (12,014)	$ (46,066)
Basic and diluted weighted average common shares outstanding	48,696	48,323
Basic and diluted net loss per share:	$ (0.24)	$ (0.50)
Continuing operations		
Discontinued operations	$ (0.01)	$ (0.45)
Basic and diluted net loss per share	$ (0.25)	$ (0.95)

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

MASTEC, INC.
CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	March 31, 2005 (Unaudited)	December 31, 2004 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 23,648	$ 19,548
Accounts receivable, unbilled revenue and retainage, net	190,493	200,743
Inventories	42,445	45,293
Income tax refund receivable	2,925	2,846
Prepaid expenses and other current assets	38,361	43,828
Total current assets	297,872	312,258
Property and equipment, net	63,849	69,303
Goodwill	138,640	138,640
Deferred taxes, net	50,732	50,732
Other assets	33,737	29,590
Total assets	$ 584,830	$ 600,523
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of debt	$ 80	$ 99
Accounts payable and accrued expenses	115,217	113,333
Other current liabilities	57,971	64,363
Total current liabilities	173,268	177,795
Other liabilities	35,749	35,516
Long-term debt	196,058	196,059
Total liabilities	405,075	409,370
Commitments and contingencies		
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 – 100,000,000; issued and outstanding shares – 48,826,000 and 48,597,000 shares in 2005 and 2004, respectively	4,883	4,860
Capital surplus	353,621	353,033
Accumulated deficit	(179,298)	(167,284)
Accumulated other comprehensive income	549	544
Total shareholders' equity	179,755	191,153
Total liabilities and shareholders' equity	$ 584,830	$ 600,523

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

MASTEC, INC.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Three Months Ended March 31, 2005	2004
Cash flows from operating activities of continuing operations:		
Net loss from continuing operations	$ (11,569)	$ (24,280)
Adjustments to reconcile net loss from continuing operations to net cash provided by (used in) operating activities of continuing operations:		
Depreciation and amortization	5,011	5,007
Non-cash stock and restricted stock compensation expense	24	416
Gain on sale of fixed assets	(1,925)	(426)
Write down of fixed assets	327	605
Provision for doubtful accounts	1,028	1,420
Provision for inventory obsolescence	—	902
Minority interest	66	—
Changes in assets and liabilities:		
Accounts receivable, unbilled revenue and retainage, net	8,030	6,981
Inventories	2,810	(7,101)
Income tax refund receivable	(79)	—
Other assets, current and non-current portion	1,852	4,764
Accounts payable	1,994	(8,709)
Other liabilities, current and non-current portion	(5,318)	5,334
Net cash provided by (used in) operating activities of continuing operations	2,251	(15,087)
Cash flows provided by investing activities of continuing operations:		
Capital expenditures	(1,893)	(2,939)
Payments received from sub-leases	190	146
Investments in unconsolidated companies	(1,139)	(88)
Net proceeds from sale of assets	3,875	2,883
Net cash provided by investing activities of continuing operations	1,033	2
Cash flows provided by (used in) financing activities of continuing operations:		
Proceeds (repayments) from revolving credit facilities, net	—	(1,108)
Proceeds (repayments) from other borrowings, net	(20)	—
Payments of capital lease obligations	(91)	(91)
Proceeds from issuance of common stock	611	912
Net cash provided by (used in) financing activities of continuing operations	500	(287)
Net increase (decrease) in cash and cash equivalents	3,784	(15,372)
Net effect of currency translation on cash	5	202
Cash and cash equivalents – beginning of period	19,548	19,415
Cash provided by (used in) discontinued operations	311	(976)
Cash and cash equivalents – end of period	$ 23,648	$ 3,269

Cash paid during the period for:

Interest	$ 8,158	$ 8,233
Income taxes	$ 248	$ 28

Supplemental disclosure of non-cash information (in thousands):

During the three months ended March 31, 2005, the Company disposed of certain assets and equipment for which it recorded a receivable of $400,000 in other current assets as of March 31, 2005.

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

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

Note 1 – Nature of the Business

MasTec, Inc. (collectively, with its subsidiaries, “MasTec” or “the Company”) serves providers of telecommunications, broadband (including cable, satellite and high speed Internet), energy services, traffic control and homeland security systems throughout many parts of North America. Although the Company’s clients may contract for a full range of services, the Company’s offerings are more typically separated into the construction, design and installation or the maintenance and upgrade, of infrastructure. MasTec is organized as a Florida corporation and its fiscal year ends December 31. MasTec or its predecessors have been active in the specialty infrastructure services industry for over 70 years.

Note 2 – **Basis for Presentation**

The accompanying condensed unaudited consolidated financial statements for MasTec have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these financial statements do not include all information and notes required by accounting principles generally accepted in the United States for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended December 31, 2004. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position, results of operations and cash flows for the quarterly periods presented have been included. The results of operations for the periods presented are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year. As discussed in Note 7, the Company ceased doing business in Brazil in March 2004 and the Company committed to sell the Network Services division in the fourth quarter 2004. These entities have been classified as discontinued operations. Accordingly, the net loss for the Network Services division in the three months ended March 31, 2004 has been reclassified as a loss from discontinued operations in the Company’s condensed unaudited consolidated statements of operations.

Note 3 – Significant Accounting Policies

(a) Principles of Consolidation

The accompanying financial statements include MasTec, Inc. and its subsidiaries. Other parties’ interests in consolidated entities are reported as minority interests in the condensed unaudited consolidated financial statements during the three months ended March 31, 2005. There is no minority interest in the accompanying condensed unaudited consolidated financial statements in the three months ended March 31, 2004 as operating losses were generated by such consolidated entities in that period and it was uncertain whether such minority interest would be able to bear financial responsibility. All intercompany accounts and transactions have been eliminated in consolidation.

(b) Comprehensive Loss

Comprehensive loss is a measure of net loss and all other changes in equity that result from transactions other than with shareholders. Comprehensive loss consists of net loss and foreign currency translation adjustments.

Comprehensive loss consisted of the following (in thousands):

	For the Three Months Ended March 31,	
	2005	2004
Net loss	$ (12,014)	$ (46,066)
Less: foreign currency translation	5	21,300
Comprehensive loss	$ (12,009)	$ (24,766)

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

(c) Revenue Recognition

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

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

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

The Company’s clients generally supply materials such as cable, conduit and telephone equipment. Customer furnished materials are not included in revenue and cost of sales as these materials are purchased by the customer. The customer determines the specification of the materials that are to be utilized to perform installation/construction services. The Company is only responsible for the performance of the installation/construction services and not the materials for any contract that includes customer furnished materials, nor does the Company have any risk associated with customer furnished materials. The Company’s clients retain the financial and performance risk of all customer furnished materials.

Billings in excess of costs and estimated earnings on uncompleted contracts are classified as current liabilities. Any costs and estimated earnings 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.

(d) Basic and Diluted Net Loss Per Share

Basic and diluted net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for each period presented. Common stock equivalents amounted to 796,625 shares and 1,509,208 shares for the three months ended March 31, 2005 and 2004, respectively. Common stock equivalents were not considered since their effect would be antidilutive. Accordingly, for the three months ended March 31, 2005 and 2004 diluted net loss per share is the same as basic net loss per share.

(e) Intangibles and Other Long-Lived Assets

Long-lived assets and goodwill are recorded at the lower of carrying value or estimated fair value. Intangibles are amortized on a straight-line basis over their definite useful life. Long-lived assets are depreciated using the straight-line method over the shorter of the useful lives (five to forty years) or lease terms (five to seven years for leasehold improvements) of the respective assets. Repairs and maintenance on such items are expensed as incurred.

Management assesses the impairment of intangibles, long-lived assets and goodwill at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, “Goodwill and Other Intangible Assets” (“SFAS No. 142”). Goodwill acquired in a purchase business combination and determined to have an infinite useful life is not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. 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. In connection with the abandonment of the Brazil subsidiary as discussed in Note 7, the Company wrote off goodwill associated with this reporting entity in the amount of $12.3 million in the three months ended March 31, 2004 which is included in the loss from discontinued operations.

The Company reviews its long-lived assets, including property and equipment that are held and used in its 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”. In the three months ended March 31, 2005 and 2004, the Company recognized impairment losses and write-offs of long-lived assets of approximately $327,000 and $605,000, respectively.

(f) Accrued Insurance

The Company maintains insurance policies subject to per claim deductibles of $2 million for workers’ compensation and general liability policies and $3 million for its automobile liability policy. The Company has excess umbrella coverage for losses in excess of the primary coverages up to $100 million per claim and in the aggregate. The liabilities are actuarially determined on a quarterly basis for unpaid claims and associated expenses, including the ultimate liability for claims incurred and an estimate of claims incurred but not reported. The accruals are based upon known facts, historical trends and a reasonable estimate of future expenses. However, a change in experience or actuarial assumptions could nonetheless materially affect results of operations in a particular period. Known amounts for claims that are in the process of being settled, but that have been paid in periods subsequent to those being reported, are also booked in such reporting period.

The Company is required to post additional cash collateral or letters of credit periodically to the insurance company. The Company posted additional cash collateral of $4.5 million in the first quarter 2005 which is included in other assets of March 31, 2005. In addition, in April 2005 an additional $4.5 million was posted as collateral.

(g) Stock Based Compensation

The Company accounts for its stock-based award plans in accordance with Accounting Principle Board (APB) Opinion No. 25, “*Accounting for Stock Issued to Employees*”, and related interpretations, under which compensation expense is recorded to the extent that the current market price of the underlying stock exceeds the exercise price. The Company has reflected below the net loss and proforma net loss as if compensation expense relative to the fair value of the options granted had been recorded under the provisions of Statement of Financial Accounting Standards No. 123 “Accounting for Stock-Based Compensation” (SFAS No. 123).

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

The fair value of each option granted was estimated using the Black Scholes option pricing model with the following assumptions used:

	For the Three Months Ended March 31,	
	2005	2004
Expected life	7 years	7 years
Volatility percentage	79.2%	75.6%
Interest rate	4.0%	3.0%
Dividends	None	None

The required proforma disclosures are as follows (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2005	2004
Net loss, as reported	$ (12,014)	$ (46,066)
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards	(1,252)	(2,661)
Proforma net loss	$ (13,266)	$ (48,727)
Basic and diluted net loss:		
As reported	$ (.25)	$ (.95)
Proforma	$ (.27)	$ (1.01)

The Company also grants restricted stock, which is valued based on the market price of the common stock on the date of grant. Compensation expense arising from restricted stock grants is recognized using the straight-line method over the vesting period. Unearned compensation for performance-based options and restricted stock is a reduction of stockholders' equity in the consolidated balance sheets. In the three months ended March 31, 2005, the Company issued 75,000 shares of restricted stock to key employees. The value of the restricted stock is approximately $656,000 and will be expensed over twenty one months (the vesting period). The Company also issued 57,926 shares of restricted stock to board members in 2004 in which the remaining deferred compensation related to this restricted stock which was valued at $294,000 and is being amortized over three years (the vesting period). Total unearned compensation related to restricted stock grants as of March 31, 2005 is approximately $886,000.

(h) Reclassifications

Certain reclassifications were made to the December 31, 2004 financial statements in order to conform to the current year presentation. In addition, as discussed in Note 7, the Company committed to sell the Network Services division in the fourth quarter 2004. Accordingly, the net loss for this entity for the three months ended March 31, 2004 has been reclassified as a loss from discontinued operations in the Company's condensed unaudited consolidated statements of operations.

(i) Equity investments

The Company has one common stock investment which the Company accounts for by the equity method because the Company owns between 20% and 50% of the entity and the Company has a non-controlling ownership interest. The Company's share of its earnings or losses in this investment is included as other (income) expense in the condensed unaudited consolidated statements of operations. As of March 31, 2005, the Company's investment exceeded the net equity of such investment and accordingly the excess is considered to be equity goodwill. The Company periodically evaluates the equity goodwill for impairment under Accounting Principle Board No. 18, "The Equity Method of Accounting for Investments in Common Stock", as amended. See Note 10.

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

(j) Fair value of financial instruments

The Company estimates 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 we could realize 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 management's estimates, equaled their carrying values. At March 31, 2005 and December 31, 2004, the fair value of the Company's outstanding senior subordinated notes was $190.3 million and $184.5 million, respectively, based on quoted market values. The Company uses letters of credit 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.

