

UBS AG
Form 424B2
February 04, 2019

The information in this preliminary pricing supplement is not complete and may be changed. We may not sell these securities until the pricing supplement, the accompanying product supplement, the index supplement and the accompanying prospectus (collectively, the "Offering Documents") are delivered in final form. The Offering Documents are not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

February 2019

Subject to Completion

(To Prospectus dated October 31, 2018,

Preliminary Pricing Supplement

Index Supplement dated October 31, 2018

Dated February 4, 2019

and Product Supplement dated October
31, 2018)

Registration Statement No. 333-225551

Structured Investments

Opportunities in U.S. and International Equities

Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

\$. Based on the worst performing of the Nasdaq-100 Index[®], the Russell 2000[®] Index and the S&P 500[®] Index

UBS AG Trigger Callable Contingent Yield Securities with Daily Coupon Observation (the "securities") are unsubordinated, unsecured debt securities issued by UBS AG ("UBS" or the "issuer") linked to the worst performing of the Nasdaq-100 Index[®], the Russell 2000[®] Index and the S&P 500[®] Index. (each an "underlying index" and together the "underlying indices"). If the closing level of each underlying index is equal to or greater than its coupon barrier on each trading day during the applicable observation period, UBS will pay you a contingent coupon on the related coupon payment date. If the closing level of any underlying index is less than its coupon barrier on any trading day during an observation period, you will not receive any contingent coupon for that observation period on the related coupon payment date. UBS may elect, on or before any applicable observation end date, to call the securities at its discretion in whole, but not in part (an "issuer call"), on the coupon payment date corresponding to such coupon observation date (the "call settlement date"), regardless of the closing levels of the underlying indices on such observation end date. If UBS elects to call the securities prior to maturity, UBS will pay you on the call settlement date a cash payment per security equal to the stated principal amount plus any contingent coupon otherwise due, and no further payments will be made on the securities. If UBS does not elect to call the securities and a trigger event does not occur, at maturity, UBS will pay you a cash payment per security at maturity equal to the stated principal amount, in addition to any contingent coupon otherwise due. If, however, UBS does not elect to call the securities and a trigger event occurs, UBS will pay you less than the full stated principal amount per security, if anything, at maturity, resulting in a loss on your initial investment that is proportionate to the decline in the closing level of the underlying index with the lowest underlying index return (the "worst performing underlying index") from its initial level to its final level over the term of the securities and you will lose a significant portion or all of your initial investment. A trigger event is deemed to have occurred if the closing level of any underlying index is less than its trigger level on the "trigger observation date", which is the final valuation date. The securities are for investors who are willing to risk their principal and seek interest at a potentially above-market rate in exchange for the risk of receiving few or no contingent coupons if any underlying index's closing level is less than its coupon barrier on any trading day during each observation period and the risk of an early call at UBS' discretion. **Investing in the securities involves significant**

risks. You will lose a significant portion or all of your initial investment if UBS does not elect to call the securities and a trigger event occurs. The securities will not pay a contingent coupon if the closing level of any underlying index is less than its coupon barrier on any trading day during an observation period. UBS may elect to call the securities at its discretion regardless of the performance of the underlying indices. Higher contingent coupon rates are generally associated with a greater risk of loss. Investors will not participate in any appreciation of any of the underlying indices. The contingent repayment of principal only applies if you hold the securities until the call settlement date or the maturity date, as applicable. Any payment on the securities, including any repayment of principal, is subject to the creditworthiness of UBS. If UBS were to default on its payment obligations you may not receive any amounts owed to you under the securities and you could lose all of your initial investment.

SUMMARY

TERMS

Issuer: UBS AG London Branch
Nasdaq-100 Index® (Bloomberg Ticker: “NDX”)

Underlying indices: Russell 2000® Index (Bloomberg Ticker: “RTY”)

Aggregate principal amount: S&P 500® Index (Bloomberg Ticker: “SPX”)
\$

Stated principal amount: \$1,000 per security

Issue price: \$1,000 per security (see “Commissions and issue price” below)

Term: 2 years, unless called earlier. In the event that we make any change to the expected trade date and settlement date, the calculation agent may adjust the observation end dates and the trigger observation date, as well as the final valuation date and maturity date to ensure that the stated term of the securities remains the same.

Trade date: Approximately February 8, 2019

Settlement date: Approximately February 13, 2019 (3 business days after the trade date). We expect to deliver the securities against payment on or about the third business day following the trade date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days (T+2), unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the securities in the secondary market on any date prior to two business days before delivery of the securities will be required, by virtue of the fact that each security initially will settle in three business days (T+3), to specify alternative settlement arrangements to prevent a failed settlement of the secondary market trade. Approximately February 8, 2021, subject to postponement for certain market disruption events

Final valuation date: and as described under “General Terms of the Securities — Market Disruption Events” and “— Valuation Dates — Final Valuation Date” in the accompanying product supplement.

Maturity date: Approximately February 11, 2021, subject to postponement for certain market disruption events and as described under “General Terms of the Securities — Market Disruption Events” and “— Payment Dates — Maturity Date” in the accompanying product supplement.

Issuer call feature: UBS may elect, on or before any observation end date (other than the final valuation date), to call the securities at its discretion in whole, but not in part (an “issuer call”), on the coupon payment date corresponding to such observation end date (the “call settlement date”), regardless of the closing levels of the underlying indices on such observation end date.

Issuer call amount: If UBS elects to call the securities, UBS will pay you on the call settlement date a cash payment per security equal to the stated principal amount plus any contingent coupon otherwise due, and no further payments will be made on the securities. Before UBS elects to call the securities, UBS will deliver written notice to the trustee by the applicable observation end date.

Contingent coupon:	<p>If the closing level of each underlying index is equal to or greater than its coupon barrier on each trading day during the applicable observation period (including the final observation period), UBS will pay you the contingent coupon for that observation period on the relevant coupon payment date.</p> <p>If the closing level of any underlying index is less than its coupon barrier on any trading day during an observation period, the contingent coupon for that observation period will not accrue or be payable and UBS will not make any payment to you on the relevant coupon payment date. The contingent coupon is a fixed amount based upon equal quarterly installments at the contingent coupon rate. The contingent coupon per security that would be applicable to each coupon payment date for which the closing level of each underlying index is equal to or greater than its coupon barrier on each trading day during the applicable observation period will be: \$18.75.</p> <p>Contingent coupons on the securities are not guaranteed. UBS will not pay you the contingent coupon for any observation period in which the closing level of any underlying index is less than its coupon barrier.</p>
Contingent coupon rate:	The contingent coupon rate is 7.50% per annum.
Coupon payment dates:	<p>Expected to be three business days following the related observation end date on which the applicable observation period ends, except that the coupon payment date for the final observation end date will be the maturity date.</p> <p>Approximately May 8, 2019, August 8, 2019, November 8, 2019, February 10, 2020, May 8, 2020, August 10, 2020, November 9, 2020 and February 8, 2021, subject to postponement for non-trading days and certain market disruption events (as described under "General Terms of the Securities - Valuation Periods", "- Valuation Date - Final Valuation Date" and "- Market Disruption Events" in the accompanying product supplement). We also refer to February 8, 2021 as the final valuation date. In the event that we make any change to the expected trade date and settlement date, the calculation agent may adjust the observation end dates (including the final valuation date) and maturity date to ensure that the stated term of the securities remains the same.</p>
Observation end dates:	<p>The first observation period will consist of each day from but excluding the trade date to and including the first observation end date. Each subsequent observation period will consist of each day from but excluding the prior observation end date to and including the next following observation end date. References in the accompanying product supplement to one or more "valuation periods" shall mean the observation periods for purposes of the market disruption event provisions in the accompanying product supplement.</p>
Observation Period:	<p>A trigger event is deemed to have occurred if the closing level of any of the underlying indices is less than its respective trigger level on the trigger observation date.</p>
Trigger event:	<p><i>In this case, you will be fully exposed to the underlying index return of the worst performing underlying index.</i></p> <p>Approximately February 8, 2021, which is the final valuation date. The final valuation date is subject to postponement for non-trading days and certain market disruption events, as described under "General Terms of the Securities — Valuation Dates — Final Valuation Date" and "— Market Disruption Events" in the accompanying product supplement.</p>
Trigger observation date:	<p>If UBS does not elect to call the securities and a trigger event does not occur, UBS will pay you a cash payment per security on the maturity date equal to the stated principal amount of \$1,000 plus any contingent coupon otherwise due with respect to the securities on the maturity date. If UBS does not elect to call the securities and a trigger event occurs, UBS will pay you a cash payment per security on the maturity date that is significantly less than the stated principal amount, if anything, equal to:</p>
Payment at maturity:	<p>\$1,000 x (1 + Underlying Index Return of the Worst Performing Underlying Index)</p>

You will lose a significant portion or all of your initial investment if UBS does not elect to call the securities and a trigger event occurs.

With respect to each underlying index, the quotient, expressed as a percentage, of the following formula:

Underlying index return:	$\frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$		
Worst performing underlying index:	The underlying index with the lowest underlying index return as compared to any other underlying index.		
Final level:	The closing level of each underlying index on the final valuation date, as determined by the calculation agent.		
Initial level:	•, which is the closing level of the Nasdaq-100 Index® on the trade date; •, which is the closing level of the Russell 2000® Index on the trade date; •, which is the closing level of the S&P 500® Index on the trade date		
Coupon barrier:	•, which is equal to 65% of the initial level of the Nasdaq-100 Index®; •, which is equal to 65% of the initial level of the Russell 2000® Index, which is equal to 65% of the initial level of the S&P 500® Index		
Trigger level:	•, which is equal to 65% of the initial level of the Nasdaq-100 Index®; •, which is equal to 65% of the initial level of the Russell 2000® Index; •, which is equal to 65% of the initial level of the S&P 500® Index		
CUSIP/ISIN:	90270KXN4 / US90270KXN44		
Listing:	The securities will not be listed or displayed on any securities exchange or electronic communications network.		
Calculation agent:	UBS Securities LLC		
Commissions and issue price:	Price to Public ⁽¹⁾	Fees and Commissions ⁽¹⁾	Proceeds to Issuer
Per security:	100%	1.50% ^(a)	98.00%
		<u>+0.50%</u> ^(b)	
		2.00%	
Total:			

UBS Securities LLC will purchase from UBS AG the securities at the price to public less a fee of \$20.00 per \$1,000.00 stated principal amount of securities. UBS Securities LLC will agree to resell all of the securities to ⁽¹⁾Morgan Stanley Smith Barney LLC (“Morgan Stanley Wealth Management”) at an underwriting discount which reflects:

- (a) a fixed sales commission of \$15.00 per \$1,000.00 stated principal amount of securities that Morgan Stanley Wealth Management sells and
- (b) a fixed structuring fee of \$5.00 per \$1,000.00 stated principal amount of securities that Morgan Stanley Wealth Management sells,

each payable to Morgan Stanley Wealth Management. See “Supplemental information regarding plan of distribution (conflicts of interest); secondary markets (if any)”.

The estimated initial value of the securities as of the trade date is expected to be between \$938.50 and \$968.50. The range of the estimated initial value of the securities was determined on the date hereof by reference to UBS’ internal pricing models, inclusive of the internal funding rate. For more information about secondary market offers and the estimated initial value of the securities, see “Risk Factors — Fair value considerations” and “— Limited or no secondary market and secondary market price considerations” beginning on page 14 of this document. **The securities involve risks not associated with an investment in ordinary debt securities. See “Risk Factors” beginning on page 12 and “Risk Factors” beginning on page PS-9 of the accompanying product supplement.**

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this document, the accompanying product supplement, the accompanying index supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense. The securities are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. You should read this document together with the accompanying product supplement, the accompanying index supplement and the accompanying prospectus, each of which can be accessed via the hyperlinks below, before you decide to invest.