Note 4 – Other Assets and Liabilities

Prepaid expenses and other current assets as of March 31, 2005 and December 31, 2004 consisted of the following (in thousands):

	March 31, 2005	December 31, 2004
Deferred tax assets	$ 6,107	$ 6,107
Notes receivable	1,374	2,511
Non-trade receivables	14,960	22,164
Other investments and assets held for sale	6,217	5,884
Prepaid expenses and deposits	8,426	5,931
Other	1,277	1,231
Total prepaid expenses and other current assets	$ 38,361	$ 43,828

Other non-current assets consist of the following as of March 31, 2005 and December 31, 2004 (in thousands):

	March 31, 2005	December 31, 2004
Long-term receivables, including retainage	$ 4,705	$ 4,694
Equity investment	4,208	3,780
Investment in real estate	1,683	1,683
Long-term portion of deferred financing costs, net	2,037	2,414
Cash surrender value of insurance policies	5,230	5,279
Non-compete agreement, net	1,035	1,080
Insurance escrow	11,198	7,083
Other	3,641	3,577
Total	$ 33,737	$ 29,590

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

Other current and non-current liabilities consist of the following as of March 31, 2005 and December 31, 2004 (in thousands):

	March 31, 2005	December 31, 2004
Current liabilities:		
Accrued compensation	$ 10,739	$ 15,090
Accrued insurance	17,618	16,691
Accrued interest	2,532	6,329
Accrued restructuring	112	212
Accrued losses on contracts	2,534	2,638
Accrued guaranteed equity investment	1,850	2,775
Due to subcontractors	9,437	8,948
Other	13,149	11,680
Total	$ 57,971	$ 64,363

	March 31, 2005	December 31, 2004
Non-current liabilities:		
Accrued insurance	$ 34,118	$ 33,751
Minority interest	286	333
Other	1,345	1,432
Total	$ 35,749	$ 35,516

Note 5 – Debt

Debt is comprised of the following at March 31, 2005 and December 31, 2004 (in thousands):

	March 31, 2005	December 31, 2004
Revolving credit facility at LIBOR plus 3.25% (6.125% and 5.75% as of March 31, 2005 and December 31, 2004, respectively) and the bank's prime rate plus 1.75% (7.5% and 7.0% as of March 31, 2005 and December 31, 2004, respectively)	$ —	$ —
7.75% senior subordinated notes due February 2008	195,922	195,915
Notes payable for equipment, at interest rates from 7.5% to 8.5% due in installments through the year 2008	216	243
Total debt	196,138	196,158
Less current maturities	(80)	(99)
Long-term debt	$ 196,058	$ 196,059

Revolving Credit Facility

See Note 13 for discussion of amendment to the bank credit facility entered into in May 2005. The credit facility as of March 31, 2005 had the following terms and conditions:

The Company has a revolving credit facility for North American operations that provides for borrowings up to an aggregate of $125.0 million. The amount that the Company can borrow at any given time is based upon a formula that takes into account, among other things, eligible billed and unbilled accounts receivable, which can result in borrowing availability of less than the full amount of the facility. As of March 31, 2005 and December 31, 2004, net availability under the credit facility totaled $7.8 million and $25.5 million, respectively, net of outstanding standby letters of credit aggregating $66.8 million in each period. At March 31, 2005, $63.3 million of the outstanding letters of credit are issued to support the Company's casualty insurance requirements or surety needs. These letters of credit mature at various dates through December 31, 2005, and except for Letters of Credit totaling $10.0 million, most have automatic renewal provisions subject to prior notice of cancellation. The Company had no outstanding draws under the credit facility at March 31, 2005 and December 31, 2004. The revolving credit facility matures on January 22, 2007. The revolving credit facility, at March 31, 2005, is collateralized by a first priority security interest in substantially all of the Company's North American assets, including $7.3 million in restricted cash which is included in cash and cash equivalents at March 31, 2005 and a pledge of the stock of certain of the operating subsidiaries. All wholly owned subsidiaries collateralize the facility. Interest under the facility accrues at rates based, at the Company's 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 margin 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 amount of the total commitment which is unused.

The revolving credit facility as of March 31, 2005 contains customary events of default (including cross-default) provisions and covenants related to the 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 against the Company's assets, prepaying other indebtedness including the Company's 7.75% senior subordinated notes, and engaging in certain mergers or combinations without the prior written consent of the lenders. In addition, any deterioration in the quality of billed and unbilled receivables would reduce availability under the credit facility.

The Company is required to be in compliance with certain financial covenants measured on a monthly basis. The credit facility was amended on March 17, 2005 modifying financial covenants and the Company was in compliance with its credit facility's financial covenants at March 31, 2005. Under the amended agreement, the Company's North American operations has minimum tangible net worth requirements as well as minimum fixed charge coverage ratios, computed on a monthly basis. The fixed charge coverage ratio is generally defined to mean the ratio of our net income before interest expense, income tax expense, depreciation expense, and amortization expense plus $1.1 million to consolidated interest expense and current maturities of debt for the period of determination. For the purposes of determining the current maturities of long term debt during the period from April 2004 through March 2005 used in determining the fixed charge coverage ratio the amount of current maturities of long term debt as of any month during this period is multiplied by a fraction, the numerator of which is the number of cumulative months since April 2004, and the denominator of which is 12.

The Company's variable rate credit facility exposes it to interest rate risk. However, the Company had no borrowings outstanding under the credit facility at March 31, 2005.

Senior Subordinated Notes

As of March 31, 2005, the Company had outstanding $195.9 million in principal amount of its 7.75% senior subordinated notes due in February 2008. Interest is due semi-annually. The notes are redeemable, at the Company's option at 101.292% until January 31, 2006, and 100% annually thereafter. The notes also contain default (including cross-default) provisions and covenants restricting many of the same transactions restricted under the Company's credit facility.

The Company had no holdings of derivative financial or commodity instruments at March 31, 2005.

Note 6 – Restructuring Charges

During the second quarter of 2002, the Company initiated a study to determine the proper balance of downsizing and cost cutting in relation to its ability to respond to current and future work opportunities in each of its service offerings. The review evaluated current operations, the growth and opportunity potential of each service offering and the consolidation of back-office processes.

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

The elements of the restructuring program included involuntary terminations of employees in affected service offerings and the consolidation of facilities. As of March 31, 2005, the remaining obligations under the restructuring program are existing lease agreements for closed facilities amounting to approximately $112,000.

The following is a reconciliation of the restructuring accruals as of March 31, 2005 (in thousands):

Accrued costs at December 31, 2004	$	212
Cash payments		(100)
Accrued costs at March 31, 2005	$	112

Note 7 – Discontinued Operations

In March 2004, the Company ceased performing contractual services for customers in Brazil, abandoned all assets in its Brazil subsidiary and made a determination to exit the Brazil market. During the three months ended March 31, 2004, the Company wrote off approximately $12.3 million in goodwill [see Note 3(e)] and the net investment in the Brazil subsidiary of approximately $6.8 million which consisted of the accumulated foreign currency translation loss of $21.3 million less a net deficit in assets of $14.5 million. The abandoned Brazil subsidiary has been classified as a discontinued operation. The net loss for the Brazil subsidiary was approximately $20.0 million for the three months ended March 31, 2004. For the three months ended March 31, 2005, the Brazil subsidiary had no activity as the entity is in the process of liquidation. In November 2004, the subsidiary applied for relief and was adjudicated bankrupt by a Brazilian bankruptcy court. The subsidiary is currently being liquidated under court supervision.

The following table summarizes the assets and liabilities of our Brazil operations as of March 31, 2005 and December 31, 2004 (in thousands):

	March 31, 2005	December 31, 2004
Current assets	$ 290	$ 290
Non-current assets	—	—
Current liabilities	(19,455)	(19,455)
Non-current liabilities	(2,170)	(2,170)
Accumulated foreign currency translation.	21,335	21,335

The following table summarizes the results of operations for our Brazil operations for the three months ended March 31, 2004 (in thousands):

Revenue	$	—
Cost of revenue		(5)
Operating expenses		(821)
Income (loss) from operations before (provision) benefit for income taxes and minority interest	$	(826)
(Provision) Benefit for income taxes		—
Minority interest		—
Net income (loss)	$	(826)

During the fourth quarter of 2004, the Company committed to sell its Network Services division and exit this service market. This division has been classified as a discontinued operation. The net loss for the three months ended March 31, 2004 has been reclassified to loss from discontinued operations. The net loss for the Network Services division was $445,000 and $1.8 million for the three months ended March 31, 2005 and 2004, respectively.

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

The following table summarizes the assets and liabilities of the Network Services division as of March 31, 2005 and December 31, 2004 (in thousands):

	March 31, 2005	December 31, 2004
Current assets	$ 3,447	$ 4,464
Non current assets	25	27
Current liabilities	(2,339)	(2,753)
Non current liabilities	—	—
Shareholder's equity	(1,133)	(1,738)

The following table summarizes the results of operations for the Network Services division (in thousands):

	For the Three Months Ended March 31,	
	2005	2004
Revenue	$ 2,636	$ 5,315
Cost of revenue	(2,533)	(5,999)
Operating and other expenses	(548)	(1,111)
Loss from operations before benefit for income taxes	$ (445)	$ (1,795)
Benefit for income taxes	—	—
Net loss	$ (445)	$ (1,795)

Note 8 – Commitments and Contingencies

In the second quarter of 2004, purported class action complaints were filed against the Company and certain of its officers in the United States District Court for the Southern District of Florida and one was filed in the United States District Court for the Southern District of New York. These cases have been consolidated by court order in the Southern District of Florida. The complaints allege certain violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, related to current and prior period earnings reports. On January 25, 2005, a motion for leave to file a Second Amended Complaint was filed by Plaintiffs which motion the Court granted. Plaintiffs filed their Second Amended Complaint on February 22, 2005. Plaintiffs contend that the Company's financial statements during the purported Class Period of August 12, 2003 to May 11, 2004 were materially misleading in the following areas: 1) the financials for the third quarter of 2003 were allegedly overstated by $5.8 million in revenue from unapproved change orders from a variety of Company projects; and 2) the financials for the second quarter of 2003 were overstated by some $1.3 million as a result of the intentional overstatement of revenue, inventories and work in progress at the Company's Canadian subsidiary. Plaintiffs seek damages, not quantified, for the difference between the stock price Plaintiffs paid and the stock price Plaintiffs believe they should have paid, plus interest and attorney fees. MasTec believes the claims are without merit. MasTec will vigorously defend these lawsuits but may be unable to successfully resolve these disputes without incurring significant expenses. Due to the early stage of these proceedings, any potential loss cannot presently be determined with respect to this litigation.

On July 28, 2004, MasTec, Inc.'s Board of Directors received a demand from a shareholder that the Board take appropriate steps to remedy breaches of fiduciary duty, mismanagement and corporate waste, all arising from the same factual predicate set out in the shareholder class actions described above. On November 18, 2004, the Board of Directors authorized its Executive Committee to establish appropriate procedures and form a special litigation committee, as contemplated by Florida law, to investigate these allegations and to determine whether it is in the best interests of MasTec to pursue an action or actions based on said allegations. On December 22, 2004, a derivative action was filed by the shareholder. On January 10, 2005, the Executive Committee formed a special litigation committee to investigate this matter. By agreement of counsel, the derivative action has been stayed during the pendency of any motion to dismiss in the securities class action described above.

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

The Company contracted to construct a natural gas pipeline for Coos County, Oregon in 2003. Construction work on the pipeline ceased in December 2003 after the County refused payment due on regular contract invoices of $6.3 million and refused to process change orders for additional work submitted to the County on or after November 29, 2003. In February 2004, MasTec brought an action for breach of contract against Coos County in Federal District Court in Oregon, seeking payment for work done, interest and anticipated profits. In April 2004, Coos County announced it was terminating the contract and seeking another company to complete the project. Coos County subsequently counterclaimed for breach of contract and other causes in the Federal District Court action. The amount of revenue recognized on the Coos County project that remained uncollected at March 31, 2005 amounted to $6.3 million representing amounts due MasTec on normal progress payment invoices submitted under the contract. In addition to these uncollected receivables, the Company also has additional claims for payment and interest in excess of $6.0 million, including all of its change order billings and retainage, which the Company has not recognized as revenue but which the Company believes is due to the Company under the terms of the contract. In addition, the Company was made party to a number of citizen initiated actions arising from the Coos County project. A complaint alleging failure to comply with prevailing wage requirements was issued by the Oregon Bureau of Labor and Industry. A number of individual property owners brought claims in Oregon state courts against the Company for property damages and related claims; a number of citizens' groups brought an action in federal court for alleged violations of the Clean Water Act. All but one of the individual property claims has been settled; one is set for trial in 2005. The Company will vigorously defend these actions, but may incur significant expense in connection with that defense.

In connection with the Coos County pipeline project, the United States Army Corps of Engineers and the Oregon Division of State Land, Department of Environmental Quality issued cease and desist orders and notices of non-compliance to Coos County and to the Company with respect to the County's project. A cease and desist order was issued by the Corps on October 31, 2003 and addressed sedimentary disturbances and the discharge of bentonite, an inert clay mud employed for this kind of drilling, resulting from directional boring under stream beds along a portion of the natural gas pipeline route then under construction. The County and the Company received a subsequent cease and desist order from the Corps on December 22, 2003. The order addressed additional sedimentary discharges caused by clean up efforts along the pipeline route. MasTec and the County were in substantial disagreement with the United States Army Corps of Engineers and the Oregon Division of State Land as to whether the subject discharges were permitted pursuant to Nationwide Permit No. 12 (utility line activities) or were otherwise prohibited pursuant to the Clean Water Act. However, the Company has been cooperating with Corps of Engineers and the Oregon Division of State Land, Department of Environmental Quality to mitigate any adverse impact as a result of construction. Corps of Engineer and Oregon Division of State Land notices or complaints focused for the largest part on runoff from the construction site and from nearby construction spoil piles which may have increased sediment and turbidity in adjacent waterways and roadside ditches. Runoff was the result of extremely wet and snowy weather, which produced exceptionally high volumes of runoff water. MasTec employed two erosion control consulting firms to assist. As weather permitted and sites became available, MasTec moved spoil piles to disposal sites. Silt fences, sediment entrapping blankets and sediment barriers were employed in the meantime to prevent sediment runoff. Ultimately, when spring weather permitted, open areas were filled, rolled and seeded to eliminate the runoff. To date, mitigation efforts have cost the Company approximately $1.4 million. These costs were included in the costs on the project at March 31, 2005 and December 31, 2004. No further mitigation expenses are anticipated. The only additional anticipated liability arises from possible fines or penalties assessed, or to be assessed by the Corps of Engineers and/or Oregon Division of State Land. The County accepted a fine of $75,000 to settle this matter with the Corp of Engineers; the County has not concluded with the Oregon Department of Environmental Quality. No fines or penalties have been assessed against the Company by the Corp of Engineers to date. On August 9, 2004, the Oregon Division of State Land Department of Environmental Quality issued a Notice of Violation and Assessment of Civil Penalty to MasTec North America in the amount of $126,000. MasTec North America has denied liability for the civil penalty and requested a formal contested case hearing on the same.

The potential loss for all Coos Bay matters and settlements reached described above is estimated to be $175,000 at March 31, 2005, which is recorded in the consolidated balance sheet as accrued expenses.

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

In November 2004, the Company entered into, and bonded a conditional $2.6 million settlement of litigation brought for subcontract work done by Hugh O'Kane Electric for MasTec on a telecommunication project for Telergy in New York. Telergy is in bankruptcy and did not pay MasTec for the Hugh O'Kane work. The settlement was conditioned on the outcome of an interlocutory appeal brought by MasTec. The appeal sought to enforce contract terms which relieved MasTec of its obligation to pay Hugh O'Kane when MasTec was not paid by Telergy. New York's appellate level court upheld the enforceability of the term of MasTec's contract, but remanded the case to the trial court to determine whether the Company was estopped from using this contract provision as a defense. Hugh O'Kane has sought reargument of the issue before the court which issued the ruling. The Company expects to recover the bond posted in connection with the appeal, and will continue to contest this matter in the trial court. The amount of the loss, if any, relating to this matter cannot be determined at this time.

The Company is 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, management believes that any financial impact would not be material to the Company's results of operations, financial position or cash flows.

The Company is required to provide payment and performance bonds in connection with some of its contractual commitments. Such bonds amounted to $125.1 million at March 31, 2005 related to projects in process.

Note 9 – Concentrations of Risk

The Company provides services in the telecommunications, broadband (including cable, satellite and high speed Internet), energy, traffic control and homeland security systems markets.

Revenue by customer industry group is as follows (in thousands):

	For the Three Months Ended March 31,	
	2005	2004
Telecommunications	$ 71,240	$ 45,774
Broadband	69,249	79,499
Energy	44,536	37,820
Government	32,745	31,614
	$ 217,770	$ 194,707

The Company grants credit, generally without collateral, to its customers. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors. However, the Company generally has certain lien rights and concentrations of credit risk are limited due to the diversity of the customer base. The Company believes the billing and collection policies are adequate to minimize potential credit risk. During the three months ended March 31, 2005, 40.9% of the Company's total revenue was attributed to two customers. Revenue from these two customers accounted for 28.5% and 12.4% of the total revenue for the three months ended March 31, 2005. During the three months ended March 31, 2004, 36.1% of the Company's total revenue was attributed to two customers. Revenue from these two customers accounted for 18.7% and 17.4% of the total revenue for the three months ended March 31, 2004.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. Management analyzes 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. In addition, the Company's reserve mainly covers the accounts receivable related to the unprecedented number of clients that filed for bankruptcy protection during the year 2001 and general

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

economic climate of 2002. As of March 31, 2005, the Company had remaining receivables from clients undergoing bankruptcy reorganization totaling $14.8 million of which $9.0 million is included in specific reserves. As of December 31, 2004, remaining receivables from clients undergoing bankruptcy reorganization totaled $15.1 million of which $9.4 million was included in specific reserves. Based on the analytical process described above, management believes that the Company will recover the net amounts recorded. The Company maintained an allowance for doubtful accounts of $20.0 million as of March 31, 2005 and December 31, 2004 for both specific customers and as a reserve against other past due balances. Should additional clients file for bankruptcy or experience difficulties, or should anticipated recoveries in existing bankruptcies and other workout situations fail to materialize, the Company could experience reduced cash flows and losses in excess of the current allowance.

Note 10 – Equity Investment

In September 2004, MasTec purchased a 49% interest in a limited liability corporation. The Company's payments for its interest are due quarterly over three years beginning in September 2004. Equity payments fluctuate based on the venture's sales. In addition, the Company is responsible for 49% of the venture's net operating capital needs until the venture is self funding. The Company expects this venture will be able to fully fund its own operating capital requirements by mid to late 2005. The venture is intended to strengthen relationships with existing and future customers, and increase Company sales. The initial investment of $3.7 million will be paid over four quarters which commenced in the fourth quarter of 2004 with additional contingent payments of up to $1.3 million per quarter based upon the level of unit sales and profitability of the limited liability company for the two years following the period after the initial investment is fully funded.

As of March 31, 2005, the Company's investment exceeded the net equity of such investment and accordingly the excess is considered to be equity goodwill.

The Company has accounted for this investment using the equity method as the Company has the ability to exercise significant influence over the operational policies of the Company. As of March 31, 2005, the Company had an investment balance of approximately $4.2 million in relation to this investment included in other assets with a corresponding liability related to the outstanding commitment which is included in other liabilities. Based upon the lack of significance to the financial information of the Company, no summary financial information for this equity investment has been provided.

Note 11 – Related Party Transactions

MasTec purchases, rents and leases equipment used in its business from a number of different vendors, on a non-exclusive basis, including Neff Corp., in which Jorge Mas, the Company's Chairman and Jose Mas, the Company's Vice-Chairman and Executive Vice President, are directors and owners of a controlling interest. Juan Carlos Mas, the brother of Jorge and Jose Mas, is Chairman, Chief Executive Officer, a director and a shareholder of Neff Corp. During the three months ended March 31, 2005 and 2004, MasTec paid Neff $172,618 and $283,816, respectively, for equipment purchases, rentals and leases. MasTec believes the amount paid to Neff is equivalent to the payments that would have been made between unrelated parties for similar transactions acting at arm's length.

On January 1, 2002, MasTec entered into an employment agreement with Donald P. Weinstein relating to his employment as Executive Vice President and Chief Financial Officer. On January 7, 2004 (but effective as of December 1, 2003), the Company entered into an amended employment agreement with Mr. Weinstein. The agreement was for a term of three years and provided that Mr. Weinstein would be paid an annual base salary of $300,000 (with annual cost of living increases). Additionally, Mr. Weinstein was entitled to receive a total of $600,000 of deferred compensation over the term of the contract and was to be entitled to participate in a bonus plan for senior management, and would be entitled to a minimum annual performance bonus of $50,000 per year. Mr. Weinstein resigned effective March 11, 2004. In connection therewith, the Company entered into a severance agreement with Mr. Weinstein pursuant to which the Company paid him his base salary of $300,000 through December 2004, provided him with certain employee and insurance benefits and provided for the vesting of his stock options. The severance agreement was approved by the Compensation Committee on July 16, 2004. As a result of Mr. Weinstein's severance agreement, the

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

Company recorded $199,500 in stock compensation expense for the three months ended March 31, 2004 related to the extension of the exercise period on Mr. Weinstein's stock options. In addition, a severance accrual was recorded for $300,000 as of March 31, 2004 which was subsequently paid.

In July 2002, MasTec entered into an employment agreement with Eric J. Tveter as Executive Vice President and Chief Operations Officer with a two year term at an annual base salary of $300,000 (with annual cost of living increases) and a grant of 50,000 stock options, a guaranteed bonus for the year 2002 equal to one half of his base salary paid to him during the year 2002 and the right to participate in MasTec's bonus plan for senior management beginning January 1, 2003. The agreement also contained noncompete and nonsolicitation provisions for a period of two years following the term of the agreement. Mr. Tveter resigned his position with the company on March 22, 2004. In connection therewith, the Company entered into a severance agreement with Mr. Tveter pursuant to which the Company paid him severance of $33,134 during 2004, paid him regular salary through July 14, 2004 at an annual rate of $306,837, provided him with certain employee benefits and provided for the vesting of his stock options. The Compensation Committee approved Mr. Tveter's severance agreement on April 15, 2004 which was the new measurement date of his stock options. As a result of Mr. Tveter's severance agreement, the Company recorded approximately $216,800 in stock compensation expense for the three months ended March 31, 2004 related to the extension of the exercise period on Mr. Tveter's stock options. In addition, a severance accrual was recorded as of March 31, 2004 for approximately $173,000 which was subsequently paid.

Effective as of August 27, 2002, MasTec and Jorge Mas entered into a split dollar agreement wherein MasTec agreed to pay the premiums due on two life insurance policies with an aggregate face amount of $50,000,000. Additionally, effective as of September 13, 2002, MasTec and Jorge Mas entered into a second split dollar agreement (as amended on December 1, 2002) wherein MasTec agreed to pay the premiums due on a life insurance policy. Under the terms of these agreements, MasTec is the sole owner and beneficiary of the policies and is entitled to recover all premiums it pays on the portion of the policy subject to the agreement, plus interest equal to four percent, compounded annually, upon the death of the insured. During the three months ended March 31, 2005 and 2004, MasTec did not pay any premiums in connection with the split dollar agreements for Jorge Mas.

On November 1, 2002, MasTec and Austin Shanfelter entered into a split dollar agreement wherein MasTec agreed to pay the premiums due on a life insurance policy. MasTec is the sole owner and beneficiary of the policy and is entitled, upon the death of the insureds, to recover all premiums it pays on the policy plus interest equal to four percent, compounded annually. The remainder of the policy's proceeds will be paid in accordance with Mr. Shanfelter's designations. During the three months ended March 31, 2005 and 2004, MasTec did not pay any premiums in connection with the split dollar agreement for Mr. Shanfelter and his family.

Effective as of July 16, 2004, MasTec and Jose Mas entered into a split dollar agreement wherein MasTec agreed to pay premiums on a life insurance policy. Under the terms of the agreement, MasTec is the sole owner and beneficiary of the policy and is entitled to recover all premiums it pays on the policy plus interest equal to 3.5%, compounded annually, upon the death of the insured. MasTec has agreed to make the premium payments until at least July 15, 2009. During the three months ended March 31, 2005 and 2004, MasTec did not pay any premiums in connection with the split dollar agreement for Mr. Jose Mas.

Note 12 – New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS 123R, "Share-Based Payment," a revision of SFAS 123. In March 2005, the SEC issued Staff Bulletin No. 107 (SAB 107) regarding its interpretation of SFAS 123R. The standard requires companies to expense the grant-date fair value of stock options and other equity-based compensation issued to employees. In accordance with the revised statement, the Company will be required to recognize the expense attributable to stock options granted or vested in financial statement periods subsequent to December 31, 2005. The Company is evaluating the requirements of SFAS 123R and SAB 107. The Company has not yet determined the method of adoption or the effect of adopting SFAS 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 123 above.

MasTec, Inc
Notes to the Condensed Unaudited Consolidated Financial Statements

Note 13 – Subsequent Event

On May 10, 2005, the Company entered into an amended and restated loan and security agreement in connection with the revolving credit facility which increased the maximum amount of availability to $150 million subject to reserves of $5.0 million, and other adjustments and restrictions pursuant to the terms of the amended and restated loan and security agreement. The term of the facility was extended to 2010. The terms and conditions of the amended credit facility are similar to the credit facility described in Note 5. In addition to the increase in the maximum availability and extension of term, the key differences include no monthly financial covenants if certain conditions are met, a release of the restricted cash in the amount of $7.3 million and an increase in borrowing availability based on higher advance rates on unbilled receivables and equipment. To the extent that certain conditions are not met, the Company must maintain a fixed charge ratio in excess of 1.2 to 1.

Based upon the Company's projections for 2005, the Company believes it will be in compliance with the amended credit facility's terms and conditions as well as the fixed charge ratio covenant in 2005. The Company is dependent upon borrowings and letters of credit under this credit facility to fund operations. Should the Company be unable to comply with the terms and conditions of the amended credit facility, it would be required to obtain further modifications of the credit facility or another source of financing to continue to operate. The Company may not be able to achieve its 2005 projections and thus may not be in compliance with the amended credit facility's financial covenants in 2005.

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

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts but are the intent, belief, or current expectations, of our business and industry, and the assumptions upon which these statements are based. Words such as "anticipates", "expects", "intends", "will", "could", "would", "should", "may", "plans", "believes", "seeks", "estimates" and variations of these words and the negatives thereof and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include those described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report and in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, including those described under "Risk Factors." Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. Readers are cautioned to not place undue reliance on forward-looking statements, which reflect our management's view only as of the date of this report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

Overview

We serve providers of telecommunications services, broadband services (including cable, satellite and high speed Internet), energy services, traffic control and homeland security systems.

Revenue by customer industry group is as follows (in thousands):

	For the Three Months Ended March 31, 2005	For the Three Months Ended March 31, 2004
Telecommunications	$ 71,240	$ 45,774
Broadband	69,249	79,499
Energy	44,536	37,820
Government	32,745	31,614
	$ 217,770	$ 194,707

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

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

Revenue by type of contract is as follows (in thousands):

	For the Three Months Ended March 31,	
	2005	2004
Master service and other service agreements	$ 141,516	$ 146,415
Installation/construction projects agreements	76,254	48,292
	$ 217,770	$ 194,707

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

Our clients generally supply materials such as cable, conduit and telephone equipment. Customer furnished materials are not included in revenue and cost of sales due to these materials being purchased by the customer. The customer determines the specifications of the materials that are to be utilized to perform installation/construction services. We are only responsible for the performance of the installation/construction services and not the materials for any contract that includes customer furnished materials nor do we not have any risk associated with customer furnished materials. Our customers retain the financial and performance risk of all customer furnished materials.

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

In March 2004, we ceased performing contractual services for customers in Brazil, abandoned all assets in our Brazil subsidiary and made a determination to exit the Brazil market. During the three months ended March 31, 2004, we wrote off approximately $12.3 million of goodwill and the net investment in our Brazil subsidiary of approximately $6.8 million which consisted of the accumulated foreign currency translation loss of $21.3 million less a deficit in assets of $14.5 million. The abandoned Brazil subsidiary has been classified as a discontinued operation. The net loss from operations for the Brazil subsidiary was approximately $20.0 million for the three months ended March 31, 2004. For the three months ended March 31, 2005, the Brazil subsidiary had no activity as the entity is in the process of being liquidated. In November 2004, the subsidiary applied for relief and was adjudicated bankrupt by a Brazilian bankruptcy court. The subsidiary is currently being liquidated under court supervision.

During the fourth quarter 2004, we committed to sell our Network Services division and exit this service market. This division has been classified as a discontinued operation. The net loss for the Network Services division for the three months ended March 31, 2004 was reclassified to discontinued operations in the amount of $1.8 million. The net loss for the three months ended March 31, 2005 included in discontinued operations was $445,000.