Product supplement dated October 31,
2018

Index supplement dated October 31,
2018

Prospectus dated October 31,
2018

Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

\$• Based on the worst performing of the Nasdaq-100 Index®, the Russell 2000® Index and the S&P 500® Index
Additional Information about UBS and the Securities

UBS AG (“UBS”) has filed a registration statement (including a prospectus as supplemented by a product supplement and an index supplement) with the Securities and Exchange Commission (the “SEC”) for the securities to which this document relates. Before you invest, you should read these documents and any other documents relating to this offering that UBS has filed with the SEC for more complete information about UBS and this offering. You may obtain these documents for free from the SEC website at www.sec.gov. Our Central Index Key, or CIK, on the SEC web site is 0001114446.

You may access these documents on the SEC website at www.sec.gov as follows:

Prospectus dated October 31, 2018:

<http://www.sec.gov/Archives/edgar/data/1114446/000119312518314003/d612032d424b3.htm>

Index Supplement dated October 31, 2018:

<http://www.sec.gov/Archives/edgar/data/1114446/000091412118002083/ub46174419-424b2.htm>

Product Supplement dated October 31, 2018:

<https://www.sec.gov/Archives/edgar/data/1114446/000091412118002085/ub47016353-424b2.htm>

References to “UBS”, “we”, “our” and “us” refer only to UBS AG and not to its consolidated subsidiaries. In this document, the “securities” refer to the Trigger Callable Contingent Yield Securities that are offered hereby. Also, references to the “accompanying prospectus” mean the UBS prospectus titled “Debt Securities and Warrants”, dated October 31, 2018, references to the “accompanying index supplement” mean the UBS index supplement, dated October 31, 2018 and references to the “accompanying product supplement” mean the UBS product supplement titled “Market-Linked Securities Product Supplement”, dated October 31, 2018.

You should rely only on the information incorporated by reference or provided in this document, the accompanying product supplement, index supplement or the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this document, the accompanying product supplement or the accompanying prospectus is accurate as of any date other than the date on the front of the document.

UBS reserves the right to change the terms of, or reject any offer to purchase, the securities prior to their issuance. In the event of any changes to the terms of the securities, UBS will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case UBS may reject your offer to purchase.

In the event of any discrepancies between this document, the accompanying product supplement, the accompanying index supplement and the accompanying prospectus, the following hierarchy will govern: first, this document; second, the accompanying product supplement; third the accompanying index supplement; and finally, the accompanying prospectus.

Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

\$• Based on the worst performing of the Nasdaq-100 Index[®], the Russell 2000[®] Index and the S&P 500[®] Index

Investment Summary

The Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021 based on the worst performing of the Nasdaq-100 Index[®], the Russell 2000[®] Index and the S&P 500[®] Index, which we refer to as the securities, provide an opportunity for investors to earn a contingent coupon, which will be an amount equal to \$18.75 (equivalent to 7.50% per annum of the stated principal amount) per security, **but only if** the closing level of **each** underlying index is **equal to or greater than** 65% of its respective initial level, which we refer to as the coupon barrier, on each trading day during the applicable observation period. The contingent coupon, if any, will be payable on the relevant coupon payment date, which is expected to be three business days after the related observation end date. **It is possible that the closing levels of one or more of the underlying indices could remain below their respective coupon barriers for extended periods of time or even throughout the term of the securities so that you may receive few or no contingent coupons.**

If the closing level of any underlying index is less than its coupon barrier on any trading day during the applicable observation period, the contingent coupon for that observation period will not accrue or be payable and UBS will not make any payment to you on the relevant coupon payment date. UBS may elect, on or before any applicable observation end date (other than the final valuation date), to call the securities at its discretion in whole, but not in part (an “issuer call”), on the coupon payment date corresponding to such observation end date (the “call settlement date”), regardless of the closing levels of the underlying indices on such observation end date. If UBS elects to call the securities, UBS will pay you on the call settlement date a cash payment per security equal to the stated principal amount plus any contingent coupon otherwise due, and no further payments will be made on the securities. Before UBS elects to call the securities, UBS will deliver written notice to the trustee by the applicable observation end date. If UBS does not elect to call the securities, the closing levels of **all** of the underlying indices are equal to or greater than their respective coupon barriers on each trading day during the final observation period and a trigger event does not occur, UBS will pay you a cash payment per security on the maturity date equal to the stated principal amount of \$1,000 plus the contingent coupon otherwise due on the maturity date. If UBS does not elect to call the securities and the final level of each of the underlying indices are equal to or greater than their respective trigger levels but the closing level of **any** underlying index is less than its coupon barrier on any trading day during the final observation period, the payment at maturity will be equal to the stated principal amount. If, however, UBS does not elect to call the securities and a trigger event occurs, UBS will pay you a cash payment per security on the maturity date that is significantly less than the stated principal amount, if anything, equal to (i) the stated principal amount *times* (ii) one *plus* the underlying index return of the worst performing underlying index. A trigger event is deemed to have occurred if the closing level of any underlying index is less than its trigger level on the trigger observation date. You will lose a significant portion or all of your initial investment if UBS does not elect to call the securities and a trigger event occurs. The value of such cash payment will be significantly less than the stated principal amount of the securities and could be zero. Investors in the securities must be willing to accept the risk of losing a significant portion or all of their initial investment and also the risk of not receiving any contingent coupons. In addition, investors will not participate in any appreciation of the underlying indices.

UBS may elect to call the securities at its discretion prior to the maturity date. UBS is less likely to exercise its issuer call right when the closing level of **any** of the underlying indices is less than its coupon barrier. As such, UBS will be more likely to exercise its issuer call right when the closing level of each underlying index is above its coupon barrier, which would otherwise result in an amount of interest payable on the securities that is greater than instruments of a comparable maturity and credit rating trading in the market. On the other hand, UBS will be less likely to exercise its issuer call right when the closing level of **any** underlying index is less than its coupon barrier and/or when the final

level of any underlying index is expected to be less than its trigger level, such that you will receive no contingent coupons and/or that you will suffer a significant loss on your initial investment in the securities at maturity. Therefore, if UBS does not exercise its issuer call right, it is more likely that you will receive few or no contingent coupons and suffer a significant loss at maturity.

Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

\$• Based on the worst performing of the Nasdaq-100 Index®, the Russell 2000® Index and the S&P 500® Index
Key Investment Rationale

The securities do not guarantee the payment of interest or the repayment of the stated principal amount. Instead, the securities offer the opportunity for investors to earn a contingent coupon equal to \$18.75 (equivalent to 7.50% per annum of the stated principal amount) per security, **but only if** the closing level of **each** underlying index is **equal to or greater than** 65% of its respective initial level, which we refer to as the coupon barrier, on **each** trading day during the applicable observation period. UBS may elect, on or before any applicable observation end date (other than the final valuation date), to call the securities at its discretion in whole, but not in part, on the call settlement date for a cash payment equal to the stated principal amount per security *plus* any contingent coupon otherwise due with respect to the related observation end date. The payment at maturity will vary depending on the final level of each underlying index, as follows:

On or before any observation end date other than the final valuation date, UBS elects to call the securities in whole, but not in part.

Scenario 1 § On the call settlement date, the securities will be called and UBS will pay a cash payment equal to the stated principal amount *plus* any contingent coupon otherwise due with respect to the applicable observation period. The related contingent coupon will be paid only if all of the closing levels for all of the underlying indices were equal to or greater than their respective coupon barriers on each trading day during the applicable observation period. Following an issuer call, no further payments will be made on the securities.

§ Investors will not participate in any appreciation of the underlying indices from their respective initial levels.

UBS does not elect to call the securities, a trigger event does not occur and the closing levels of all of the underlying indices are equal to or greater than their respective coupon barriers on each trading day during the final observation period.

Scenario 2 § UBS will pay you a cash payment per security on the maturity date equal to (i) the stated principal amount *plus* (ii) the contingent coupon otherwise due on the maturity date.

§ Investors will not participate in any appreciation of the underlying indices from their respective initial levels.

UBS does not elect to call the securities, a trigger event does not occur and the closing level of at least one underlying index is less than its respective coupon barrier on at least one trading day during the final observation period.

Scenario 3 § UBS will pay you a cash payment per security on the maturity date equal to the stated principal amount.

§ Investors will not participate in any appreciation of the underlying indices from their respective initial index level and will not receive a contingent coupon on the maturity date.

Scenario 4 UBS does not elect to call the securities prior to maturity and a trigger event occurs.

§ The closing level of **any** underlying index is **less than** its respective trigger level.

§ UBS will pay you a cash payment per security on the maturity date, if anything, that is significantly less than the stated principal amount, equal to (i) the stated principal amount *times* (ii) one *plus* the underlying

index return of the worst performing underlying index.

§ Investors will lose a significant portion or all of their initial investment in this scenario.

Investing in the securities involves significant risks. You may lose a significant portion or all of your initial investment. Any payment on the securities, including payments in respect of an issuer call, contingent coupon or any repayment of principal provided at maturity, is dependent on the ability of UBS to satisfy its obligations when they become due. If UBS were to default on its payment obligations, you may not receive any amounts due to you under the securities and you could lose all of your initial investment.

The securities will not pay a contingent coupon on a coupon payment date (including the maturity date) if the closing level of any underlying index is less than its coupon barrier on any trading day during the applicable observation period, and you may receive few or no contingent coupons during the term of the securities. UBS may elect, on or before any applicable observation end date (other than the final valuation date), to call the securities on the related call settlement date, regardless of the closing levels of the underlying indices on such observation end date. If UBS does not elect to call the securities and a trigger event occurs, you will lose a significant portion or all of your initial investment at maturity.

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Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

\$• Based on the worst performing of the Nasdaq-100 Index®, the Russell 2000® Index and the S&P 500® Index
Investor Suitability

The securities may be suitable for you if:

You fully understand the risks of an investment in the securities, including the risk of loss of a significant portion or all of your initial investment.

You can tolerate a loss of a significant portion or all of your investment and are willing to make an investment that may have the same downside market risk as an investment in the stocks comprising the worst performing underlying index.

You understand and accept that an investment in the securities is linked to the performance of the worst performing underlying index and not a basket of the underlying indices, and that you will lose a significant portion or all of your initial investment if the closing level of **any** underlying index is **less than** its trigger level on the trigger observation date.

You are willing to risk receiving no contingent coupons and believe the closing level of **each** underlying index will be **equal to or greater than** its coupon barrier on each trading day during each observation period.

You believe a trigger event will not occur, meaning the closing level of **each** underlying index will be equal to or greater than its trigger level on the trigger observation date.

You accept that the risks of each underlying index are not mitigated by the performance of any other underlying index and the risks of investing in securities with a return based on the performance of multiple underlying indices.

You understand and accept that you will not participate in any appreciation in the level of any of the underlying indices and that your potential return is limited to any contingent coupons received.

You can tolerate fluctuations in the price of the securities prior to maturity that may be similar to or exceed the downside fluctuations in the levels of the underlying indices.

You would be willing to invest in the securities based on the coupon barriers, trigger levels and contingent coupon rate specified on the cover hereof.

You do not seek guaranteed current income from your investment and are willing to forgo any dividends paid on the stocks comprising the underlying indices (the “index constituents”).

You are willing to invest in securities that UBS may elect to call early at its discretion and you are otherwise willing to hold such securities to maturity and accept that there may be little or no secondary market for the securities.

You understand and are willing to accept the risks associated with the underlying indices.

You are willing to assume the credit risk of UBS for all payments under the securities, and understand that if UBS defaults on its obligations you may not receive any amounts due to you including any repayment of principal.

You understand that the estimated initial value of the securities determined by our internal pricing models is lower than the issue price and that should UBS Securities LLC or any affiliate make secondary markets for the securities, the price (not including their customary bid-ask spreads) will temporarily exceed the internal pricing model price.

The securities may not be suitable for you if:

You do not fully understand the risks inherent in an investment in the securities, including the risk of loss of a significant portion or all of your initial investment.

You are not willing to make an investment that may have the same downside market risk as an investment in the index constituents of the worst performing underlying index.

You do not understand or are unwilling to accept that an investment in the securities is linked to the performance of the worst performing underlying index and not a basket of the underlying indices, and that you will lose a significant portion or all of your initial investment if the closing level of **any** underlying index is **less than** its trigger level on the trigger observation date.

You require an investment designed to provide a full return of principal at maturity.

You are unwilling to risk receiving no contingent coupons during the term of the securities or believe that the closing level of at least one of the underlying indices will decline during the term of the securities and is likely to be less than its coupon barrier on at least one trading day during an observation period.

You believe a trigger event will occur, meaning the closing level of **any** underlying index will be **less than** its trigger level on the trigger observation date.

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Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

\$• Based on the worst performing of the Nasdaq-100 Index®, the Russell 2000® Index and the S&P 500® Index

You cannot accept that the risks of each underlying index are not mitigated by the performance of any other underlying index and the risks of investing in securities with a return based on the performance of multiple underlying indices.

You seek an investment that participates in the full appreciation in the levels of the underlying indices or that has unlimited return potential.

You cannot tolerate fluctuations in the price of the securities prior to maturity that may be similar to or exceed the downside fluctuations in the levels of the underlying indices.

You would be unwilling to invest in the securities based on the coupon barriers, trigger levels or contingent coupon rate specified on the cover hereof.

You seek guaranteed current income from this investment or prefer to receive any dividends paid on the index constituents.

You are unable or unwilling to hold securities that UBS may elect to call early at its discretion, or you are otherwise unable or unwilling to hold such securities to maturity or you seek an investment for which there will be an active secondary market.

You do not understand or are not willing to accept the risks associated with the underlying indices.

You are not willing to assume the credit risk of UBS for all payments under the securities, including any repayment of principal.

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How the Securities Work

The following diagrams illustrate the potential outcomes for the securities depending on (1) the closing levels, (2) whether UBS elects to call the securities and (3) the final levels.

Diagram #1: Observation Periods (other than the Final Observation Period)

Diagram #2: Payment at Maturity if No Issuer Call Occurs

For more information about the payout upon an early redemption or at maturity in different hypothetical scenarios, see “Hypothetical Examples” starting on page 8.

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Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

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Hypothetical Examples

The below examples are based on the following terms and are purely hypothetical (the actual terms of your security will be determined on the trade date and will be specified in the applicable pricing supplement; amounts may have been rounded for ease of analysis):

Hypothetical Initial Level:

Underlying Index A: 6,000

Underlying Index B: 1,300

Underlying Index C: 2,500

Hypothetical Coupon Barrier:

Underlying Index A: 3,900, which is 65% of the initial level

Underlying Index B: 845, which is 65% of the initial level

Underlying Index C: 1,625, which is 65% of the initial level

Hypothetical Trigger Level:
3,900, which is 65% of the initial level

Underlying Index A:
845, which is 65% of the initial level

Underlying Index B:
1,625, which is 65% of the initial level

Underlying Index C:

Hypothetical Term: 2 years

Hypothetical Contingent Coupon: \$18.75 per security (equivalent to 7.50% per annum of the stated principal amount)

Stated Principal Amount: \$1,000.00 per security

In Examples 1 and 2, on a specified observation end date UBS elects and delivers written notice to the trustee to call the securities on the related call settlement date. In Examples 3, 4 and 5, UBS does not elect to call the securities and the securities and remain outstanding until maturity.

Observation Periods	Example 1 - UBS calls the securities on the first observation end date.				Example 2 - UBS calls the securities on the third observation end date.			
	Underlying Index A	Underlying Index B	Underlying Index C	Contingent Coupon (per security)	Underlying Index A	Underlying Index B	Underlying Index C	Contingent Coupon
	A. Lowest Hypothetical Closing Level During the Applicable Observation	A. Lowest Hypothetical Closing Level During the Applicable Observation	A. Lowest Hypothetical Closing Level During the Applicable Observation		A. Lowest Hypothetical Closing Level During the Applicable Observation	A. Lowest Hypothetical Closing Level During the Applicable Observation	A. Lowest Hypothetical Closing Level During the Applicable Observation	

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	Period	Period	Period		Period	Period	Period
	B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date	B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date	B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date		B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date	B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date	B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date
	A. 4,000	A. 1,200	A. 2,450		A. 5,000	A. 1,200	A. 2,450
	(at or above coupon barrier)	(at or above coupon barrier)	(at or above coupon barrier)		(at or above coupon barrier)	(at or above coupon barrier)	(at or above coupon barrier)
#1				—*	\$1,018.75		\$18.75
	B. 4,000 (at or above coupon barrier)	B. 1,300 (at or above coupon barrier)	B. 2,700 (at or above coupon barrier)		B. 5,000 (at or above coupon barrier)	B. 1,300 (at or above coupon barrier)	B. 2,700 (at or above coupon barrier)
					A. 4,000	A. 800	A. 2,450
					(at or above coupon barrier)	(below coupon barrier)	(at or above coupon barrier)
#2	N/A	N/A	N/A	N/A	N/A		\$0
					B. 4,000 (at or above coupon barrier)	B. 1,200 (at or above coupon barrier)	B. 2,475 (at or above coupon barrier)
					A. 3,500	A. 1,200	A. 2,550
					(below coupon barrier)	(at or above coupon barrier)	(at or above coupon barrier)
#3	N/A	N/A	N/A	N/A	N/A		
					B. 7,200 (at or above coupon barrier)	B. 1,560 (at or above coupon barrier)	B. 3,000 (at or above coupon barrier)

#4-#6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Final Valuation Date Payment at Maturity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	N/A					N/A			

Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

\$• Based on the worst performing of the Nasdaq-100 Index®, the Russell 2000® Index and the S&P 500® Index

* The issuer call amount includes any unpaid contingent coupon with respect to the observation end date on which the issuer, at their sole discretion, decides to call the securities.

In **Example 1**, UBS notifies the trustee on the first observation end date that it would like to call the securities and the closing level of each underlying index is equal to or greater than its coupon barrier on each trading day during the first observation period. You receive the issuer call amount (reflecting your principal amount plus the applicable contingent coupon with respect to the first observation period), calculated as follows:
 Stated Principal Amount + Contingent Coupon = \$1,000.00 + \$18.75 = \$1,018.75

In this example, the issuer call feature limits the term of your investment to approximately 3 months and you may not be able to reinvest at comparable terms or returns. If the securities are subject to issuer call, you will stop receiving contingent coupons. Your total payment per security in this example is \$1,018.75 (a 1.875% total return on the securities over 3 months).

In **Example 2**, UBS notifies the trustee on the third observation end date that it would like to call the securities. As the closing level of each underlying index is equal to or greater than its coupon barrier on each trading day during the first observation period, you receive the contingent coupon of \$18.75 with respect to the first observation period. As the closing level of at least one of the underlying indices was less than its coupon barrier on a trading day during the second observation period, you will not receive a contingent coupon with respect to the second observation period. As the closing level of at least one of the underlying indices was less than its coupon barrier on a trading day during the third observation period, you will not receive a contingent coupon with respect to the third observation period. UBS notified the trustee on the third observation end date that it would like to call the securities and following the third observation period, you receive an issuer call amount of \$1,000.00, reflecting your principal amount. When added to the contingent coupon of \$18.75 received in respect of the prior observation periods, you will have received a total of \$1,018.75. You will not receive any further payments on the securities.

In this example, the issuer call feature limits the term of your investment to approximately 9 months and you may not be able to reinvest at comparable terms or returns. If the securities are subject to an issuer call, you will stop receiving contingent coupons. Further, although all of the underlying indices have appreciated by 20% from their respective initial levels on the third observation end date, you receive only \$1,018.75 per security and do not benefit from such appreciation. Your total payment per security in this example is \$1,018.75 (a 1.875% total return on the securities over 9 months).

Example 3- UBS does not call the securities and a trigger event does not occur.

Observation Periods	Underlying Index A	Underlying Index B	Underlying Index C	Contingent Coupon	Payment (per security)
	A. Lowest Hypothetical Closing Level During the Applicable Observation Period	A. Lowest Hypothetical Closing Level During the Applicable Observation Period	A. Lowest Hypothetical Closing Level During the Applicable Observation Period		
	B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date	B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date	B. Hypothetical Closing Level on the Applicable Observation End Date or Final Valuation Date		

#1	A. 3,000 (below coupon barrier)	A. 800 (below coupon barrier)	A. 1,600 (below coupon barrier)	\$0	N/A
	B. 3,000 (below coupon barrier)	B. 810 (below coupon barrier)	B. 1,610 (below coupon barrier)		
#2-#7	A. Various (all below coupon barrier)	A. Various (all below coupon barrier)	A. Various (all below coupon barrier)	\$0	N/A
	B. Various (all below coupon barrier)	B. Various (all below coupon barrier)	B. Various (all below coupon barrier)		
#3	A. 3,200 (below coupon barrier)	A. 800 (below coupon barrier)	A. 1,500 (below coupon barrier)	\$0	N/A
	B. 3,300 (below coupon barrier)	B. 830 (below coupon barrier)	B. 1,550 (below coupon barrier)		
Final Valuation Date	A. 4,000 (at or above coupon barrier)	A. 1,200 (at or above coupon barrier)	A. 2,500 (at or above coupon barrier)	\$18.75	N/A
	B. 4,100 (at or above trigger level)	B. 1,300 (at or above trigger level)	B. 2,600 (at or above trigger level)		
Payment at Maturity	\$1,018.75				

In **Example 3**, UBS does not elect to call the securities and the final level of each underlying index is equal to or greater than its trigger level. During each of the first through sixth observation periods, the closing levels of **at least one** of the underlying indices is less than its respective coupon barrier on a trading day during the applicable observation periods. As a result, you do not receive a contingent coupon with respect to any of those observation periods. Because the closing levels of **all** of the underlying indices are equal to or greater than their respective coupon barriers on

Trigger Callable Contingent Yield Securities with Daily Coupon Observation due on or about February 11, 2021

\$• Based on the worst performing of the Nasdaq-100 Index[®], the Russell 2000[®] Index and the S&P 500[®] Index each trading day during the final observation period, at maturity you receive the stated principal amount *plus* the contingent coupon with respect to the final observation period. Your payment at maturity is calculated as follows: Stated Principal Amount + Contingent Coupon = \$1,000.00 + \$18.75 = \$1,018.75

In this example, you receive the stated principal amount per security plus the contingent coupon, equal to a total payment of \$1,018.75 per security at maturity. Your total payment per security in this example is \$1,018.75 (a 1.875% total return over the 2 year term of the securities). You will not participate in the appreciation of any of the underlying indices.

ExamplNorth American supply of natural gas due to ongoing development of unconventional shale formations has resulted in low natural gas prices for the past several years. Additionally, there have been significant decreases in oil prices since mid-2014. If the development or discovery of natural gas and/or oil reserves slowed or stopped as a result of low natural gas and oil prices or otherwise, customers could reduce capital spending on mainline pipe, gas gathering and compressor systems and other related infrastructure, resulting in less demand for our services. If the profitability of our business under the Oil and Gas Infrastructure Services segment were to decline, our overall financial position, results of operations and cash flows could also be adversely affected. Conversely, although higher natural gas and oil prices generally result in increased infrastructure spending by these customers, sustained high energy prices could be an impediment to economic growth and could result in reduced infrastructure spending by such customers. Higher prices could also decrease spending on natural gas fired electricity generation facilities and related infrastructure, an important component of our electric power infrastructure services business. Additionally, higher prices would likely reduce demand for power generation from natural gas, which could result in decreased demand for the expansion of North America's natural gas pipeline infrastructure, and consequently result in less capital spending by these customers and less demand for our services.

Further, many of our customers finance their projects through the incurrence of debt or the issuance of equity. A reduction in cash flow or the lack of availability of debt or equity financing may result in a reduction in our customers' spending for our services and may also impact the ability of our customers to pay amounts owed to us, which could have a material adverse effect on our operations and our ability to grow at historical levels.

Regulatory and environmental requirements affecting any of the industries we serve may lead to less demand for our services.