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 if conditions change or if certain key assumptions used in making these estimates ultimately prove to be materially incorrect.

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

Revenue Recognition

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

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

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

Our clients generally supply materials such as cable, conduit and telephone equipment. Customer furnished materials are not included in revenue and cost of sales as these materials are purchased by the customer. The customer determines the specification of the materials that are to be utilized to perform installation/construction services. We are only responsible for the performance of the installation/construction services and not the materials for any contract that includes customer furnished materials nor do we have any risk associated with customer furnished materials. Our customers retain the financial and performance risk of all customer furnished materials.

Billings in excess of costs and estimated earnings on uncompleted contracts are classified as current liabilities. Any costs and estimated earnings 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.

Allowance for Doubtful Accounts

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

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

We recorded provisions against earnings for doubtful accounts of $1.0 million, and $1.4 million for the three months ended March 31, 2005 and 2004, respectively. The provisions in the three months ended March 31, 2005 and 2004 were due to a monthly provision being recorded based on the Company's write-off history.

Inventories

Inventories consist of materials and supplies for construction projects, and are typically purchased on a project-by-project basis. Inventories are valued at the lower of cost (using the specific identification method) or market. Construction projects are completed pursuant to customer specifications. The loss of the customer or the cancellation of the project could result in an impairment of the value of materials purchased for that customer or project. Technological or market changes can also render certain materials obsolete. Allowances for inventory obsolescence are determined based upon the specific facts and circumstances for each project and market conditions. During the three months ended March 31, 2005 and 2004, we recorded approximately $0 and $900,000, respectively, in obsolescence provisions that have been included in "Costs of revenue" in the accompanying condensed unaudited consolidated statements of operations. The provisions in the three months ended March 31, 2004 were mainly due to inventories that were purchased for specific jobs no longer in process.

Depreciation

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

Effective November 30, 2002, we implemented the results of a review of the estimated service lives of our property and equipment in use. Useful lives were adjusted to reflect the extended use of much of our equipment. In addition, the adjustments make the estimated useful lives for similar equipment consistent among all operating units. Depreciation expense was reduced by $1.3 million for the three months ended March 31, 2004 from the amount of expense which would have been reported using the previous useful lives as a result of the change of estimate. The adjustment took place in 2003 and 2004. During 2004 and first quarter 2005, we continued to dispose of excess assets and increase our reliance on operating leases to finance equipment needs, thereby reducing our depreciation expense. We do anticipate continued declines in our overall equipment costs, since we continue to use more lease opportunities.

Valuation of Long-Lived Assets

We review long-lived assets, consisting primarily of property and equipment and intangible assets with finite lives, for impairment in accordance with Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS No. 144). In analyzing potential impairment, we use projections of future undiscounted cash flows from the assets. These projections are based on our views of growth rates for the related business, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. However, economic conditions, interest rates, the anticipated cash flows of the businesses related to these assets and our business strategies are all subject to change in the future. If changes in growth rates, future economic conditions or discount rates and estimates of terminal values were to occur, long-lived assets may become impaired. During the three months ended March 31, 2005 and 2004, we recognized impairment losses and write-offs of long-lived assets of approximately $327,000 and $605,000, respectively, relating to long-lived assets no longer in use and held for sale, certain assets in use and long-lived assets related to the discontinued operations in Brazil.

Valuation of Intangible Assets

In accordance with SFAS No. 142, “Goodwill and Other Intangible Assets”, we conduct, on at least an annual basis, a review of our reporting units to determine whether their carrying value exceeds fair market value using a discounted cash flow methodology for each unit. Should this be the case, the value of our goodwill may be impaired and written down.

In connection with the disposition of the Brazil subsidiary as discussed in Note 7, we wrote off goodwill associated with this reporting entity in the amount of $12.3 million in the three months ended March 31, 2004.

We could record additional impairment losses if, in the future, profitability and cash flows of our reporting units decline to the point where the carrying value of those units exceed their market value.

Insurance Reserves

We presently maintain insurance policies subject to per claim deductibles of $2 million for our workers’ compensation, and general liability policies and $3 million for our automobile liability policy. We have excess umbrella coverages up to $100 million per claim and in the aggregate. We are required to post letters of credit to secure our obligation to reimburse the insurance carrier for amounts that have been or could potentially be advanced by the carrier within the deductible layer and also post letters of credit to our surety company. Such letters of credit amounted to $63.3 million at March 31, 2005. We actuarially determine any liabilities for unpaid claims and associated expenses, including incurred but not reported losses, and reflect those liabilities in our balance sheet as other current and non-current liabilities. The determination of such claims and expenses and the appropriateness of the related liability is reviewed and updated quarterly. However, insurance liabilities are difficult to assess and estimate due to the many relevant factors, the effects of which are often unknown, including the severity of an injury, the determination of our liability in proportion to other parties, the number of incidents not reported and the effectiveness of our safety program. We are working with our insurance carrier to resolve claims more quickly in an effort to reduce our exposure. We are also attempting to accelerate the claims process where possible so that amounts incurred can be reported rather than estimated. In addition, known amounts for claims that are in the process of being settled, but that have been paid in periods subsequent to those being reported, are booked in such reporting period. Our accruals are based upon known facts, historical trends and our reasonable estimate of future expenses and we believe such accruals to be adequate. If we do not accurately estimate the losses resulting from these claims, we may experience losses in excess of our estimated liability, which may reduce our profitability.

In the three months ended March 31, 2005, we were required to post additional cash collateral with our current insurance carrier in the amount of $4.5 million which is included in other assets. We also posted additional cash collateral in April 2005 of $4.5 million. We expect to be required to post an additional $9.0 million in cash collateral in 2005 and we may be required to post additional collateral in the future which may reduce our liquidity, or pay increased insurance premiums, which could decrease our profitability.

Valuation of Equity Investments

We have one common stock investment which we account for by the equity method because we own between 20% and 50% of the common stock and we have a non-controlling ownership interest. Our share of the earnings or losses in this investment is included in the condensed unaudited consolidated statements of operations. As of March 31, 2005, our investment exceeded the net equity of such investment and accordingly the excess is considered to be equity goodwill. We evaluate the equity goodwill for impairment under Accounting Principles Board No. 18, "The Equity Method of Accounting for Investments in Common Stock", as amended.

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. The recording of a net deferred tax asset assumes the realization of such asset in the future. Otherwise a valuation allowance must be recorded to reduce this asset to its net realizable value. We consider future pretax income and ongoing prudent and feasible tax planning strategies in assessing the need for such a valuation allowance. In the event that we determine that we may not be able to realize all or part of the net deferred tax asset in the future, a valuation allowance for the deferred tax asset is charged against income in the period such determination is made.

As a result of our operating losses, we have recorded valuation allowances aggregating $37.2 million and $32.3 million as of March 31, 2005 and December 31, 2004, respectively, to reduce certain of our net deferred Federal, foreign and state tax assets to their estimated net realizable value.

Restructuring Charges

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

The following is a reconciliation of the restructuring accruals as of March 31, 2005 (in thousands):

Accrued costs at December 31, 2004	$	212
Cash payments		(100)
Accrued costs at March 31, 2005	$	112

Litigation and Contingencies

Litigation and contingencies are reflected in our condensed unaudited consolidated financial statements based on our assessments, with legal counsel, of the expected outcome of such litigation or expected resolution of such contingency. If the final outcome of such litigation and contingencies differs significantly from our current expectations, such outcome could result in a charge to earnings. See Note 8 to our condensed unaudited consolidated financial statements in Part I Item 1 to this Form 10-Q for description of legal proceedings and commitments and contingencies.

Results of Operations

Comparison of Quarterly Results

The following table reflects our consolidated results of operations in dollar and percentage of revenue terms for the periods indicated including the reclassification of the three months ended March 31, 2004 net loss for the Network Services operations to discontinued operations.

	For the Three Months Ended March 31,			
	2005		2004	
	(dollars in thousands)			
Revenue	$ 217,770	100.0%	$ 194,707	100.0%
Costs of revenue, excluding depreciation	204,970	94.1%	188,574	96.9%
Depreciation	4,965	2.3%	4,831	2.5%
General and administrative expenses	16,460	7.6%	20,513	10.5%
Interest expense, net of interest income	4,851	2.2%	4,903	2.5%
Other (income) expense, net	(1,973)	(0.9)%	166	0.1%
Loss from continuing operations before minority interest	$ (11,503)	(5.3)%	$ (24,280)	(12.5)%
Minority interest	(66)	0.0%	—	0.0%
Loss from continuing operations	$ (11,569)	(5.3)%	$ (24,280)	(12.5)%
Discontinued Operations	(445)	(0.2)%	(21,786)	(11.2)%
Net loss	$ (12,014)	(5.5)%	$ (46,066)	(23.7)%

Three Months Ended March 31, 2005
Compared to Three Months Ended March 31, 2004

Revenue. Our revenue was $217.8 million for the three months ended March 31, 2005, compared to $194.7 million for the same period in 2004, representing an increase of $23.1 million or 11.8%. This increase was due primarily to the increased revenue of approximately $28.2 million received from DirecTV. In addition, the fiber-to-home installations for Verizon Communications commenced towards the end of 2004. During the three months ended March 31, 2005 revenue related to Verizon increased by approximately $23.6 million. We expect to continue to see an increase in revenue from these two customers throughout 2005. The increases were offset by a significant decrease in upgrade work from Comcast. In first quarter 2004, the Comcast projects were fully operational and proceeding at full schedule. In first quarter 2005, the Comcast upgrade work was minimal because the majority of the work was completed in the fourth quarter 2004.

Costs of Revenue. Our costs of revenue were $205.0 million or 94.1% of revenue for the three months ended March 31, 2005, compared to $188.6 million or 96.9% of revenue for the same period in 2004 reflecting an improvement in margins. The decrease was due to obsolescence provisions, insurance expense and loss accruals. In the three months ended March 31, 2004, we had obsolescence provisions in inventory of approximately $900,000 mainly due to inventories that were purchased for specific jobs which were no longer in process. There was no provision necessary during the three months ended March 31, 2005. In addition, in the three months ended March 31, 2005, the cost of sales portion of insurance expense decreased $9.5 million from the three months ended March 31, 2004. In the three months ended March 31, 2004, there were an increased number of claims. The increasing trends and the loss history in 2004 caused insurance expense based on actuarial assumptions to increase in 2004. These trends leveled off throughout 2004 and 2005 causing insurance reserves to be consistent; resulting in a significant decrease in insurance expense. Lastly, loss accruals on construction projects decreased $1.8 million from $2.5 million in the three months ended March 31, 2004 to $700,000 in the three months ended March 31, 2005. These decreases were offset by increases in subcontractor and labor costs. In the first quarter of 2005, we started reducing the use of subcontractors and increasing the proportion of our employees on DirecTV. As a result we hired additional personnel to perform services for DirecTV which required extensive upfront training costs to these employees. As we transitioned to greater use of employees, subcontractors were still being used, increasing overall cost of sales during the transition. In addition, there were more projects with high material installations during the three months ended March 31, 2005 causing materials expense to be higher than in the three months ended March 31, 2004.

Depreciation. Depreciation was $5.0 million for the three months ended March 31, 2005, compared to $4.8 million for the same period in 2004, representing an increase of approximately $200,000 or 2.8%. In the three months ended March 31, 2004, depreciation expense was reduced by $1.3 million related to the change in estimate in useful lives that occurred in November 30, 2002. There was no such reduction in the three months ended March 31, 2005. However, this reduction in 2004 was offset in 2005 by continuing to reduce capital expenditures and disposing of excess equipment during 2004 and the first quarter of 2005.

General and administrative expenses. General and administrative expenses were $16.5 million or 7.6% of revenue for the three months ended March 31, 2005, compared to $20.5 million or 10.5% of revenue for the same period in 2004, representing a decrease of $4.0 million or 19.8%. Professional fees incurred in the first quarter 2004 were approximately $6.0 million related to our audit, fees to a third party in assisting us with Sarbanes-Oxley compliance and legal fees related to our defense and settlement of various litigation matters. Professional fees in the three months ended March 31, 2005 were approximately $3.0 million which mainly consisted of audit and legal fees. In addition, the general and administrative portion of insurance expense decreased by $1.5 million. In the three months ended March 31, 2004, there were an increased number of claims. The increasing trends and the loss history in 2004 caused insurance expense to increase in 2004 based on actuarial assumptions. These trends leveled off throughout 2004 causing insurance reserves to be consistent resulting in a decrease in the general and administrative component of insurance expense in the three months ended March 31, 2005. In addition, we no longer had international operations in the three months ended March 31, 2005 resulting in a decrease of approximately $400,000.

Interest expense, net. Interest expense, net of interest income, remained consistent at $4.9 million for both periods.

Other (income) expense. Other income was $2.0 million for the three months ended March 31, 2005, compared to other expense of $166,000 in the three months ended March 31, 2004, representing an increase of $2.2 million. The increase mainly relates to sales of fixed assets in the first quarter of 2005 resulting in $1.6 million of gains on these sales. In the first quarter of 2004, we had $400,000 of gains on sale of assets but those gains were offset by $500,000 of write-offs.

Discontinued operations. In the first quarter 2004, we ceased performing contractual services for customers in Brazil, abandoned all assets in our Brazil subsidiary and made a determination to exit the Brazil market. During the three months ended March 31, 2004, we wrote off approximately $12.3 million of goodwill and the net investment in the Brazil subsidiary of approximately $6.8 million which consisted of the accumulated foreign currency translation loss of $21.3 million less a deficit in assets of $14.5 million. The net loss for the Brazil subsidiary for the three months ended March 31, 2004 was approximately $20.0 million. There was no activity in the three months ended March 31, 2005 because the subsidiary was in the process of liquidation. In November 2004, our subsidiary applied for relief and was adjudicated bankrupt by a Brazilian bankruptcy court. The subsidiary is currently being liquidated under court supervision. During the fourth quarter 2004, we committed to sell our Network Services division and exit this service market. This division has been classified as a discontinued operation. The results of operations for the three months ended March 31, 2004 have been reclassified to loss from discontinued operations. The net loss for the Network Services division was $445,000 and $1.8 million for the three months ended March 31, 2005 and 2004, respectively. The loss decreased due to decreased activity in the division pending sale.