Because the vast majority of our revenue is derived from a few industries, regulatory and environmental requirements affecting any of those industries would adversely affect our results of operations. Customers in the industries we serve face heightened regulatory and environmental requirements and stringent permitting processes as they implement plans for their projects, which can result in delays, reductions and cancellations of some of their projects. These regulatory factors have resulted in decreased demand for our services in the past, and they may continue to do so in the future, potentially impacting our operations and our ability to grow at historical levels.

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Project performance issues, including those caused by third parties, or certain contractual obligations may result in additional costs to us, reductions or delays in revenues or the payment of liquidated damages.

Many projects involve challenging engineering, procurement and construction phases that may occur over extended time periods, sometimes over several years. We may encounter difficulties as a result of delays in designs, engineering information or materials provided by the customer or a third party, delays or difficulties in equipment and material delivery, schedule changes, delays from our customers' failure to timely obtain permits or rights of way or meet other regulatory requirements, weather-related delays and other factors, some of which are beyond our control, that can impact our ability to complete the project in accordance with the original delivery schedule. A failure by us to properly manage and invest in our equipment fleet could also negatively impact project performance and our results of operations. In addition, we occasionally contract with third-party suppliers and subcontractors to assist us with the completion of contracts. Any delay or failure by suppliers or by subcontractors in the completion of their portion of the project may result in delays in the overall progress of the project or may cause us to incur additional costs, or both. We also may encounter project delays due to local opposition, which may include injunctive actions as well as public protests, to the siting of electric power, natural gas or oil transmission lines, solar or wind projects, or other facilities. Delays and additional costs may be substantial and, in some cases, we may be required to compensate the customer for such delays. We may not be able to recover all of such costs. In certain circumstances, we guarantee project completion by a scheduled acceptance date or achievement of certain acceptance and performance testing levels. Failure to meet any of our schedules or performance requirements could also result in additional costs or penalties, including liquidated damages, and such amounts could exceed expected project profit. In extreme cases, the above-mentioned factors could cause project cancellations, and we may not be able to replace such projects with similar projects or at all. Such delays or cancellations may impact our reputation or relationships with customers, adversely affecting our ability to secure new contracts.

Our customers may change or delay various elements of a project after its commencement, or the design, engineering information, equipment or materials that are to be provided by the customer or other parties may be deficient or delivered later than required by the project schedule, resulting in additional direct or indirect costs. Under these circumstances, we generally negotiate with the customer with respect to the amount of additional time required and the compensation to be paid to us. We are subject to the risk that we may be unable to obtain, through negotiation, arbitration, litigation or otherwise, adequate amounts to compensate us for the additional work or expenses incurred by us due to the above-mentioned delays and additional costs, including as a result of customer-requested change orders or failure by the customer to timely meet its obligations. Litigation or arbitration with respect to payment terms under contracts and change orders may be lengthy and costly and may adversely affect our relationship with our customers, and it is often difficult to predict when and for how much the claims will be resolved. A failure to obtain adequate compensation for these matters could require us to record a reduction to amounts of revenue and gross profit recognized in prior periods under the percentage-of-completion accounting method. Any such adjustments could be substantial. We may also be required to invest significant working capital to fund cost overruns while the resolution of claims is pending, which could adversely affect liquidity and financial results in any given period.

Our business is labor intensive, and we may be unable to attract and retain qualified employees.

Our ability to maintain our productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We cannot be certain that we will be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy. For instance, we may experience shortages of qualified journeyman linemen, who are integral to the provision of transmission and distribution services under our Electric Power Infrastructure Services segment. The commencement of new, large-scale infrastructure projects or increased demand for infrastructure improvements, as well as the aging electric

utility workforce, may also further reduce the pool of skilled workers available to us. In addition, in our Oil and Gas Infrastructure Services segment, there is limited availability of experienced supervisors and foremen that can oversee large mainline pipe projects. A shortage in the supply of these skilled

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personnel creates competitive hiring markets and may result in increased labor expenses. Additionally, if we are unable to hire employees with requisite skills, we may also be forced to incur significant training expenses. Labor shortages or increased labor costs could impair our ability to maintain our business or grow our revenues or profitability.

Our use of fixed price contracts could adversely affect our business and results of operations.

We currently generate a portion of our revenues under fixed price contracts. We also expect to generate a greater portion of our revenues under this type of contract in the future as larger projects, such as electric power and pipeline transmission build-outs and utility-scale solar facilities, become a more significant aspect of our business. We assume risks related to revenue and cost on fixed-priced contracts. Actual revenues and project costs can vary, sometimes substantially, from our original projections due to changes in a variety of factors including:

unforeseen circumstances not included in our cost estimates or covered by our contract for which we cannot obtain adequate compensation;

changes in the cost of equipment, commodities, materials or labor;

unanticipated costs or claims due to customer-caused delays, errors in specifications or designs, project modifications, or contract termination and our inability to obtain reimbursement for such costs or recover on such claims;

weather conditions;

failure to perform by our project owners, suppliers or subcontractors;

difficulties in obtaining required permits or approvals;

quality issues requiring rework;

changes in laws and regulations; and

general economic conditions.

These variations, along with other risks inherent in performing fixed price contracts may cause actual revenue and gross profits for a project to differ from those we originally estimated and could result in reduced profitability or losses on projects. Depending upon the size of a particular project, variations from the estimated contract costs could have a significant impact on our operating results for any fiscal period.

Our use of percentage-of-completion accounting could result in a reduction or elimination of previously reported profits.

As discussed in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies* and in the notes to our consolidated financial statements included in Item 8. *Financial Statements and Supplementary Data*, a significant portion of our revenues are recognized using the percentage-of-completion method of accounting, utilizing the cost-to-cost method. This method is used because management considers expended costs to be the best available measure of progress on these contracts. This accounting method is generally accepted for fixed price contracts. The percentage-of-completion accounting practice we use results in our recognizing contract revenues and earnings ratably over the contract term in proportion to our incurrence of contract costs. The earnings or losses recognized on individual contracts are based on estimates of contract revenues, costs and profitability. Contract losses are recognized in full when determined to be probable and reasonably estimable, and contract profit estimates are adjusted based on ongoing reviews of contract profitability. Further, a substantial portion of our contracts contain various cost and performance incentives. Penalties are recorded when known or finalized, which generally occurs during the latter stages of the contract. In addition, we record cost recovery claims when we believe recovery is probable and the amounts can be reasonably estimated. Actual collection of claims could differ from estimated amounts and could result in a reduction or elimination of previously recognized earnings. In certain circumstances, it is possible that such adjustments could be significant.

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Our failure to adequately recover on claims brought by us against customers related to payment terms and costs could materially and adversely affect our financial position, results of operations and cash flows.

We have in the past brought and may in the future bring claims against our customer related to, among other things, the payment terms of our contracts and change orders relating to our contracts. These types of claims occur due to, among other things, matters such as customer-caused delays or changes from the initial project scope, both of which may result in additional cost. These claims can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we have used working capital in projects to cover, among other things, cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a negative impact on our financial condition, results of operations and cash flows.

Our operating results can be negatively affected by weather conditions.

We perform substantially all of our services outdoors. As a result, adverse weather conditions, such as rainfall or snow, may affect our productivity or may temporarily prevent us from performing services. The effect of weather delays on projects that are under fixed price arrangements may be greater if we are unable to adjust the project schedule for such delays. A reduction in our productivity in any given period or our inability to meet guaranteed schedules may adversely affect the profitability of our projects, and as a result, our results of operations.

We may be unsuccessful at generating internal growth.

Our ability to generate internal growth will be affected by, among other factors, our ability to:

expand the range of services we offer to customers to address their evolving infrastructure needs;

attract new customers;

increase the number of projects performed for existing customers;

hire and retain qualified employees;

expand geographically, including internationally; and

address the challenges presented by stringent regulatory, environmental and permitting requirements and difficult economic or market conditions that may affect us or our customers.

In addition, our customers may cancel, delay or reduce the number or size of projects available to us for a variety of reasons, including capital constraints or inability to meet regulatory requirements. Many of the factors affecting our ability to generate internal growth may be beyond our control, and we cannot be certain that our strategies for achieving internal growth will be successful.

Our business is highly competitive.

The specialty contracting business is served by numerous small, owner-operated private companies, some public companies and several large regional companies. In addition, relatively few barriers prevent entry into some areas of our business. As a result, any organization that has adequate financial resources and access to technical expertise may become one of our competitors. A substantial portion of our revenues is directly or indirectly dependent on winning new contracts. The timing of when project awards will be made is unpredictable and often involves complex and lengthy negotiations and bidding processes. These processes can be impacted by a wide variety of factors, including price, governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions. We are currently experiencing the impacts of competitive pricing in certain of the markets we serve, such as the electric power market with respect

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to smaller scale transmission projects and distribution services. In addition, our bids may not be successful because of a client's perception of our ability to perform the work or a client's perception of technology advantages held by our competitors as well as other factors. Certain of our competitors may have lower overhead cost structures. Therefore, they may be able to provide their services at lower rates than we are able to provide. In addition, some of our competitors have significant resources, including financial, technical and marketing resources. We cannot be certain that our competitors do not have or will not develop the expertise, experience and resources to provide services that are superior in both price and quality to our services. Similarly, we cannot be certain that we will be able to maintain or enhance our competitive position within the specialty contracting business or maintain our customer base at current levels. We also face competition from the in-house service organizations of our existing or prospective customers. Electric power and oil and gas service providers usually employ personnel who perform some of the same types of services we provide, and we cannot be certain that our existing or prospective customers will continue to outsource services in the future.

Changes in government spending and legislative actions and initiatives relating to renewable energy and electric power may adversely affect demand for our services.

Demand for our services may not result from renewable energy initiatives. While many states currently have mandates in place that require specified percentages of power to be generated from renewable sources, states could reduce those mandates or make them optional, which could reduce, delay or eliminate renewable energy development in the affected states. Additionally, renewable energy is generally more expensive to produce than traditional energy sources and may require additional power generation sources as backup. The locations of renewable energy projects are often remote and are not viable unless new or expanded transmission infrastructure to transport the power to demand centers is economically feasible. Furthermore, funding for renewable energy initiatives may not be available, which has been further constrained as a result of tight credit markets. These factors have resulted in fewer renewable energy projects than anticipated and a delay in the construction of these projects and the related infrastructure, which has adversely affected the demand for our services. These factors could continue to result in delays or reductions in projects, which could further negatively impact our business.

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for various stimulus programs, such as grants, loan guarantees and tax incentives, relating to renewable energy, energy efficiency and electric power infrastructure. Some of these programs have expired, which may affect the economic feasibility of future projects. Additionally, while a significant amount of stimulus funds have been awarded, we cannot predict the timing and scope of any investments to be made under stimulus funding or whether stimulus funding will result in increased demand for our services. Investments for renewable energy, electric power infrastructure and telecommunications fiber deployment under ARRA programs may not occur, may be less than anticipated or may be delayed, any of which would negatively impact demand for our services.

Other current and potential legislative or regulatory initiatives may not result in increased demand for our services. Examples include legislation or regulations to require utilities to meet reliability standards, to ease siting and right-of-way issues for the construction of transmission lines, and to encourage installation of new electric power transmission and renewable energy generation facilities. It is not certain whether existing legislation will create sufficient incentives for new projects, when or if proposed legislative initiatives will be enacted or whether any potentially beneficial provisions will be included in the final legislation.

There are also a number of legislative and regulatory proposals to address greenhouse gas emissions, which are in various phases of discussion or implementation. The outcome of federal and state actions to address global climate change could negatively affect the operations of our customers through costs of compliance or restraints on projects, which could reduce their demand for our services.

Table of Contents***Our business is subject to operational hazards, and we are self-insured against certain potential liabilities.***

Our business is subject to significant operational hazards due to the nature of services provided by our workforce and the conditions in which they operate. These hazards include those involving electricity, fires, natural gas explosions, mechanical failures and weather-related incidents. Our offshore operations are further subject to heightened risks, including blowouts, collisions, capsizings, vessels sinking and damage from severe weather conditions. These hazards could cause personal injury, severe damage to property, equipment and the environment and could lead to suspension of operations and legal liabilities. If we are not fully insured or indemnified against such risks or a counterparty fails to meet its indemnification obligations to us, it could materially and adversely affect our results of operations, financial position and cash flows. Further, our safety record may impact our ability to bid on certain work.

We are insured for employer's liability, general liability, auto liability and workers' compensation claims, but such insurance is subject to deductibles and limits and may be canceled or may not cover all of our losses. The deductibles under our insurance programs for the policy year 2014-2015 are \$10.0 million per occurrence for general liability and auto liability insurance programs, \$5.0 million per occurrence for workers' compensation, and \$1.0 million per occurrence for employer's liability. We are generally self-insured for all claims that do not exceed the amount of the applicable deductible. We also have employee health care benefit plans for most employees not subject to collective bargaining agreements, of which the primary plan is subject to a deductible of \$375,000 per claimant per year. Our insurance policies include various coverage requirements, including the requirement to give appropriate notice. If we fail to comply with these requirements, our coverage could be denied.

Losses under all of these insurance programs are accrued based upon our estimates of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries. These insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the extent of damage, the determination of our liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals are adequate. If we were to experience insurance claims or costs significantly above our estimates, our results of operations, financial condition and cash flows could be materially and adversely affected in a given period.

During the ordinary course of our business, we may become subject to lawsuits or indemnity claims, which could materially and adversely affect our business and results of operations.

We have in the past been, and may in the future be, named as a defendant in lawsuits, claims and other legal proceedings during the ordinary course of our business. These actions may seek, among other things, compensation for alleged personal injury, workers' compensation, employment discrimination, breach of contract, property damage, environmental liabilities, pension plan withdrawal liabilities, punitive damages, and civil penalties or other losses or injunctive or declaratory relief. In addition, we generally indemnify our customers for claims related to the services we provide and actions we take under our contracts with them, and, in some instances, we may be allocated risk through our contract terms for actions by our customers or other third parties. Because our services in certain instances may be integral to the operation and performance of our customers' infrastructure, we have been and may become subject to lawsuits or claims for any failure of the systems that we work on, even if our services are not the cause of such failures, and we could be subject to civil and criminal liabilities to the extent that our services contributed to any property damage, personal injury or system failure. Insurance coverage may not be available or may be insufficient for these lawsuits, claims or legal proceedings. The outcome of any of these lawsuits, claims or legal proceedings could result in significant costs and diversion of management's attention to the business. Payments of significant amounts, even if reserved, could adversely affect our reputation, liquidity and results of operations. For details on our existing litigation and claims, refer to Note 15 of the Notes to Consolidated Financial Statements in

Item 8. *Financial Statements and Supplementary Data.*

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Unavailability or cancellation of third party insurance coverage would increase our overall risk exposure as well as disrupt our operations.

We maintain insurance coverage from third party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. There can be no assurance that our insurance coverage will be sufficient or effective under all circumstances or against all claims and liabilities which we may be subject. Additionally, we renew our insurance policies on an annual basis; therefore, deductibles and levels of insurance coverage may change in future periods. There can be no assurance that any of our existing insurance coverage will be renewed upon the expiration of the coverage period or that future coverage will be affordable at the required limits. In addition, our third party insurers could fail, suddenly cancel our coverage or otherwise be unable to provide us with adequate insurance coverage. If any of these events occur, our overall risk exposure would increase and our operations could be disrupted. For example, we have significant operations in California and other U.S. states which have an increased risk of wildfires. Should our insurers determine to exclude coverage for wildfires in the future, we could be exposed to significant liabilities and potentially a disruption of our California operations. If our risk exposure increases as a result of adverse changes in our insurance coverage, we could be subject to increased claims and liabilities that could negatively affect our financial condition, results of operations and cash flows.

Many of our contracts may be canceled on short notice or may not be renewed upon completion or expiration, and we may be unsuccessful in replacing our contracts in such events, which may adversely affect our financial condition, results of operations and cash flows.

We could experience a decrease in our revenue, net income and liquidity if any of the following occur:

our customers cancel a significant number of contracts or contracts having significant value;

we fail to renew a significant number of our existing contracts;

we complete a significant number of non-recurring projects and cannot replace them with similar projects; or

we fail to reduce operating and overhead expenses consistent with any decrease in our revenue.

Many of our customers may cancel our contracts on short notice, typically 30 to 90 days, even if we are not in default under the contract. Certain of our customers assign work to us on a project-by-project basis under master service agreements. Under these agreements, our customers often have no obligation to assign a specific amount of work to us. Our operations could decline significantly if the anticipated volume of work is not assigned to us, which will be more likely if customer spending decreases, for example, due to the slow recovery of the economy. Many of our contracts, including our master service agreements, are opened to public bid at the expiration of their terms. There can be no assurance that we will be the successful bidder on our existing contracts that come up for re-bid.

The nature of our business exposes us to warranty claims, which may reduce our profitability.

Under our contracts with customers, we typically provide a warranty for the services we provide, guaranteeing the work performed against defects in workmanship and material. The majority of our contracts have a warranty period of 12 months. As much of the work we perform is inspected by our customers for any defects in construction prior to acceptance of the project, the warranty claims that we have historically received have been minimal. Additionally, materials used in construction are often provided by the customer or are warranted against defects by the supplier. However, certain projects, such as utility-scale solar facilities, may have longer warranty periods and include facility performance warranties that may be broader than the warranties we generally provide. In these circumstances, if warranty claims occurred, it could require us to re-perform the services or to repair or replace the warranted item, at a cost to us, and could also result in other damages if we are not able to adequately satisfy our warranty obligations. In addition, we may be required under contractual

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arrangements with our customers to warrant any defects or failures in materials we provide that we purchase from third parties. While we generally require the materials suppliers to provide us warranties that are consistent with those we provide to the customers, if any of these suppliers default on their warranty obligations to us, we may incur costs to repair or replace the defective materials for which we are not reimbursed. Costs incurred as a result of warranty claims could adversely affect our financial condition, results of operations and cash flows.

The loss of one or a few customers could have a material adverse effect on us.

A few customers have in the past and may in the future account for a significant portion of our revenue in any one year or over a period of several consecutive years. Although we have long-standing relationships with many of our significant customers, our customers may unilaterally reduce or discontinue their contracts with us at any time. Our loss of business from a significant customer could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Backlog may not be realized or may not result in profits.

Backlog is not a term recognized under US GAAP; however, it is a common measurement used in our industry. Our methodology for determining backlog may not be comparable to the methodologies used by other companies. For a discussion of how we calculate backlog for our business, please see *Backlog* in Item 1. *Business*.

Furthermore, backlog is difficult to determine with certainty. Customers often have no obligation under our contracts to assign or release work to us, and many contracts may be terminated on short notice. Reductions in backlog due to cancellation or reduction in scope of one or more contracts or projects by a customer or for other reasons could significantly reduce the revenue and profit we actually receive from contracts included in backlog. In the event of a project cancellation or reduction in scope, we may be reimbursed for certain costs but would not have a contractual right to the total revenues reflected in our backlog. The backlog we obtain in connection with any companies we acquire may not be as large as we believed or may not result in the revenue or profits we expected. In addition, projects that are delayed may remain in backlog for extended periods of time. All of these uncertainties are heightened by negative economic conditions and their impact on our customers' spending, as well as the effects of regulatory requirements and weather conditions. Consequently, we cannot assure that our estimates of backlog are accurate or that we will be able to realize our estimated backlog.

Our financial results are based upon estimates and assumptions that may differ from actual results.

In preparing our consolidated financial statements in conformity with US GAAP, several estimates and assumptions are used by management in determining the reported amounts of assets, liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine, and we must exercise significant judgment. Estimates are used primarily in our assessment of the allowance for doubtful accounts, valuation of inventory, useful lives of assets, fair value assumptions in analyzing goodwill, other intangibles and long-lived asset impairments, equity and other investments, loan receivables, purchase price allocations, liabilities for self-insured and other claims and guarantees, multi-employer pension plan withdrawal liabilities, revenue recognition for construction contracts inclusive of contractual change orders and claims, revenue recognition for fiber optic licensing contracts, share-based compensation, operating results of reportable segments, provision (benefit) for income taxes and the calculation of uncertain tax positions. Actual results for all estimates could differ materially from the estimates and

assumptions that we use, which could have a material adverse effect on our financial condition, results of operations and cash flows.

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Our inability to successfully execute our acquisition strategy may have an adverse impact on our growth strategy.

Our business strategy includes expanding our presence in the industries we serve through strategic acquisitions of companies that complement or enhance our business. The number of acquisition targets that meet our criteria may be limited, and we may also face competition for acquisition opportunities. Some of our competitors may offer more favorable terms than us or have greater financial resources than we do. This competition may further limit our acquisition opportunities and our ability to grow through acquisitions or could raise the prices of acquisitions and make them less accretive or possibly not accretive to us. Acquisitions that we may pursue may also involve significant cash expenditures, the incurrence or assumption of debt or burdensome regulatory requirements. Any acquisition may ultimately have a negative impact on our business, financial condition, results of operations and cash flows. Any of these factors could inhibit our ability to consummate future acquisitions, which could negatively affect our growth strategies.

We may be unsuccessful at integrating businesses that either we have acquired or that we may acquire in the future, which may reduce the anticipated benefit from acquired businesses.

As a part of our business strategy, we have acquired, and may seek to acquire in the future, companies that complement or enhance our business. The success of this strategy will depend on our ability to realize the anticipated benefits from the acquired businesses, such as the expansion of our existing operations, elimination of redundant costs and capitalizing on cross-selling opportunities. To realize these benefits, however, we must successfully integrate the operations of the acquired businesses with our existing operations. We cannot be sure that we will be able to successfully integrate acquired companies with our existing operations without substantial costs, delays, disruptions or other operational or financial problems. Additionally, if we do not implement proper overall business controls, our decentralized operating strategy could result in inconsistent operating and financial practices at the companies we acquire. Issues related to the integration process may result in adverse impact to our revenues, earnings and cash flows. Integrating our acquired companies involves a number of special risks that could have a negative impact on our business, financial condition, results of operations and cash flows, including:

failure of acquired companies to achieve the results we expect;

diversion of our management's attention from operational and other matters;

difficulties integrating the operations and personnel of acquired companies;

additional financial reporting and accounting challenges associated with integrating acquired companies;

inability to retain key personnel of acquired companies;

risks associated with unanticipated events or liabilities;

loss of business due to customer overlap or change from local or private ownership;

risks and liabilities arising from the prior operations of acquired companies, such as performance, operational, safety, workforce or tax issues, some of which we may not have discovered during our due diligence and may not be covered by indemnification obligations; and

potential disruptions of our business.

Our results of operations could be adversely affected as a result of impairments of goodwill, other intangible assets or our investments.

When we acquire a business, we record an asset called goodwill equal to the excess amount we pay for the business, including liabilities assumed, over the fair value of the tangible and intangible assets of the business we acquire. Goodwill and other intangible assets that have indefinite useful lives cannot be amortized, but instead

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must be tested at least annually for impairment, while intangible assets that have finite useful lives are amortized over their useful lives. The accounting literature provides specific guidance for testing goodwill and other non-amortized intangible assets for impairment. Refer to Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies* for a detailed discussion. Management is required to make certain estimates and assumptions when allocating goodwill to reporting units and determining the fair value of a reporting unit's net assets and liabilities, including, among other things, an assessment of market conditions, projected cash flows, investment rates, cost of capital and growth rates, which could significantly impact the reported value of goodwill and other intangible assets. Fair value is determined using a combination of the discounted cash flow, market multiple and market capitalization valuation approaches. Absent any impairment indicators, we perform our impairment tests annually during the fourth quarter. If there is a decrease in market capitalization below book value in the future, this may be considered an impairment indicator.