Financial Condition, Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from continuing operations, borrowings under revolving lines of credit, and proceeds from sales of assets and investments. We expect to continue selling vehicles and equipment as we see the need to upgrade with new equipment. We expect to continue to obtain proceeds from these sales in excess of $1.0 million per quarter depending upon market conditions. Our primary liquidity needs are for working capital, capital expenditures, letters of credit and debt service. In addition to ordinary course working capital requirements, we will continue to spend at least $10.0 to $15.0 million per year on capital expenditures in order to keep our equipment new and in good condition. We also expect our annual lease payments to increase as we place greater reliance on operating leases to meet our equipment needs. We also have paid $9.0 million in 2005 to our insurance company for cash collateral on our insurance claims. We expect to pay an additional $9.0 million in 2005. Interest payments of approximately $7.6 million are due each February and August under our subordinated debt agreement. In 2004, we purchased a 49% interest in a limited liability company with an established marketing group. The initial investment of $3.7 million will be paid over four quarters which commenced in the third quarter of 2004 with additional contingent payments of up to $1.3 million per quarter based upon the level of unit sales and profitability of the limited liability company for the two years following the period after the initial investment is fully funded.

We anticipate that funds generated from continuing operations, together with borrowings under our credit facility, and proceeds from sales of assets and investments will be sufficient to meet our working capital requirements, anticipated capital expenditures, insurance collateral requirements, equity investment obligations, letters of credit, and debt service obligations for at least the next twelve months.

We need working capital to support seasonal variations in our business, primarily due to the impact of weather conditions on external construction and maintenance work, and the corresponding spending by our clients on their annual capital expenditure budgets. Our business is slower in the first and fourth quarters of each calendar year and stronger in the second and third quarters. We generally experience seasonal working capital needs from approximately April through September to support growth in unbilled revenue and accounts receivable, and to a lesser extent, inventory. Our billing terms are generally net 30 to 60 days, although some contracts allow our clients to retain a portion (from 2% to 15%) of the contract amount until the contract is completed to their satisfaction. We maintain inventory to meet the material requirements of some of our contracts. Some of our clients pay us in advance for a portion of the materials we purchase for their projects, or allow us to pre-bill them for materials purchases up to a specified amount.

Our vendors generally offer us terms ranging from 30 to 90 days. Our agreements with subcontractors usually contain a “pay-when-paid” provision, whereby our payments to subcontractors are made after we are paid by our clients.

As of March 31, 2005, we had $124.6 million in working capital compared to $134.5 million as of December 31, 2004. The decrease in working capital was due to a decrease in accounts receivable and inventories due to revenue decreasing from the fourth quarter 2004 to March 31, 2005. Our business is traditionally slower in the first quarter. Cash and cash equivalents increased from $19.5 million at December 31, 2004 to $23.6 million at March 31, 2005. At March 31, 2005, the cash balance includes $7.3 million in restricted cash related to collateral for our credit facility.

Net cash provided by operating activities from continuing operations was $2.3 million for the three months ended March 31, 2005 compared to net cash used in operating activities from continuing operations of $15.1 million for the three months ended March 31, 2004. The net cash provided by operating activities from continuing operations in the three months ended March 31, 2005 was primarily related to timing of cash collections from customers and payments to vendors as well as installations of inventory to projects offset by the net loss from continuing operations. The net cash used in operating activities from continuing operations in the three months ended March 31, 2004 was primarily related to the net loss from continuing operations, purchases of inventory and timing of cash collections from customers and payments to vendors.

Net cash provided by investing activities of continuing operations was $1.0 million for the three months ended March 31, 2005 compared to $2,000 for the three months ended March 31, 2004. Net cash provided by investing activities from continuing operations in the three months ended March 31, 2005 primarily related to $3.9 million in net proceeds from sales of assets offset by capital expenditures in the amount of $1.9 million and payments related to our equity investment in the amount of $1.1 million. Net cash provided by investing activities from continuing operations in the three months ended March 31, 2004 primarily related to $2.9 million in net proceeds from sales of assets offset by capital expenditures in the amount of $2.9 million.

Net cash provided by financing activities from continuing operations was $500,000 for the three months ended March 31, 2005 compared to net cash used in financing activities from continuing operations of $300,000 for the three months ended March 31, 2004. Net cash provided by financing activities from continuing operations in the three months ended March 31, 2005 was primarily related to issuance of common stock offset by repayments of borrowings and capital lease payments. Net cash used in financing activities from continuing operations in the three months ended

March 31, 2004 was due to repayment of our credit facility of $1.1 million offset by proceeds from issuance of common stock.

On May 10, 2005, we entered into an amended and restated loan and security agreement in connection with the revolving credit facility which increased the maximum amount of the revolver to $150 million subject to a reserve of $5.0 million and other adjustments and restrictions pursuant to the terms and conditions of the amended and restated loan and security agreement. The term of the facility was extended to 2010. The terms and conditions of the amended credit facility are similar to the credit facility outstanding as of March 31, 2005 described below. In addition to the increase in the maximum availability and extension of term, the key differences include no monthly financial covenants if certain conditions are met, a release of the restricted cash in the amount of $7.3 million and an increase in borrowing availability based on higher advance rates on unbilled receivables and equipment. To the extent that certain conditions are not met, we must maintain a fixed charge ratio in excess of 1.2 to 1.

Based upon our projections for 2005, we believe we will be in compliance with the terms and conditions of the amended credit facility. We are dependent upon borrowings and letters of credit under this credit facility to fund operations. Should we be unable to comply with the terms and covenants of the amended credit facility, we would be required to obtain further modifications of the credit facility or another source of financing to continue to operate. We may not be able to achieve our 2005 projections and thus may not be in compliance with the amended credit facility's financial covenants in 2005.

The terms and conditions of the credit facility at March 31, 2005 are described below:

As of March 31, 2005, the revolving credit facility for our North American operations provided for borrowings up to an aggregate of $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, eligible billed and unbilled accounts receivable, which can result in borrowing availability of less than the full amount of the facility. As of March 31, 2005 and December 31, 2004, net availability under the credit facility totaled $7.8 million and $25.5 million, net of outstanding standby letters of credit aggregating $66.8 million each period. At March 31, 2005, $63.3 million of the outstanding letters of credit are issued to support our casualty insurance requirements or surety needs. These letters of credit mature at various dates through December 31, 2005, and except for Letters of Credit totaling $10.0 million, most have automatic renewal provisions subject to prior notice of cancellation. We had no outstanding draws under the credit facility on March 31, 2005 and 2004. The revolving credit facility matures on January 22, 2007. The revolving credit facility at March 31, 2005 is collateralized by a first priority security interest in substantially all of our North American assets including $7.3 million in restricted cash which is included in cash and cash equivalents at March 31, 2005 and a pledge of the stock of certain of our operating subsidiaries. All wholly owned subsidiaries collateralize the facility. 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 margin 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 amount of the total commitment which is unused.

The revolving credit facility outstanding at March 31, 2005 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 against our assets, 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, any deterioration in the quality of billed and unbilled receivables would reduce availability under our revolving credit facility.

We are required to be in compliance with certain financial covenants measured on a monthly basis. The credit facility was amended on March 17, 2005 modifying certain financial covenants and we were in compliance with our amended credit facility's financial covenants at March 31, 2005. Under the amended agreement, our North American operations must maintain minimum tangible net worth requirements as well as minimum fixed charge coverage ratio, computed on a monthly basis, beginning in May 2004. The fixed charge coverage ratio is generally defined to mean the ratio of our net income before interest expense, income tax expense, depreciation expense, and amortization expense plus $1.1 million to consolidated interest expense and current maturities of debt for the period of determination. For the purposes of determining the current maturities of long-term debt during the period from April 2004 through March 2005 used in determining the fixed charge coverage ratio the amount of current maturities of long term debt as of any month during this period is multiplied by a fraction, the numerator of which is the number of cumulative months since April 2004, and the denominator of which is 12.

As of March 31, 2005, we have outstanding $195.9 million in principal amount of its 7.75% senior subordinated notes due in February 2008, with interest due semi-annually. The notes also contain default (including cross-default) provisions and covenants restricting many of the same transactions as under our credit facility. The indenture which governs our 7.75% senior subordinated notes allows us to incur the following additional indebtedness: the credit facility (up to $150 million), renewals to existing debt permitted under the indenture plus an additional $25 million of indebtedness. The indenture prohibits incurring further indebtedness unless our fixed charge coverage ratio is at least 2:1 for the four most recently ended fiscal quarters determined on a proforma basis as if that additional debt has been incurred at the beginning of the period. The definition of our fixed charge coverage ratio under the indenture is essentially equivalent to that under our credit agreement.

The audit of our 2004 financial statements disclosed a material weakness in our internal controls over inventory. See “Item 4. Controls and Procedures” for remediation procedures we performed during the first quarter 2005 related to the material weakness.

Some of our contracts require us to provide performance and payment bonds, which we obtain from a surety company. If we were unable to meet our contractual obligations to a client and the surety company paid our client the amount due under the bond, the surety company would seek reimbursement of such payment from us. At March 31, 2005, performance and payment bonds outstanding on our behalf totaled $125.1 million.

New Accounting Pronouncements

See Note 12 to our condensed unaudited consolidated financial statements in Part 1 Item 1 to this Form 10-Q for certain new accounting pronouncements.

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.

Impact of Inflation

The primary inflationary factor affecting our operations is increased labor costs. We are also affected by increases in fuel costs which increased significantly in 2004 and first quarter 2005 and are expected to continue to increase in 2005.

Risk Factors

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 it serves, 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 the Company’s Annual Report on Form 10-K for the year ended December 31, 2004.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk related to changes in interest rates and fluctuations in foreign currency exchange rates. Our variable rate credit facility exposes us to interest rate risk. However, we had no borrowings under the credit facility at March 31, 2005.

Interest Rate Risk

Less than 5% of our outstanding debt at March 31, 2005 was subject to variable interest rates. The remainder of our debt has fixed interest rates. Our fixed interest rate debt includes $196.0 million (face value) in senior subordinated notes. The carrying value and market value of our debt at March 31, 2005 was $196.1 million and $190.3 million, respectively. Based upon debt balances outstanding at March 31, 2005, a 100 basis point (i.e. 1%) addition to our weighted average effective interest rate for variable rate debt would increase our interest expense by less than $200,000 on an annual basis.

Foreign Currency Risk

We have an investment in a subsidiary in Canada and sell our services into this foreign market.

Our foreign net asset/exposure (defined as assets denominated in foreign currency less liabilities denominated in foreign currency) for Canada at March 31, 2005 of U.S. dollar equivalents was $2.2 million as of March 31, 2005 and $2.7 million at December 31, 2004.

Our Canada subsidiary sells services and pays for products and services in Canadian dollars. A decrease in the Canadian foreign currency relative to the U.S. dollar could adversely impact our margins. An assumed 10% depreciation of the foreign currency relative to the U.S. dollar over the three months ended March 31, 2005 (i.e., in addition to actual exchange experience) would have resulted in a translation reduction of our revenue by $190,222 for the first quarter 2005.

As the assets, liabilities and transactions of our Canada subsidiary are denominated in Canadian dollars, the results and financial condition are subject to translation adjustments upon their conversion into U.S. dollars for our financial reporting purposes. A 10% decline in this foreign currency relative to the U.S. dollar over the course of the three months ended March 31, 2005 (i.e., in addition to actual exchange experience) would have not changed materially our foreign subsidiaries' translated operating loss.

See our Annual Report on Form 10-K in Note 1 of Notes to Consolidated Financial Statements for further disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by our 2004 Form 10-K, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, we had concluded that as of December 31, 2004, our disclosure controls and procedures were ineffective to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. As of the end of the period covered by this Form 10-Q, we carried out another evaluation of inventory. Due to the extent of manual procedures performed and the improvements that still need to be made, we have concluded that as of March 31, 2005, our disclosure controls and procedures are still ineffective.

Internal Control over Financial Reporting

As of December 31, 2004, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our internal controls and procedures. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. The results of management's assessment and review were reported to the Audit Committee of the Board of Directors.

Based on management's assessment using the criteria set out above, management believes that we did not maintain an effective internal control over financial reporting as of December 31, 2004, as a result of the following material weakness:

In the course of management's investigation, management noted one matter involving internal control and its operation that management considered a material weakness under standards established by the Public Company Accounting Oversight Board. Reportable conditions involve matters relating to significant deficiencies in the design or operation of internal control that could adversely affect our ability to record, process, summarize, and report financial data consistent with the assertions of management in the consolidated financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Management's consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, management did identify weaknesses in internal controls involving inventory practices and policies in our ITS division, with respect to inventory pricing on receipt and the related costs of sales, and inventory tracking prior to sale or use. Management believes this constitutes a material weakness in internal control over the financial reporting process.

Remediation Steps to Address Material Weaknesses and Other Deficiencies in Internal Control over Financial Reporting

Since December 31, 2004, we have significantly expanded our procedures to include additional analysis and other post-closing procedures to improve the system of internal controls related to inventory processing at our ITS division. We are also in the process of implementing the inventory module into our Oracle System. Once this system can be relied upon and tested, management will no longer need to perform manual procedures. An effective internal control framework requires the commitment of management to require competence, diligence, and integrity on the part of its employees. Control activities include policies and procedures adopted by management to ensure the execution of management directives, and to help advance the successful achievement of our objectives.