In addition, we enter into various types of investment arrangements in the normal course of business, each having unique terms and conditions. These investments may include equity interests we hold in business entities, including general or limited partnerships, contractual joint ventures or other forms of equity participation. These investments may also include our participation in different finance structures such as the extension of loans to project specific entities, the acquisition of convertible notes issued by project specific entities or other strategic financing arrangements. Our equity method investments are carried at original cost and are included in other assets, net in our consolidated balance sheet and are adjusted for our proportionate share of the investees' income, losses and distributions. Equity investments are reviewed for impairment by assessing whether any decline in the fair value of the investment below the carrying value is other than temporary. In making this determination, factors such as the ability to recover the carrying amount of the investment and the inability of the investee to sustain future earnings capacity are evaluated in determining whether an impairment has occurred and should be recognized.

Any future impairments, including impairments of goodwill, intangible assets or investments, could have a material adverse effect on our results of operations for the period in which the impairment is recognized.

New federal or state telecommunications regulations, or changes in, or interpretations of, existing regulations, could adversely affect our Fiber Optic Licensing and Other segment.

Many of our Fiber Optic Licensing and Other segment customers benefit from the Universal Service E-rate program, which was established by Congress in the 1996 Telecommunications Act and is administered by the Universal Service Administrative Company (USAC) under the oversight of the Federal Communications Commission (FCC). Under the E-rate program, schools, libraries and certain healthcare facilities may receive subsidies for certain approved telecommunications services, internet access and internal connections. From time to time, bills have been introduced in Congress that would eliminate or curtail the E-rate program. Passage of such actions by the FCC or USAC to further limit E-rate subsidies could decrease the demand by certain customers for the services offered by our Fiber Optic Licensing and Other segment.

The licensing services we provide through our Fiber Optic Licensing and Other segment are subject to regulation by the FCC, to the extent that they are interstate telecommunications services, and by state regulatory agencies, when wholly within a particular state. To remain eligible to provide services under the E-rate program, we must maintain telecommunications authorizations in every state where we operate, and we must obtain such authorizations in any new state where we plan to operate. Changes in federal or state regulations could reduce the profitability of our Fiber Optic Licensing and Other segment, and delays in obtaining new authorizations could inhibit our ability to grow our Fiber Optic Licensing and Other segment in new geographic areas. We could be subject to fines if the FCC or a state regulatory agency were to determine that any of our activities or positions are not in compliance with certain regulations. If the profitability of our Fiber Optic Licensing and Other segment were to decline, or if the business of

this segment were to become subject to fines, our overall results of operations and cash flows could also be adversely affected.

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Our fiber optic services are capital intensive, require substantial investments, may expose us to industry specific risks and may have returns on investments that are less than expected.

Our fiber optic licensing business requires substantial amounts of capital investment to build out new fiber networks. In 2015, our proposed capital expenditures for our fiber optic licensing business are approximately \$50 million to \$60 million, \$16.8 million of which is related to committed licensing arrangements as of December 31, 2014. Although we generally do not commit capital to new networks until we have a committed license arrangement in place with at least one customer, we may not be able to recoup our initial investment in the network, and we may not realize a return on the capital investment for an extended period of time. Furthermore, the amount of capital that we invest in our fiber optic network may exceed planned expenditures as a result of various factors, including difficulty in obtaining permits or rights of way or unexpected increases in costs due to labor, materials or project productivity, which would result in a decrease in the returns on our capital investments if licensing fees for the network were committed and could not be renegotiated. New or developing technologies or significant competition in any of our markets could also negatively impact our fiber optic licensing business. Any of these events could adversely affect our results of operations or result in an impairment of our fiber optic network.

Our expansion into the lit services market exposes us to additional risks, as we will be providing access to the fiber network that we own, as well as providing networking equipment and assuming responsibility for network management and service quality. These risks include, but are not limited to, those related to our ability to secure customers for our network in a competitive environment, and the ability to obtain additional capacity in the event of increased demand; network failures and service interruptions, including those outside of our control when we use dark fiber networks or circuits that we do not own or operate, which could expose us to customer liability or require expensive modifications; our ability to obtain agreements with building owners and managers to provide us with access to serve customers in multi-tenant facilities; our ability to obtain or construct additional building laterals to connect new buildings to our network; compliance with laws and regulations applicable to Internet service providers; Internet connectivity at both public and private interconnection points with network providers; relationships and agreements with carrier neutral data center operators and incumbent local exchange carriers; and security breaches and unauthorized access to our systems.

We extend credit to customers for purchases of our services and may enter into longer-term deferred payment arrangements or provide other financing or investment arrangements with certain of our customers, which subjects us to potential credit or investment risk that could, if realized, adversely affect our financial condition, results of operations and cash flows.

We grant credit, generally without collateral, to our customers, which include electric power utilities, oil and gas companies, governmental entities, general contractors, and builders, owners and managers of renewable energy facilities and commercial and industrial properties located primarily in the United States, Canada and Australia. We may also agree to allow our customers to defer payment on projects until certain milestones have been met or until the projects are substantially completed, and customers typically withhold some portion of amounts due to us as retainage. In addition, we may provide other forms of financing to our customers or make investments in our customers' projects, typically in situations where we also provide services in connection with the projects. Our payment arrangements with our customers subject us to potential credit risk related to changes in business and economic factors affecting our customers, including material changes in our customers' revenues or cash flows. These changes may also reduce the value of any financing or equity investment arrangements we have with our customers. Many of our customers have been negatively impacted by uncertain economic conditions in recent years, and some may experience financial difficulties (including bankruptcies) that could impact our ability to collect amounts owed to us or impair the value of our investments in them. If we are unable to collect amounts owed to us, our cash flows would be reduced and we could experience losses if the uncollectible amounts exceeded current allowances. We

would also recognize losses with respect to any investments that are impaired as a result of our customers' financial difficulties. Losses experienced could materially and adversely affect our financial condition, results of operations and cash flows. The risks of collectability and impairment losses may increase for projects where we provide services as well as make a financing or equity investment.

Table of Contents***The loss of key personnel could disrupt our business.***

We depend on the continued efforts of our executive officers and senior management, including the management at each of our operating units. Although we typically enter into employment agreements with terms of one to three years with our executive officers and certain other key employees, we cannot be certain that any individual will continue in such capacity for any particular period of time or that key employees of our future acquisition targets will be willing to enter into such agreements. The loss of key personnel, or the inability to hire and retain qualified employees, could negatively impact our ability to manage our business. We do not carry key-person life insurance on any of our employees.

We may be required to contribute cash to meet our underfunded obligations in certain multi-employer pension plans.

Our collective bargaining agreements generally require us to participate with other companies in multi-employer pension plans. To the extent those plans are underfunded, the Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, may subject us to substantial liabilities under those plans if we withdraw from them or they are terminated or experience a mass withdrawal. For example, in the fourth quarter of 2011, we recognized a \$32.6 million liability when certain of our subsidiaries withdrew from the Central States, Southeast and Southwest Areas Pension Plan (the Central States Plan). The amount of this liability was estimated based on information received from the Central States Plan in 2011. In March 2014, the Central States Plan provided revised estimates indicating that the withdrawal liability based on certain withdrawal scenarios from 2011 through 2014 could range between \$40.1 million and \$55.4 million, and we recorded an adjustment to costs of services during the three months ended March 31, 2014 to increase the recognized withdrawal liability to an amount within such range. The actual amount assessed by the plan for the withdrawal and the amount that we ultimately pay for the withdrawal liability may be materially different than the amount currently recorded. Additionally, on October 9, 2013, we acquired a company that experienced a complete withdrawal from the Central States Plan prior to the date of our acquisition. The Central States Plan issued a notice and demand to the acquired company for a withdrawal liability and the acquired company, and now Quanta, has taken steps to challenge the amount of the assessment. For additional information on these matters, please see *Collective Bargaining Agreements* in Note 15 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data*.

In addition, the Pension Protection Act of 2006 added special funding and operational rules generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as endangered, seriously endangered, or critical status. Plans in these classifications must adopt measures to improve their funded status through a funding improvement or rehabilitation plan, which may require additional contributions from employers (which may take the form of a surcharge on benefit contributions) and/or modifications to retiree benefits. A number of multi-employer plans to which we contribute or may contribute in the future are in endangered, seriously endangered or critical status. The amount of additional funds we may be obligated to contribute to these plans in the future cannot be estimated, as such amounts will likely be based on future work that requires the specific use of union employees covered by these plans, and the amount of that future work and the number of employees that may be affected cannot reasonably be estimated. Our performance of a significant amount of future services in areas that require us to utilize unionized employees covered by these affected plans, or a deterioration in the funding status of any of the plans to which our operating units contribute, could require significant additional contributions, which could detrimentally affect our financial condition, results of operations or cash flows if we are not able to adequately mitigate these costs.

Our unionized workforce and related obligations could adversely affect our operations.

As of December 31, 2014, approximately 52% of our hourly employees were covered by collective bargaining agreements. Although the majority of the collective bargaining agreements prohibit strikes and work stoppages, certain of our unionized employees participated in a strike and work stoppage during January 2012, and we cannot be certain that strikes or work stoppages will not occur in the future. Strikes or work stoppages can adversely impact our relationships with our customers and could cause us to lose business and decrease our revenue.

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Our ability to complete future acquisitions could be adversely affected because of our union status for a variety of reasons. For instance, our union agreements may be incompatible with the union agreements of a business we want to acquire, and some businesses may not want to become affiliated with a union-based company. Additionally, we may increase our exposure to withdrawal liabilities for underfunded multi-employer pension plans to which an acquired company contributes.

Approximately 48% of our hourly employees are not unionized. Under the current U.S. presidential administration, certain administrative and regulatory actions have been taken and are being considered that could create more flexibility and opportunity for labor unions to organize non-union workers and could result in a greater percentage of our workforce being subject to collective bargaining agreements, heightening the risks described above. In addition, certain of our customers require or prefer a non-union workforce, and they may reduce the amount of work assigned to us if our non-union labor crews were to become unionized, which could negatively affect our business, financial condition, results of operations or cash flows.

We may incur liabilities or suffer negative financial or reputational impacts relating to occupational health and safety matters.

Our operations are subject to extensive laws and regulations relating to the maintenance of safe conditions in the workplace. While we have invested, and will continue to invest, substantial resources in our occupational health and safety programs, our industry involves a high degree of operational risk and there can be no assurance that we will avoid significant liability exposure. Although we have taken what we believe are appropriate precautions, we have suffered fatalities in the past and may suffer additional fatalities in the future. Serious accidents, including fatalities, may subject us to substantial penalties, civil litigation or criminal prosecution. Claims for damages to persons, including claims for bodily injury or loss of life, could result in substantial costs and liabilities, which could materially and adversely affect our financial condition, results of operations or cash flows. In addition, if our safety record were to substantially deteriorate over time or we were to suffer substantial penalties or criminal prosecution for violation of health and safety regulations, our customers could cancel our contracts and elect to procure future services from other providers. Unsafe work sites also have the potential to increase employee turnover, increase the cost of a project to our clients, and raise our operating costs. Any of the foregoing could result in financial loss, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Risks associated with operating in international markets could restrict our ability to expand globally and harm our business and prospects.

Although international operations are presently conducted primarily in Canada and Australia, we have performed work in various other foreign countries and expect that the number of countries in which we operate could expand significantly over the next few years. Economic conditions, including those resulting from wars, civil unrest, acts of terrorism and other conflicts or volatility in the global markets, may adversely affect our customers, their demand for our services and their ability to pay for our services. In addition, our international operations include business and transactions for which we are paid in local currency. Payments to us in currencies other than the U.S. dollar may exceed our local currency needs, leading to the accumulation of excess local currency, which, in certain instances, may be subject to either temporary blocking, costly taxes or tariffs, or other difficulties converting to U.S. dollars. There are numerous risks inherent in conducting our business internationally, including, but not limited to, potential instability in international markets, changes in regulatory requirements applicable to international operations, currency fluctuations in foreign countries, political, economic and social conditions in foreign countries and complex U.S. and foreign laws and treaties, including tax laws. These risks could restrict our ability to provide services to international customers, operate our international business profitably, or fund our strategic objectives, and our overall business, liquidity and results of operations could be negatively impacted by our foreign activities.

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We could be adversely affected by our failure to comply with the laws applicable to our foreign activities, including the U.S. Foreign Corrupt Practices Act and other similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act (FCPA) and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We pursue opportunities in certain parts of the world that experience government corruption, and in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our policies mandate compliance with all applicable anti-bribery laws. Further, we require our partners, subcontractors, agents and others who work for us or on our behalf to comply with the FCPA and other anti-bribery laws. Although we have policies and procedures designed to ensure that we, our employees, our agents and others who work with us in foreign countries comply with the FCPA and other anti-bribery laws, there is no assurance that such policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our agents, employees and intermediaries. On March 10, 2014, the SEC notified us of an inquiry into certain aspects of our activities in certain foreign jurisdictions and requested that we take necessary steps to preserve and retain categories of relevant documents, including those pertaining to our FCPA compliance program. The SEC has not alleged any violations of law by Quanta or our employees. If we are found to be liable for FCPA violations (either due to our own acts or inadvertence, or due to the acts or inadvertence of others), we could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation, business, financial condition, results of operations, or cash flows. In addition, detecting, investigating and resolving actual or alleged FCPA violations is expensive and could consume significant time and attention of our senior management.

Our participation in joint ventures exposes us to liability and/or harm to our reputation for failures of our partners.

As part of our business, we have entered into joint venture arrangements and may enter into additional joint venture arrangements in the future. The purpose of these joint ventures is typically to combine skills and resources to allow for the performance of particular projects. Success on these jointly performed projects depends in large part on whether our joint venture partners satisfy their contractual obligations. We and our joint venture partners are generally jointly and severally liable for all liabilities and obligations of our joint ventures. If a joint venture partner fails to perform or is financially unable to bear its portion of required capital contributions or other obligations, including liabilities stemming from claims or lawsuits, we could be required to make additional investments, provide additional services or pay more than our proportionate share of a liability to make up for our partner's shortfall. Further, if we are unable to adequately address our partner's performance issues, the customer may terminate the project, which could result in legal liability to us, harm our reputation and reduce our profit on a project.

We are in the process of implementing an information technology (IT) solution, which could temporarily disrupt day-to-day operations at certain operating units.

We continue to implement a comprehensive IT solution that we believe will allow for the interface between functions such as accounting and finance, human resources, operations, and fleet management. Continued development and implementation of the IT solution will require substantial financial and personnel resources. While the IT solution is intended to improve and enhance our information systems, implementation of new information systems at each operating unit exposes us to the risks of start-up of the new system and integration of that system with our existing systems and processes, including possible disruption of our financial reporting. There is no guarantee that we will realize economic or other intended benefits from continued development and implementation of the IT solution. Additionally, the IT solution may not be developed or implemented as timely or as accurately as planned. Failure to properly implement the IT solution could result in substantial disruptions to our business, including coordinating and processing our normal business activities, testing and recording of certain data necessary to provide oversight over

our disclosure controls and procedures and effective internal controls over our financial reporting, and other unforeseen problems.

Table of Contents***Failure to adequately protect critical data and technology systems could materially affect our operations.***

IT solution failures, network disruptions and breaches of data security could disrupt our operations by causing, among other things, delays in the processing of transactions or the reporting of financial results or the unintentional disclosure of customer, employee or company information that could damage our reputation. While management has taken steps to address these concerns by implementing network security and internal control measures, there can be no assurance that a system failure or data security breach (particularly in light of our ongoing implementation of the IT solution) will not have a material adverse effect on our financial condition, results of operations or cash flows.

Our dependence on suppliers, subcontractors and equipment manufacturers could expose us to the risk of loss in our operations.

On certain projects, we rely on suppliers to obtain the necessary materials and subcontractors to perform portions of our services. We also rely on equipment manufacturers to provide us with the equipment required to conduct our operations. Although we are not dependent on any single supplier, subcontractor or equipment manufacturer, any substantial limitation on the availability of required suppliers, subcontractors or equipment manufacturers could negatively impact our operations. The risk of a lack of available suppliers, subcontractors or equipment manufacturers may be heightened as a result of market and economic conditions. To the extent we cannot engage subcontractors or acquire equipment or materials, we could experience losses in the performance of our operations. Additionally, successful completion of our contracts may depend on whether our subcontractors successfully fulfill their contractual obligations. If our subcontractors fail to perform their contractual obligations as a result of financial or other difficulties, or if our subcontractors fail to meet the expected completion dates or quality standards, we may be required to incur additional costs or provide additional services in order to make up such shortfall.

We may not have access in the future to sufficient funding to finance desired growth and operations.

If we cannot secure future funds or financing on acceptable terms, we may be unable to support our growth strategy or future operations. We cannot readily predict the ability of certain customers to pay for past services, and unfavorable economic conditions, such as those experienced over recent years, may negatively impact the ability of our customers to pay amounts owed to us. We may also use cash for acquisitions, as well as for investments, both of which are elements of our growth strategy, but we cannot readily predict the timing, size and success of our acquisition or investment efforts. Using cash for acquisitions and investments limits our financial flexibility and may increase our need to seek additional capital through future debt or equity financings. Our credit agreement contains significant restrictions on our operational and financial flexibility, including our ability to incur additional debt or conduct certain types of preferred equity financings, and if we seek more debt, we may have to agree to additional covenants that limit our operational and financial flexibility. If we seek additional debt or equity financings, we cannot be certain that additional debt or equity will be available to us on terms acceptable to us or at all. Furthermore, availability under our credit facility is based upon existing commitments from several banks. Banks are restrictive in their lending practices, and some may be unable or unwilling to fund their commitments, which may limit our access to the capital needed to fund our growth and operations. In addition, we rely on financing companies to fund the leasing of certain of our trucks and trailers, support vehicles and specialty construction equipment. Credit market conditions may cause certain of these financing companies to restrict or withhold access to capital for us to fund the leasing of additional equipment. Although we are not dependent on any single equipment lessor, a widespread lack of available capital to fund the leasing of equipment could negatively impact our future operations. Additionally, the market price of our common stock may change significantly in response to various factors and events beyond our control, which will impact our ability to use equity to obtain funds. A variety of events may cause the market price of our common stock to fluctuate significantly, including overall market conditions or volatility, a shortfall in our operating results from those anticipated, negative results or other unfavorable information relating to our market

peers or the other risks described in this Annual Report on Form 10-K.

Table of Contents***Fluctuating foreign currency exchange rates may have a greater impact on our financial results as we expand into international markets.***

For the year ended December 31, 2014, we derived \$1.89 billion, or 24.0%, of our consolidated revenues from foreign operations, the substantial majority of which was earned in Canada and Australia. We intend to expand the volume of services that we provide internationally. As a result, our reported financial condition and results of operations may be further exposed to the effects that fluctuating exchange rates have on the process of translating the financial statements of our international operations, which are usually denominated in local currencies, into the U.S. dollar.

Our business growth could outpace the capability of our decentralized management infrastructure.

We cannot be certain that our management infrastructure will be adequate to support our operations as they expand. For example, the ability to internally communicate, coordinate and execute business strategies, plans and tactics may be negatively impacted by our increasing size and complexity. A decentralized structure places significant control and decision-making powers in the hands of local management. This contributes to the risk that we may be slower or less able to identify or react to problems affecting key business matters than we would in a more centralized environment. The lack of timely access to information may impact the quality of decision making by management. Our decentralized organization creates the possibility that our operating subsidiaries assume excessive risk without appropriate guidance from our centralized legal, accounting, tax, treasury and insurance functions as to the potential overall impact. Future growth could also impose significant additional responsibilities on members of our senior management, including the need to recruit and integrate new senior level managers and executives. We cannot be certain that we will be able to recruit and retain such additional managers and executives. To the extent that we are unable to manage our growth effectively, or are unable to attract and retain additional qualified management, we may not be able to expand our operations or execute our business plan.

We may be unable to compete for or work on certain projects if we are not able to obtain surety bonds, letters of credit or bank guarantees.

A portion of our business depends on our ability to provide surety bonds, letters of credit, bank guarantees or other financial assurances. Current or future market conditions, including losses incurred in the construction industry or as a result of large corporate bankruptcies, as well as changes in our sureties' assessment of our operating and financial risk, could cause our surety providers and lenders to decline to issue or renew, or substantially reduce the amount of, bid or performance bonds for our work and could increase our costs associated with collateral. These actions could be taken on short notice. If our surety providers or lenders were to limit or eliminate our access to bonding, letters of credit or guarantees, our alternatives would include seeking capacity from other sureties and lenders, finding more business that does not require bonds or allows for other forms of collateral for project performance, such as cash. We may be unable to secure these alternatives in a timely manner, on acceptable terms, or at all, which could affect our ability to bid for or work on future projects requiring financial assurances.

We have also granted security interests in various of our assets to collateralize our obligations to our sureties and lenders. Furthermore, under standard terms in the surety market, sureties issue or continue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of additional collateral as a condition to issuing or renewing any bonds. If we were to experience an interruption or reduction in the availability of bonding capacity as a result of these or any other reasons, we may be unable to compete for or work on certain projects that would require bonding.

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

Our operations are subject to various environmental laws and regulations, including those dealing with the handling and disposal of waste products, PCBs, fuel storage and air quality. We perform work in many different

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types of underground environments. If the field location maps supplied to us are not accurate, or if objects are present in the soil that are not indicated on the field location maps, our underground work could strike objects in the soil, some of which may contain pollutants. These objects may also rupture, resulting in the discharge of pollutants. In such circumstances, we may be liable for fines and damages, and we may be unable to obtain reimbursement from the parties providing the incorrect information. We perform work in and around environmentally sensitive areas such as rivers, lakes and wetlands. In addition, we perform directional drilling operations below certain environmentally sensitive terrains and water bodies. Due to the inconsistent nature of the terrain and water bodies, it is possible that such directional drilling may cause a surface fracture, resulting in the release of subsurface materials. These subsurface materials may contain contaminants in excess of amounts permitted by law, potentially exposing us to remediation costs and fines. We also own and lease several facilities at which we store our equipment. Some of these facilities contain fuel storage tanks that are above or below ground. If these tanks were to leak, we could be responsible for the cost of remediation as well as potential fines.

In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or leaks, or the imposition of new clean-up requirements could require us to incur significant costs or become the basis for new or increased liabilities that could negatively impact our financial condition, results of operations or cash flows. In certain instances, we have obtained indemnification or covenants from third parties (including predecessors or lessors) for such clean-up and other obligations and liabilities that we believe are adequate to cover such obligations and liabilities. However, such third-party indemnities or covenants may not cover all of our costs and the indemnitors may not pay amounts owed to us, and such unanticipated obligations or liabilities, or future obligations and liabilities, may have a material adverse effect on our business, results of operations, financial condition or cash flows. Further, we cannot be certain that we will be able to identify or be indemnified for all potential environmental liabilities relating to any acquired business.

There are also other legislative and regulatory proposals to address greenhouse gas emissions. These proposals, if enacted, could result in a variety of regulatory programs including potential new regulations, additional charges to fund energy efficiency activities, or other regulatory actions. Any of these actions could result in increased costs associated with our operations and impact the prices we charge our customers. For example, if new regulations are adopted regulating greenhouse gas emissions from mobile sources such as cars and trucks, we could experience a significant increase in environmental compliance costs in light of our large rolling-stock fleet. In addition, if our operations are perceived to result in high greenhouse gas emissions, our reputation could suffer.

We may not be successful in continuing to meet the requirements of the Sarbanes-Oxley Act of 2002.

The Sarbanes-Oxley Act of 2002 has many requirements applicable to us regarding corporate governance and financial reporting, including the requirements for management to report on our internal controls over financial reporting and for our independent registered public accounting firm to express an opinion over the operating effectiveness of our internal control over financial reporting. During 2014, we continued actions to ensure our ability to comply with these requirements. As of December 31, 2014, our internal control over financial reporting was effective; however, there can be no assurance that our internal control over financial reporting will be effective in future years. Failure to maintain effective internal controls or the identification of significant internal control deficiencies in acquisitions already made or made in the future could result in a decrease in the market value of our common stock and our other publicly traded securities, the reduced ability to obtain financing, the loss of customers, penalties and additional expenditures to meet the requirements.