In order to remediate the material weakness in internal control over financial reporting and ensure the integrity of our financial reporting processes in the first quarter of 2005, we performed the following procedures on ITS inventory:

- performed physical inventory at all locations at March 31, 2005;
- independent internal observers were used to test count at each location once the initial inventory was completed;
- reviewed pricing of all inventory items;
- independent internal verification of inventory price testing by inventory item to ensure no pricing errors existed in the inventory list;
- analytically compared by location inventory from December 31, 2004 to March 31, 2005 to ensure all activity by location was reasonable based on activity on specific jobs at that location;
- performed extensive cutoff testing to ensure accruals and inventory were proper and accurate at March 31, 2005; and
- hired additional accounting staff who specialize in cost accounting and developing improved internal controls.

In addition, in an effort to improve internal control over financial reporting, we continue to emphasize the importance of establishing the appropriate environment in relation to accounting, financial reporting and internal control over financial reporting and the importance of identifying areas of improvement and to create and implement new policies and procedures where material weaknesses or significant deficiencies exist. In addition, we sample tested many controls in the three months ended March 31, 2005 throughout the control environment and found no significant deficiencies or material weaknesses in our testing, except for the items identified at December 31, 2004. Furthermore, in an effort to improve internal control over financial reporting, we have hired individuals with additional accounting expertise in management positions in certain divisions.

Changes in Internal Control over Financial Reporting – There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the second quarter of 2004, purported class action complaints were filed against us and certain of our officers in the United States District Court for the Southern District of Florida and one was filed in the United States District Court for the Southern District of New York. These cases have been consolidated by court order in the Southern District of Florida. The complaints allege certain violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, related to current and prior period earnings reports. On January 25, 2005, a motion for leave to file a Second Amended Complaint was filed by Plaintiffs which the Court granted. Plaintiffs filed their Second Amended Complaint on February 22, 2005. Plaintiffs' contend that our financial statements during the purported class period of August 12, 2003 to May 11, 2004 were materially misleading in the following areas: 1) the financials for the third quarter of 2003 were allegedly overstated by $5.8 million in revenue from unapproved change orders from a variety of our projects; and 2) the financials for the second quarter of 2003 were overstated by some $1.3 million as a result of the intentional overstatement of revenue, inventories and work in progress at our Canadian subsidiary. Plaintiffs seek damages, not quantified, for the difference between the stock price Plaintiffs paid and the stock price Plaintiffs believe they should have paid, plus interest and attorney fees. We believe the claims are without merit. We will vigorously defend these lawsuits but may be unable to successfully resolve these disputes without incurring significant expenses. Due to the early stage of these proceedings, any potential loss cannot presently be determined with respect to this litigation.

On July 28, 2004, our Board of Directors received a demand from a shareholder that the Board take appropriate steps to remedy breaches of fiduciary duty, mismanagement and corporate waste, all arising from the same factual predicate set out in the shareholder class actions described above. On November 18, 2004, the Board of Directors authorized its Executive Committee to establish appropriate procedures and form a special litigation committee, as contemplated by Florida law, to investigate these allegations and to determine whether it is in our best interest to pursue an action or actions based on said allegations. On December 22, 2004, a derivative action was filed by the shareholder. On January 10, 2005, the Executive Committee formed a special litigation committee to investigate this matter. By agreement of counsel, the derivative action has been stayed during the pendency of any motion dismiss in the securities class action.

We contracted to construct a natural gas pipeline for Coos County, Oregon in 2003. Construction work on the pipeline ceased in December 2003 after the County refused payment due on regular contract invoices of $6.3 million and refused to process change orders for additional work submitted to the County on or after November 29, 2003. In February 2004, we brought an action for breach of contract against Coos County in Federal District Court in Oregon, seeking payment for work done, interest and anticipated profits. In April 2004, Coos County announced it was terminating the contract and seeking another company to complete the project. Coos County subsequently counterclaimed for breach of contract and other causes in the Federal District Court action. The amount of revenue recognized on the Coos County project that remained uncollected at March 31, 2005 amounted to $6.3 million representing amounts due to us on normal progress payment invoices submitted under the contract. In addition to these uncollected receivables, we also have additional claims for payment and interest in excess of $6.0 million, including all of our change order billings and retainage, which we have not recognized as revenue but to which we believe is due to us under the terms of the contract. In addition, we were made party to a number of citizen initiated actions arising from the Coos County project. A complaint alleging failure to comply with prevailing wage requirements was issued by the Oregon Bureau of Labor and Industry. A number of individual property owners brought claims in Oregon state courts against us for property damages and related claims; a number of citizens' groups brought an action in federal court for alleged violations of the Clean Water Act. All but one of the individual property claims has been settled; one is set for trial in 2005. We will vigorously defend these actions, but may incur significant expense in connection with that defense.

In connection with the Coos County pipeline project, the United States Army Corps of Engineers and the Oregon Division of State Land, Department of Environmental Quality issued cease and desist orders and notices of non-compliance to Coos County and to us with respect to the County's project. A cease and desist order was issued by the Corps on October 31, 2003 and addressed sedimentary disturbances and the discharge of bentonite, an inert clay mud employed for this kind of drilling, resulting from directional boring under stream beds along a portion of the natural gas pipeline route then under construction. The County and MasTec received a subsequent cease and desist order from the Corps on December 22, 2003. The order addressed additional sedimentary discharges caused by clean up efforts along the pipeline route. MasTec and the County were in substantial disagreement with the United States Army Corps of Engineers and the Oregon Division of State Land as to whether the subject discharges were permitted pursuant to Nationwide Permit No. 12 (utility line activities) or were otherwise prohibited pursuant to the Clean Water Act. However, we have been cooperating with Corps of Engineers and the Oregon Division of State Land, Department of Environmental Quality to mitigate any adverse impact as a result of construction. Corps of Engineer and Oregon Division of State Land notices or complaints focused for the largest part on runoff from the construction site and from nearby construction spoil piles which may have increased sediment and turbidity in adjacent waterways and roadside ditches. Runoff was the result of extremely wet and snowy weather, which produced exceptionally high volumes of runoff water. MasTec employed two erosion control consulting firms to assist. As weather permitted and sites became available, MasTec moved spoil piles to disposal sites. Silt fences, sediment entrapping blankets and sediment barriers were employed in the meantime to prevent sediment runoff. Ultimately, when spring weather permitted, open areas were filled, rolled and seeded to eliminate the runoff. To date, mitigation efforts have cost us approximately $1.4 million. These costs were included in the costs on the project at March 31, 2005 and December 31, 2004. No further mitigation expenses are anticipated. The only additional anticipated liability arises from possible fines or penalties assessed, or to be assessed by the Corps of Engineers and/or Oregon Division of State Land. The County accepted a fine of $75,000 to settle this matter with the Corp of Engineers; the County has not concluded with the Oregon Department of Environmental Quality. No fines or penalties have been assessed against the Company by the Corp of Engineers to date. On August 9, 2004, the Oregon Division of State Land Department of Environmental Quality issued a Notice of Violation and Assessment of Civil Penalty to MasTec North America in the amount of $126,000. MasTec North America has denied liability for the civil penalty and requested a formal contested case hearing on the same.

The potential loss for all Coos Bay matters and settlements reached described above is estimated to be $175,000 at March 31, 2005, which has been recorded on the accompanying consolidated balance sheet as other current liabilities.

In November 2004, we entered into, and bonded a conditional $2.6 million settlement of litigation brought for subcontract work done by Hugh O’Kane Electric for us on a telecommunication project for Telergy in New York. Telergy is in bankruptcy and did not pay us for the Hugh O’Kane work. The settlement was conditioned on the outcome of an interlocutory appeal brought by us. The appeal sought to enforce contract terms which relieved us of our obligation to pay Hugh O’Kane when we were not paid by Telergy. New York’s appellate level court upheld the enforceability of the term of our contract, but remanded the case to the trial court to determine whether we were estopped from using this contract provision as a defense. We expect to recover the bond posted in connection with the appeal, and will continue to contest this matter in the trial court. The amount of the loss, if any, relating to this matter cannot be determined at this time.

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, management believes that any financial impact would not be material to our results of operations, financial position or cash flows.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.32*	Employment Agreement dated February 1, 2004 between Michael G. Nearing and MasTec, Inc.
21.1*	Subsidiaries of MasTec
31.1	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Exhibits filed with this Form 10-Q.

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: May 10, 2005

/s/ Austin J. Shanfelter
Austin J. Shanfelter
President and Chief Executive Officer
(Principal Executive Officer)

/s/ C. Robert Campbell
C. Robert Campbell
Chief Financial Officer
(Principal Financial and Accounting Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of February 1, 2004 (the "Hire Date"), by and between **MASTEC, INC.**, a Florida corporation (the "Company"), and **MICHAEL G. NEARING** ("Employee").

Recitals

The Company desires to employ Employee and Employee desires to be employed by the Company on the terms and subject to the conditions set forth in this Agreement.

ACCORDINGLY, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Company and Employee agree as follows:

Terms

1. **Employment.** The Company employs Employee and Employee accepts such employment and agrees to perform the services specified in this Agreement, upon the terms and subject to the conditions set forth in this Agreement.

2. **Term.**

General. The term of Employee's employment under this Agreement will be from the Hire Date to through January 31, 2006, unless earlier terminated in accordance with this Agreement (the "Term").

3. **Duties.**

a. **Position.** During the Term, Employer will serve as Executive Vice President and General Counsel of the Company. Subject to the direction of the Chief Executive Officer (CEO), Employee will perform all duties commensurate with his position and as may otherwise be assigned to him by the CEO or the Board of Directors of the Company. If requested by the Company, Employee will serve as an officer or director of any subsidiary of the Company, without additional compensation; provided however, that if Employee is asked to serve as a director of any subsidiary of the Company, Employee may resign or refuse to accept such appointment without causing a breach of this Agreement by Employee. If asked to serve as an officer or director of a subsidiary of the Company, Employee will be provided those officer and director indemnifications provided to other officers and directors of the Company and any such subsidiary.

b. **Full Time and Attention**. During the Term, Employee will devote his full business time and energies to the business and affairs of the Company and will use his best efforts, skills and abilities solely to promote the interests of the Company and to diligently and competently perform his duties, all in a manner in compliance with all applicable laws and regulations and in accordance with applicable policies and procedures adopted or amended from time to time by the Company, including, without limitation, the *2000 Personal Responsibility Code*, a copy of which Employee acknowledges having received. Employee's primary place of employment shall be at the Company's primary place of business in Miami-Dade County, Florida; however, Employee agrees and acknowledges that a material part of the time devoted to his duties and position hereunder will require that Employee travel on behalf of the Company.

4. **Compensation and Benefits.**

a. **Base Salary**

(i) During the Term, Employee will be paid, as compensation for services rendered pursuant to this Agreement and Employee's observance and performance of all of the provisions of this Agreement, the amount of Three Hundred Thousand and No/100 Dollars ($300,000.00) per annum (the "Base Salary"). The Base Salary will be payable in accordance with the normal payroll procedures of the Company as in effect from time to time.

(ii) Base Salary for each year of the Term shall be adjusted to reflect any increase in the cost of living. The Company and the Employee agree to adopt as a standard for measuring the cost of living the Consumer Price Index for all Urban Consumers (1982-84=100) issued by the Bureau of Labor Statistics of the United States Department of Labor ("CPI"). The CPI index figure for the first month of the Term shall be defined as the "Basic Standard." The CPI index figure for the last month of each year (i.e., June) of the Term shall be defined as the " New Index Figure." Base Salary for each year of the Term (the "New Base Salary") shall be determined by multiplying the Base Salary for the immediately preceding Year of the Term by a fraction, the numerator of which shall be the New Index Figure and the denominator of which shall be the Basic Standard. The New Base Salary for each year of the Term shall be effective on July 15 of the applicable year of the Agreement.

$$\text{Base Salary} \times \frac{\text{New Index Figure}}{\text{Basic Standard}} = \text{New Base Salary}$$

b. **Benefits.** During the Term, Employee will be entitled to participate in or benefit from, in accordance with the eligibility and other provisions thereof, such life, health, medical, accident, dental and disability insurance and such other benefit plans as the Company may make generally available to, or have in effect for, other employees of the Company at the same general level as Employee. The Company retains the right to terminate or amend any such plans from time to time in its sole discretion.

c. **Performance Bonus.** Employee shall be entitled to participate in the Company's bonus plan for senior management (the "SMBP").

d. **Expenses.** The Company will reimburse Employee, in accordance with the Company's expense reimbursement policies as may be established from time to time by the Company, for all reasonable travel and other expenses actually incurred or paid by him during the Term in the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as the Company may require.

e. **Withholding.** All payments under this Agreement will be subject to applicable taxes and required withholdings.

5. **Representations of Employee.** Employee represents and warrants that he is not, (i) a party to any enforceable employment agreement or other arrangement, whether written or oral, with any past employer, that would prevent or restrict Employee's employment with the Company; (ii) a party to or bound by any agreement, obligation or commitment, or subject to any restriction, including, but not limited to, confidentiality agreements, restrictive covenants or non-compete and non-solicitation covenants, except for agreements with the Company or its affiliates; or (iii) involved with any professional endeavors which in the future may possibly adversely affect or interfere with the business of the Company, the full performance by Employee of his duties under this Agreement or the exercise of his best efforts hereunder.

6. **Confidentiality.**

a. **Confidentiality of this Agreement.** Employee acknowledges that the provisions of this Agreement are highly confidential and that disclosure of this Agreement or its terms would be extremely prejudicial to the Company. Accordingly, neither the Company nor Employee will disclose the terms of this Agreement to any other person or entity (other than immediate family and financial and legal advisors with a need-to-know and who agree to the confidentiality provisions of this Agreement) without the prior written consent of the other party, except that (i) the Company may disclose this Agreement or its terms if in the reasonable opinion of counsel for the Company such disclosure is required by applicable law or regulation; and, (ii) Employee may disclose this Agreement in court filings or pleadings by Employee to enforce its terms and conditions or as otherwise may be necessary to comply with the requirements of law, after providing the Company with not less than five (5) days prior written notice of Employee's intent to disclose.

b. **Confidential Information.** Employee acknowledges that as a result of his employment with the Company, Employee will gain knowledge of, and access to, proprietary and confidential information and trade secrets of the Company and its subsidiaries and affiliates, including, without limitation, (1) the identity of customers, suppliers, subcontractors and others with whom they do business; (2) their marketing methods and strategies; (3) contract terms, pricing, margin, cost information and other information regarding the relationship between them and the persons and entities with which they have contracted; (4) their services, products, software, technology, developments, improvements and methods of operation; (5) their results of operations, financial condition, projected financial performance, sales and profit performance and financial requirements; (6) the identity of and compensation paid to their employees, including Employee; (7) their business plans, models or strategies and the information contained therein; (8) their sources, leads or methods of obtaining new business; and (9) all other confidential information of, about or concerning the business of the Company and its subsidiaries and affiliates (collectively, the "Confidential Information"). Employee further acknowledges that such information, even though it may be contributed, developed or acquired by Employee, and whether or not the foregoing information is actually novel or unique or is actually known by others, constitutes valuable assets of the Company developed at great expense which are the exclusive property of the Company or its subsidiaries and affiliates. Accordingly, Employee will not, at any time, either during or subsequent to the Term, in any fashion, form or manner, directly or indirectly, (i) use, divulge, disclose, communicate, provide or permit access to any person or entity, any Confidential Information of any kind, nature or description, or (ii) remove from the Company's or its subsidiaries' or affiliates' premises any notes or records relating thereto, or copies or facsimiles thereof (whether made by electronic, electrical, magnetic, optical, laser acoustic or other means) except in the case of both (i) and (ii), (A) as reasonably required in the performance of his services to the Company under this Agreement, (B) to responsible officers and employees of the Company who are in a contractual or fiduciary relationship with the Company and who have a need for such information for purposes in the best interests of the Company, (C) for such information which is or becomes generally available to the public other than as a result of an unauthorized disclosure by Employee, and (D) or as otherwise necessary to comply with the requirements of law, after providing the Company with not less than five (5) days prior written notice of Employee's intent to disclose. Employee acknowledges that the Company would not enter into this Agreement without the assurance that all Confidential Information will be used for the exclusive benefit of the Company.

c. **Return of Confidential Information.** Upon request by the Company, Employee will promptly deliver to the Company all drawings, manuals, letters, notes, notebooks, reports and copies thereof, including all originals and copies contained in computer hard drives or other electronic or machine readable format, all Confidential Information and other materials relating to the Company's business, including, without limitation, any materials incorporating Confidential Information, which are in Employee's possession or control.

7. **Intellectual Property.** Any and all material eligible for copyright or trademark protection and any and all ideas and inventions ("Intellectual Property"), whether or not patentable, in any such case solely or jointly made, developed, conceived or reduced to practice by Employee (whether at the request or suggestion of any officer or employee of the Company or otherwise, whether alone or in conjunction with others, and whether during regular hours of work or otherwise) during the Term which arise from the fulfillment of Employee's duties hereunder and which may be directly or indirectly useful in the business of the Company will be promptly and fully disclosed in writing to the Company. The Company will have the entire right, title and interest (both domestic and foreign) in and to such Intellectual Property, which is the sole property of the Company. All papers, drawings, models, data and other materials relating to any such idea, material or invention will be included in the definition of Confidential Information, will remain the sole property of the Company, and Employee will return to the Company all such papers, and all copies thereof, including all originals and copies contained in computer hard drives or other electronic or machine readable format, upon the earlier of the Company's request therefor, or the expiration or termination of Employee's employment hereunder. Employee will execute, acknowledge and deliver to the Company any and all further assignments, contracts or other instruments the Company deems necessary or expedient, without further compensation, to carry out and effectuate the intents and purposes of this Agreement and to vest in the Company each and all of the rights of the Company in the Intellectual Property.

8. **Covenants.**

a. **Non-Competition and Non-Solicitation.** Employee acknowledges and agrees that the Company's and its subsidiary and affiliated companies' (collectively, the "Companies") telecommunications infrastructure services businesses (the "Business") are conducted throughout the United States of America and the Commonwealth of Canada. Until one (1) year following the date of the termination of Employee's employment with the Company (the "Period of Non-Competition") and within the United States of America and the Commonwealth of Canada (including their possessions, protectorates and territories, the "Territory"), Employee will not (whether or not then employed by the Company for any reason), without the Company's prior written consent:

(i) directly or indirectly own, manage, operate, control, be employed by, act as agent, consultant or advisor for, or participate in the ownership, management, operation or control of, or be connected in any manner through the investment of capital, lending of money or property, rendering of services or otherwise, with, any business of the type and character engaged in and competitive with the Company in the Business. For these purposes, ownership of securities of one percent (1%) or less of any class of securities of a public company will not be considered to be competition with the Business;

(ii) solicit, persuade or attempt to solicit or persuade or cause or authorize directly or indirectly to be solicited or persuaded any existing customer or client, or potential customer or client to which the Companies have made a presentation or with which the Companies have been having discussions, to cease doing business with or decrease the amount of business done with or not to hire the Companies, or to commence doing Business with or increase the amount of Business done with or hire another company;

(iii) solicit, persuade or attempt to solicit or persuade or cause or authorize directly or indirectly to be solicited or persuaded the business of any person or entity that is a customer or client of the Companies, or was their customer or client within two (2) years prior to cessation of Employee's employment by any of the Companies or any of their subsidiaries, for the purpose of competing with the Company in the Business; or

(iv) solicit, persuade or attempt to solicit or persuade, or cause or authorize directly or indirectly to be solicited or persuaded for employment, or employ or cause or authorize directly or indirectly to be employed, on behalf of Employee or any other person or entity, any individual who is or was at any time within six (6) months prior to cessation of Employee's employment by the Companies, an employee of any of the Companies.

If Employee breaches or violates any of the provisions of this Section 8, the running of the Period of Non-Competition (but not of any of Employee's obligations under this Section 8) will be tolled with respect to Employee during the continuance of any actual breach or violation. In addition to any other rights or remedies the Company may have under this Agreement or applicable law, the Company will be entitled to receive from Employee reimbursement for all attorneys' and paralegal fees and expenses and court costs incurred by the Companies in enforcing this Agreement and will have the right and remedy to require Employee to account for and pay over to the Company all compensation, profits, monies, accruals or other benefits derived or received, directly or indirectly, by Employee from the action constituting a breach or violation of this Section 8.

b. **Exceptions.** Telecommunications operators (such as Sprint, MCI, AT&T) cable companies and other non construction or installation customers of the Company shall not be considered engaged in and competitive with the Business.

9. **Reasonable Restrictions.** The parties acknowledge and agree that the restrictions set forth in Sections 6, 7 and 8 of this Agreement are reasonable for the purpose of protecting the value of the business and goodwill of the Companies. It is the desire and intent of the parties that the provisions of Sections 6, 7 and 8 be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If any particular provisions or portions of Sections 6, 7 and 8 are adjudicated to be invalid or unenforceable, then such section will be deemed amended to delete such provision or portion adjudicated to be invalid or unenforceable; provided, however, that such amendment is to apply only with the respect to the operation of such section in the particular jurisdiction in which such adjudication is made.

10. **Breach or Threatened Breach.** The parties acknowledge and agree that the performance of the obligations under Sections 6, 7 and 8 by Employee are special, unique and extraordinary in character, and that in the event of the breach or threatened breach by Employee of the terms and conditions of Sections 6, 7 or 8, the Companies

will suffer irreparable injury and that monetary damages would not provide an adequate remedy at law and that no remedy at law may exist. Accordingly, in the event of such breach or threatened breach, the Company will be entitled, if it so elects and without the posting of any bond or security, to institute and prosecute proceedings in any court of competent jurisdiction, in law and in equity, to obtain damages for any breach of Sections 6, 7 or 8 or to enforce the specific performance of this Agreement by Employee or to enjoin Employee from breaching or attempting to breach Sections 6, 7 or 8. In the event the Company believes that the Employee has breached Employee's obligations under Sections 6, 7 or 8, or threatens to do so, it shall promptly provide the Employee written notice of such belief setting forth the basis for its belief and, (unless under exigent circumstances, as determined by the Company at its sole discretion, it would harm the Company to delay the institution of legal proceedings) five (5) business days to respond to the notice, prior to the initiation of legal proceedings.

11. **Termination.** This Agreement and Employee's employment under this Agreement may be terminated upon the occurrence of any of the events described in, and subject to the terms of, this Section 11:

a. **Death.** Immediately and automatically upon the death of Employee.

b. **Disability.** At the Company's option, immediately upon written notice if Employee suffers a "permanent disability," meaning any incapacity, illness or disability of Employee which renders Employee mentally or physically unable to perform his duties under this Agreement for a continuous period of sixty (60) days, or one hundred twenty (120) days (whether or not consecutive), during the Term, as reasonably determined by the Company.

c. **Termination for Cause.** At the Company's option, immediately upon notice to Employee, upon the occurrence of any of the following events (each "Cause"), (i) Employee being convicted of any felony (whether or not against the Company or its subsidiaries or affiliates); (ii) a material failure of Employee to perform Employee's responsibilities after ten (10) days' written notice given by an Executive Officer to Employee, which notice shall identify the Employee's failure in sufficient detail and grant Employee an opportunity to cure such failure within such ten (10) day period ("Notice"); (iii) a breach by Employee of any of his obligations under Sections 6, 7 or 8; (iv) any material act of dishonesty or other misconduct by Employee against the Company or any of its subsidiaries or affiliates; (v) a material violation by Employee of any of the policies or procedures of the Company or any of its subsidiaries or affiliates, including without limitation the *2000 Personal Responsibility Code*, provided, however, that if such violation is curable, then Employee will be given ten (10) days' written Notice and the opportunity to cure such violation; or (vi) Employee voluntarily terminates this Agreement or leaves the employ of the Company or its subsidiaries or affiliates for any reason, other than Good Reason.

d. **Termination Without Cause**. At the Company's option for any reason, or no reason, upon five (5) days' notice to Employee given by the CEO.

e. **Termination with Good Reason.** At Employee's option, upon not less than fifteen (15) business days' written notice to the Company, and the Company's failure to cure within such fifteen (15) business days, upon the occurrence of any of the following events (each "Good Reason") (i) the material diminution of, Employee's position, duties, titles, offices and responsibilities with the Company; (ii) a reduction or material delay in payment of Employee's compensation and benefits; (iii) a relocation of the Company's principal executive offices outside of Miami-Dade, Broward, Palm Beach or Monroe Counties, Florida; or (iv) a breach of any other material provision of this Agreement by the Company.

f. **Payments After Termination.** If this Agreement and Employee's employment hereunder are terminated for the reasons set forth in Sections 11(a) or 11(b), then Employee or Employee's estate will receive the Base Salary and any Performance Bonus earned through the date of death or disability to which Employee would have been entitled for the year in which the death or disability occurred in accordance with the terms of this Agreement. If the Company terminates this Agreement and Employee's employment hereunder for the reasons set forth in Section 11(c)(i-vi), then (i) Employee will receive his Base Salary through the date of termination and (ii) Employee will forfeit any entitlement that Employee may have to receive any performance bonus. If this Agreement is terminated for the reason set forth in Section 11(d) or Section 11(e), then (i) Employee will receive his Base Salary, and benefits set forth in Section 4(b) hereof (collectively, with the payment of the Base Salary, the "Severance Benefits"), for a period of twelve (12) months if the termination occurs prior to January 31, 2005, if the termination occurs after January 31, 2005, Employee shall receive the Severance Benefits for the lesser of (A) one (1) year or (B) the remainder of the Term (the "Severance

Period”). The Severance Benefits shall be payable in accordance with the Company’s payroll procedures and subject to applicable withholdings, provided however, Employee represents and warrants that during the Severance Period he shall affirmatively and in good faith seek another position (whether as an employee or independent contractor) and the Severance Benefits shall be mitigated upon his obtaining employment or being engaged as an independent contractor by a third party by an amount equal to the amounts received by Employee in such new position (as an employee or identified contractor). Upon payment by the Company of the amounts described in this Section 11(f), Employee will not be entitled to receive any further compensation or benefits from the Company whatsoever.

g. **General**. Notwithstanding anything to the contrary set forth in this Agreement, the provision of payments after termination in accordance with the provisions of Section 11(f) above, shall not be a bar to the Employee’s continued entitlement from the Company of (i) reimbursements of proper expenses, (ii) housing, automobile and expense allowances, (iii) vested benefit and welfare entitlements; (iv) unemployment compensation, (v) workers compensation benefits, (vi) accrued vacation time (if consistent with Company policy), (vii) Base Salary through date of termination. Notwithstanding anything in this Agreement to the contrary, if Employee is employed by the Company on the last day of any calendar year (e.g., December 31 of the 2003 calendar year) and is terminated for any reason prior to the payment of a bonus, if any, the Company hereby agrees to pay Employee any bonus that he would have otherwise been entitled to hereunder or the SMBP, simultaneous with the payment of such bonus to the Company’s employees, and (viii) continued vesting of options as may be provided in accordance with the provisions of this Agreement or any stock option plan.

12. **Gross-Up for Excise Tax.**

a. If any payment or benefit under this Agreement becomes subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), or any substitute provision of the Code, or any interest or penalties are incurred by Employee with respect to such excise tax (collectively, the “Excise Tax”), then the Company will pay Employee an additional amount or amounts (the “Gross-Up Payment”), such that the net amount or amounts retained by Employee, after deduction of any Excise Tax on any of the payments or benefits under this Agreement and any federal, state and local tax and Excise Tax on the Gross-Up Payment will equal the amount of such payment or benefits prior to the imposition of such Excise Tax. For purposes of determining the amount of a Gross-Up Payment, Employee will be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is payable and state and local income taxes at the highest marginal rate of taxation in the sate and locality of Employee’s residence on the date the Gross-Up Payment is payable, net of the maximum reduction in federal income taxes that could be obtained from any available deduction of such state and local taxes.

b. The Company will pay each Gross-Up Payment on the date on which Employee becomes entitled to the payment or benefits giving rise to the Excise Tax. If the amount Excise Tax is later determined to be less than the amount taken into account in calculating the Gross-Up Payment, Employee will repay to the Company (to the extent actually paid by the Company) the portion of the Gross-Up Payment attributable to the overstated amount of Excise Tax at the time such reduction is finally determined, plus interest at the rate set forth in Section 1274(b)(2)(B) of the Code. If the amount of the Excise Tax is later determined to be more than the amount taken into account in calculating the Gross-Up Payment, the Company will pay Employee an additional Gross-Up Payment in respect of the additional amount of Excise Tax and the time the amount of the additional tax is finally determined.

13. **Miscellaneous.**

a. **Survival.** The provisions of Sections 6, 7, 8, 10 and 11 will survive the termination or expiration of this Agreement for any reason.

b. **Entire Agreement.** This Agreement constitutes the entire agreement of the parties pertaining to its subject matter and supersedes all prior or contemporaneous agreements or understandings between the parties pertaining to the subject matter of this Agreement, and there are no promises, agreements, conditions, undertakings, warranties, or representations, whether written or oral, express or implied, between the parties other than as set forth in this Agreement.

c. **Modification.** This Agreement may not be amended or modified, or any provision waived, unless in writing and signed by both parties.

d. **Waiver.** Failure of a party to enforce one or more of the provisions of this Agreement or to require at any time performance of any of the obligations of this Agreement will not be construed to be a waiver of such provisions by such party nor to in any way affect the validity of this Agreement or such party's right thereafter to enforce any provision of this Agreement, nor to preclude such party from taking any other action at any time which it would legally be entitled to take.

e. **Successors and Assigns.** This Agreement may not be assigned or the duties delegated unless in writing and signed by both parties, except for any assignment by the Company occurring by operation of law. Subject to the foregoing, this Agreement will inure to the benefit of, and be binding upon, the parties and their heirs, beneficiaries, personal representatives, successors and permitted assigns.

f. **Notices.** Any notice, demand, consent, agreement, request, or other communication required or permitted under this Agreement will be in writing and will be, (i) mailed by first-class mail, registered or certified, return receipt requested, postage prepaid, (ii) delivered personally by independent courier, or (iii) transmitted by facsimile, to the parties at the addresses as follows (or at such other addresses as will be specified by the parties by like notice):

If to Employee, then to:

Michael G. Nearing
881 Ocean Drive, No. 25C
Key Biscayne, Florida 33149
Facsimile: 305-361-5745

If to the Company, then to:

MasTec, Inc.
800 Douglas Road
Penthouse
Coral Gables, Florida 33122-1205
Attn: Legal Department
Facsimile: (305) 406-1907

Each party may designate by notice in writing a new address to which any notice, demand, consent, agreement, request or communication may thereafter be given, served or sent. Each notice, demand, consent, agreement, request or communication that is mailed, hand delivered or transmitted in the manner described above will be deemed received for all purposes at such time as it is delivered to the addressee (with the return receipt, the courier delivery receipt or the telecopier answerback confirmation being deemed conclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

g. **Severability.** If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such invalidity or unenforceability will not affect the validity and enforceability of the other provisions of this Agreement and the provision held to be invalid or unenforceable will be enforced as nearly as possible according to its original terms and intent to eliminate such invalidity or unenforceability.

h. **Counterparts.** This Agreement may be executed in any number of counterparts, and all counterparts will collectively be deemed to constitute a single binding agreement.

i. **Governing Law; Venue.** This Agreement will be governed by the laws of the State of Florida, without regard to its conflicts of law principles. Employee consents to the jurisdiction of any state or federal court located within Miami-Dade County, State of Florida, and consents that all service of process may be made by registered or certified mail directed to Employee at the address stated in Section 13 (f) of this Agreement. Employee waives any objection which Employee may have based on lack of personal jurisdiction or improper venue or forum non conveniens to any suit or proceeding instituted by the Company under this Agreement in any state or federal court located within Miami-Dade County, Florida and consents to the granting of such legal or equitable relief as is deemed appropriate by the court. This provision is a material inducement for the Company to enter into this Agreement with Employee.

j. **Participation of Parties.** The parties acknowledge that this Agreement and all matters contemplated herein have been negotiated between both of the parties and their respective legal counsel and that both parties have participated in the drafting and preparation of this Agreement from the commencement of negotiations at all times through execution. Therefore, the parties agree that this Agreement will be interpreted and construed without reference to any rule requiring that this Agreement be interpreted or construed against the party causing it to be drafted.

k. **Injunctive Relief.** It is possible that remedies at law may be inadequate and, therefore, the parties will be entitled to equitable relief including, without limitation, injunctive relief, specific performance or other equitable remedies in addition to all other remedies provided hereunder or available to the parties hereto at law or in equity.

l. **Waiver of Jury Trial.** EACH OF THE COMPANY AND EMPLOYEE IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THE PROVISIONS OF THIS AGREEMENT.

m. **Right of Setoff.** The Company will be entitled, in its discretion and in addition to any other remedies it may have in law or in equity, to set-off against any amounts payable to Employee under this Agreement or otherwise the amount of any obligations of Employee to the Company under this Agreement that are not paid by Employee when due. In the event of any such setoff, the Company will promptly provide the Employee with a written explanation of such setoff, and an opportunity to register a written protest thereof.

n. **Litigation; Prevailing Party.** In the event of any litigation, administrative proceeding, arbitration, mediation or other proceeding with regard to this Agreement, the prevailing party will be entitled to receive from the non-prevailing party and the non-prevailing party will pay upon demand all court costs and all reasonable fees and expenses of counsel and paralegals for the prevailing party.

o. **Descriptive Headings.** The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

[SIGNATURES ON THE FOLLOWING PAGE]

EXECUTED as of the date set forth in the first paragraph of this Agreement.

EMPLOYEE

/s/ *Michael G. Nearing*
Michael G. Nearing

MASTEC, INC.

By: /s/ *Austin Shanfelter*
Austin Shanfelter, Chief Executive Officer

Exhibit 21.1

MasTec, Inc.
AFFILIATED ENTITIES
January 2005

NORTH AMERICA

Church & Tower, Inc. (FL)	(100% owned by MasTec, Inc.)
Church & Tower Environmental, Inc. (DE)	(100% owned by MasTec, Inc.)
Cruz-Cell, Inc. (IN)	(100% owned by MasTec North America, Inc.)
Dresser/Areia Construction, Inc. (CA)	(100% owned by MasTec North America, Inc.)
Flaire Incorporated (MO)	(100% owned by MasTec North America, Inc.)
Integral Power & Telecommunications Incorporated (Canadian)	(100% owned by Phasecom Systems, Inc.)
MasTec Asset Management Company, Inc. (NV)	(100% owned by MasTec, Inc)
MasTec Contracting Company, Inc. (NV)	(100% owned by MasTec, Inc)
MasTec Integration Systems, Inc. (CA) f/k/a Aidco Systems, Inc.	(100% owned by MasTec, Inc.)
MasTec Minnesota SW, LLC (NV)	(100% MasTec Services Company, Inc.)
MasTec Network Services, Inc. (CA) f/k/a Aidco, Inc.	(100% owned by MasTec, Inc.)
MasTec North America, Inc. (FL)	(100% owned by MasTec, Inc.)
MasTec Services Company, Inc. (FL) f/k/a Central America Construction, Inc.	(100% owned by MasTec, Inc.)
MasTec Telecom & Electrical Services, Inc. (NY) f/k/a Alert Electrical Contracting Co., Inc.	(100% owned by MasTec North America, Inc.)
Phasecom Systems Inc. (Canadian)	(100% owned by MasTec, Inc.)
Protel Ind., Inc. (FL)	(100% owned by MasTec North America, Inc.)
Renegade of Idaho, Inc. (FL)	(100% owned by MasTec, Inc.)
S.S.S. Construction, Inc. (MN)	(100% owned by MasTec, Inc.)
Upper Valley Utilities Corp. (UT)	(100% owned by MasTec North America, Inc.)

Wilde Holding Co., Inc. (DE)	(100% owned by MasTec, Inc.)
Wilde Acquisition Co., Inc. (DE)	(100% owned by Wilde Holding Co., Inc)
Northland Contracting, Inc. (MN)	(100% owned by Wilde Acquisition Co., Inc.)
Wilde Optical Service, Inc. (MN)	(100% owned by MasTec, Inc.)
JMC Insurance Company, Inc (SC).	(100% owned by MasTec, Inc.)
NEVCO LLC I (NV)	(Sole member - MasTec, Inc.)
NEVCO LLC II (NV)	(Sole member - Scott Europe Holdings One LP)
Globetec Construction, LLC (Florida)	(51% owned by MasTec, North America, Inc.)
S&D Communications, Inc. (MO)	(49% owned by MasTec, Inc.)
M & J Cable TV Contractor, Inc. (IL)	(49% owned by MasTec North America, Inc.)
Direct Star TV LLC (NC)	(49% owned by MasTec, Inc.)

Holding Companies

MasTec FC, Inc. (NV)	(100 % owned by MasTec, Inc.)
MasTec Real Estate Holdings, Inc. (FL)	(100% owned by MasTec, Inc.)
Stackhouse Real Estate Holdings, Inc. (f/k/a H-W Acquisition II, Inc. (DE)	(100% owned by MasTec North America, Inc.)
MasTec of Texas, Inc. (TX)	(100% owned by MasTec, Inc.)
MasTec TC, Inc. (NV)	(100% owned by MasTec, Inc.)

INTERNATIONAL

Latin America

Aidco de Mexico, S.A. de C.V. (Mex.)	(98% owned by MasTec, Inc.) (2% owned by MasTec International Holdings, Inc.)
MasTec Latin America, Inc. (DE)	(100% owned by MasTec, Inc.)
Acietel Mexicana, S.A. (Mex.)	(99% owned by Dresser Acquisition Company) (1% owned by MasTec International Holdings, Inc.)
MasTec Brasil S/A (Brazil)	(88% owned by MasTec Latin America, Inc.)
CIDE Engenharia, Ltda. (Brazil)	(100% owned by MasTec Brasil S/A)
MasTec Participações Do Brasil LTDA	(100% owned by MasTec, Inc.)
MasTelecom Europe I APS (Denmark)	(100% owned by MasTec, Inc.)

MasTelecom Europe II BV (Netherlands)	(100% owned by MasTelecom Europe I APS)
MasTelecom Services S. DE R.L. DE CV (Mexico)	(100% owned by MasTelecom Europe II BV)
MasTelecom S. DE R.L. DE C.V (Mexico)	(100% owned by MasTelecom Europe II BV)
Pantel Inversiones de Venezuela, CA (Venezuela)	(100% owned by MasTec Venezuela, Inc.)
Burntel Telecommunications, C.A.	(50% owned by Pantel Inversiones)
Scott Europe Holdings One LP (Scotland) General	(MasTec, Inc, Limited Partner) (Nevco LLC I General Partner)
Scott Europe Holdings Two LP (Scotland)	(Nevco LLC II General Partner)(Scott Europe Holdings One LLP Limited Partner)

Holding Companies

MasTec Brazil, Inc. (FL)	(100% owned by MasTec, Inc.)
MasTec Brazil II, Inc. (FL)	(100% owned by MasTec, Inc.)
MasTec Ecuador, Inc. (FL)	(100% owned by MasTec, Inc.)
MasTec International Holdings, Inc. (FL)	(100% owned by MasTec, Inc.)
MasTec Venezuela, Inc. (FL)	(100% owned by MasTec, Inc.)
MasTec Spain, Inc. (FL)	(100% owned by MasTec, Inc.)
Dresser Acquisition Company (FL)	(100% owned by MasTec North America, Inc.)

INTERNATIONAL INVESTMENTS

Latlink Corporation (DE)	(100% owned by MasTec, Inc.)
Latlink Argentina, Inc. (DE)	(100% owned by Latlink Corporation)

Exhibit 31.1

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

I, Austin J. Shanfelter, certify that:

I have reviewed this quarterly report on Form 10-Q of MasTec Inc. for the three months ended March 31, 2005;

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

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;

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

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

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

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

d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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

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

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

Date: May 10, 2005

/s/ Austin J. Shanfelter
Austin J. Shanfelter
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, C. Robert Campbell, certify that:

I have reviewed this quarterly report on Form 10-Q of MasTec Inc. for the three months ended March 31, 2005;

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

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;

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

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

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

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

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

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

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

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

Date: May 10, 2005

/s/ C. Robert Campbell
C. Robert Campbell
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of MasTec, Inc. (the “Company”) on Form 10-Q for the three months ended March 31, 2005 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: May 10, 2005

/s/ Austin J. Shanfelter
Austin J. Shanfelter
President and Chief Executive Officer
(Principal 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 Quarterly Report on Form 10-Q for the three months ended March 31, 2005, or as a separate disclosure documents of the Company or the certifying officers.

Exhibit 32.2

**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 Quarterly Report of MasTec, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, C. Robert Campbell, 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: May 10, 2005

/s/ C. Robert Campbell
C. Robert Campbell
Chief Financial Officer
(Principal Financial and Accounting 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 Quarterly Report on Form 10-Q for the three months ended March 31, 2005, or as a separate disclosure documents of the Company or the certifying officers.