Our sale or issuance of additional common shares or other equity-related securities could dilute each stockholder's ownership interest or adversely affect the market price of our common stock.

We grow our business organically as well as through acquisitions. We often fund a portion of the consideration paid in connection with our acquisitions with the issuance of additional equity securities, including shares of our common stock and securities that are convertible into shares of our common stock.

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We may issue additional equity securities in the future, including in connection with future acquisitions or other issuances of our common stock or convertible securities or otherwise. Our Restated Certificate of Incorporation provides that we may issue up to 600,000,000 shares of common stock, of which 210,819,790 shares were outstanding as of December 31, 2014. Any such issuances could have the effect of diluting our earnings per share as well as our existing stockholders' individual ownership percentages and could lead to volatility in the market price of our common stock. We cannot predict the effect that future issuances of our common stock or other equity-related securities would have on the market price of our common stock.

If we are unable to enforce our intellectual property rights or if our intellectual property rights become obsolete, our competitive position could be adversely impacted.

We utilize a variety of intellectual property rights in our services. We view our portfolio of proprietary energized services tools and techniques, as well as our other process and design technologies, as one of our competitive strengths, which we believe differentiates our service offerings. We may not be able to successfully preserve these intellectual property rights in the future, and these rights could be invalidated, circumvented or challenged. In addition, the laws of some foreign countries in which our services may be sold do not protect intellectual property rights to the same extent as the laws of the United States. We also license certain technologies from third parties, and there is a risk that our relationships with licensors may terminate or expire or may be interrupted or harmed. If we are unable to protect and maintain our intellectual property rights, or if intellectual property challenges or infringement proceedings succeed against us, our ability to differentiate our service offerings could be reduced. In addition, if our intellectual property rights or work processes become obsolete, we may not be able to differentiate our service offerings, and some of our competitors may be able to offer more attractive services to our customers. As a result, our business and revenue could be materially and adversely affected.

We may incur additional healthcare costs arising from federal healthcare reform legislation.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the ACA) were signed into law in the United States. The ACA is intended to expand access to health insurance coverage to many uninsured individuals and expands coverage to those already insured. The changes and mandates on employers subject to the ACA's pay or play requirements could cause us to incur additional group health insurance costs, although we do not expect any material short-term impact on our financial results as a result of the ACA. We continue to monitor developments under the ACA and assess the extent to which it could result in long-term material cost increases for us.

Opportunities within the government arena could subject us to increased governmental regulation and costs.

Most government contracts are awarded through a regulated competitive bidding process. As we pursue increased opportunities in the government arena, management's focus associated with the start-up and bidding process may be diverted away from other opportunities. Involvement with government contracts could require a significant amount of costs to be incurred before any revenues are realized from these contracts. In addition, as a government contractor, we are subject to a number of procurement rules and other public sector regulations, any deemed violation of which could lead to fines or penalties or a loss of business. Government agencies routinely audit and investigate government contractors. Government agencies may review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. If a government agency determines that costs were improperly allocated to specific contracts, such costs will not be reimbursed or a refund of previously reimbursed costs may be required. If a government agency alleges or proves improper activity, civil and criminal penalties could be imposed and serious reputational harm could result. Many government contracts must be appropriated each year. If appropriations are not made in subsequent years, we would not realize all of the potential revenues from any

awarded contracts.

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Certain provisions of our corporate governing documents could make an acquisition of our company more difficult.

The following provisions of our certificate of incorporation and bylaws, as currently in effect, as well as Delaware law, could discourage potential proposals to acquire us, delay or prevent a change in control of us or limit the price that investors may be willing to pay in the future for shares of our common stock:

our certificate of incorporation permits our board of directors to issue blank check preferred stock and to adopt amendments to our bylaws;

our bylaws contain restrictions regarding the right of stockholders to nominate directors and to submit proposals to be considered at stockholder meetings;

our certificate of incorporation and bylaws restrict the right of stockholders to call a special meeting of stockholders and to act by written consent; and

we are subject to provisions of Delaware law which restrict us from engaging in any of a broad range of business transactions with an interested stockholder for a period of three years following the date such stockholder became classified as an interested stockholder.

ITEM 1B. *Unresolved Staff Comments*

None.

ITEM 2. *Properties*
Facilities

We lease our corporate headquarters in Houston, Texas and maintain other facilities throughout North America and in various foreign locations where we conduct business. Our facilities are used for offices, equipment yards, warehouses, storage and vehicle shops. As of December 31, 2014, we owned 47 of the facilities we occupy, many of which are encumbered by a security interest granted under our credit agreement, and we leased the remainder. We believe that our existing facilities are sufficient for our current needs.

Equipment

We operate a fleet of owned and leased trucks and trailers, support vehicles and specialty construction equipment, such as backhoes, excavators, trenchers, generators, boring machines, cranes, robotic arms, wire pullers, tensioners, marine vessels and helicopters. Our owned equipment and the leasehold interest in our leased equipment are encumbered by a security interest granted under our credit agreement. As of December 31, 2014, the total size of the rolling-stock fleet was approximately 28,123 units. Most of our fleet is serviced by our own mechanics who work at various maintenance sites and facilities. We believe that our equipment is generally well maintained and adequate for

our present operations.

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ITEM 3. *Legal Proceedings*

We are from time to time party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, employment-related damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, we record a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In addition, we disclose matters for which management believes a material loss is at least reasonably possible. See *Legal Proceedings* and *Collective Bargaining Agreements* in Note 15 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data*, which are incorporated by reference in this Item 3, for additional information regarding litigation, claims and other legal proceedings.

ITEM 4. *Mine Safety Disclosures*

Not applicable.

Table of Contents**PART II****ITEM 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol PWR. The following table sets forth the high and low sales prices of our common stock per quarter, as reported by the NYSE, for the two most recent fiscal years.

	High	Low
Year Ended December 31, 2014		
1st Quarter	\$ 37.28	\$ 29.85
2nd Quarter	37.42	32.50
3rd Quarter	37.49	32.86
4th Quarter	36.34	25.34
Year Ended December 31, 2013		
1st Quarter	\$ 29.94	\$ 27.57
2nd Quarter	30.56	25.26
3rd Quarter	29.13	25.57
4th Quarter	31.60	26.72

On February 23, 2015, there were 791 holders of record of our common stock, 16 holders of record of exchangeable shares of Canadian subsidiaries of Quanta, one holder of record of our Series F preferred stock and one holder of record of our Series G preferred stock. There is no established trading market for the exchangeable shares or the Series F and Series G preferred stock; however, the exchangeable shares may be exchanged at the option of the holder for Quanta common stock on a one-for-one basis. See Note 11 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data* for additional discussion of our equity securities.

Unregistered Sales of Securities During the Fourth Quarter of 2014

On November 21, 2014, we completed the acquisition of an oil and gas infrastructure services business based in Alberta, Canada. The consideration paid or payable for this acquisition consisted of approximately \$112.9 million in cash and the unregistered issuance of 2,104,594 exchangeable shares of a Canadian subsidiary of Quanta, which are exchangeable on a one-for-one basis for our common stock. For additional information about this acquisition, see *2014 Acquisitions* in Note 5 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data*.

Such exchangeable shares were issued, and the common stock into which such shares are exchangeable will be issued, in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, as the shares were issued to the owner of the business acquired in a privately negotiated transaction not involving any public offering or solicitation.

Table of Contents**Issuer Purchases of Equity Securities During the Fourth Quarter of 2014**

The following table contains information about our purchases of equity securities during the three months ended December 31, 2014.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs ⁽²⁾
October 1, 2014 – October 31, 2014	173 ⁽¹⁾	\$ 31.38		
November 1, 2014 – November 30, 2014	13,898 ⁽¹⁾	\$ 33.51		
December 1, 2014 – December 31, 2014	1,662,753 ⁽²⁾	\$ 29.14	1,662,753	
Total	1,676,824		1,662,753	\$ 406,518,349

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

(2) On December 6, 2013, we issued a press release announcing that our board of directors approved a stock repurchase program, authorizing us to purchase, from time to time through December 31, 2016, up to \$500.0 million of our outstanding common stock. These repurchases can be made in open market transactions or in privately negotiated transactions, including block purchases or otherwise, at management's discretion based on market and business conditions, applicable legal requirements and other factors. This program does not obligate us to acquire any specific amount of common stock and will continue until completed or otherwise modified or terminated by our board of directors at any time at its sole discretion and without notice. As of December 31, 2014, we had repurchased an aggregate \$93.5 million in Quanta common stock under this program. In addition, as discussed in *Liquidity and Capital Resources – Debt Instruments – Credit Facility* in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*, our credit agreement includes limitations on the repurchase of common stock without consent of our lenders.

Dividends

We did not declare any cash dividends on our common stock during the years ended December 31, 2014 or 2013, or in any previous periods. We currently intend to retain our future earnings, if any, to finance the growth, development and expansion of our business. Accordingly, we currently do not intend to declare or pay any cash dividends on our common stock in the immediate future. The declaration, payment and amount of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors. These factors include our financial condition, results of operations, cash flows from operations, current and anticipated capital requirements and expansion plans, the income tax laws then in effect and the requirements of Delaware law. In addition, as discussed in *Liquidity and Capital Resources – Debt Instruments – Credit Facility* in Item 7. *Management's Discussion and*

Analysis of Financial Condition and Results of Operations, our credit agreement restricts the payment of cash dividends unless certain conditions are met.

Performance Graph

The following Performance Graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares, for the period from December 31, 2009 to December 31, 2014, the cumulative stockholder return on our common stock with the cumulative total return on the Standard & Poor's 500 Index (the S&P 500 Index) and two peer groups selected by our management that include public companies

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within our industries. The companies in each peer group were selected to represent a broad group of publicly held corporations with operations similar to ours. The current peer group (the 2014 Peer Group) includes AECOM Technology Corporation, Chicago Bridge & Iron Company N.V., EMCOR Group Inc., Fluor Corporation, Jacobs Engineering Group Inc., KBR, Inc., MasTec, Inc., MYR Group Inc., Primoris Services Corporation and Willbros Group, Inc. The peer group used in the prior year (the 2013 Peer Group) included Chicago Bridge & Iron Company N.V., EMCOR Group Inc., Fluor Corporation, Jacobs Engineering Group Inc., MasTec, Inc., MYR Group Inc., Pike Electric Corporation, URS Corp. and Willbros Group, Inc. The shift in the 2014 Peer Group was based on the fact that both Pike Electric Corporation and URS Corp. were acquired and ceased to be publicly traded companies during 2014 and our decision to include additional companies that are similar to us in market capitalization or lines of business or that serve similar end markets.

The graph below assumes an investment of \$100 (with reinvestment of all dividends) in our common stock, the S&P 500 Index, the 2014 Peer Group and the 2013 Peer Group on December 31, 2009 and tracks their relative performance through December 31, 2014. However, the assumed investment in the 2013 Peer Group does not include an investment in either Pike Electric Corporation or URS Corp., as both ceased to be publicly traded companies during 2014. The returns of each company in the peer groups are weighted based on the market capitalization of each constituent company at the beginning of the measurement period. The stock price performance reflected on the following graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Quanta Services, Inc., the S&P 500 Index, the 2014 Peer Group and the 2013 Peer Group

	12/09	12/10	12/11	12/12	12/13	12/14
Quanta Services, Inc.	\$ 100.00	\$ 95.59	\$ 103.36	\$ 130.95	\$ 151.44	\$ 136.23
S&P 500	100.00	115.06	117.49	136.30	180.44	205.14
2014 Peer Group	100.00	133.21	116.42	135.76	190.62	136.18
2013 Peer Group	100.00	133.96	116.65	138.72	202.36	143.74

Table of Contents**ITEM 6. Selected Financial Data**

The following historical selected financial data has been derived from the financial statements of Quanta. See Note 5 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data* for information regarding certain acquisitions and the related impact on our results of operations as these acquisitions may affect the comparability of such results. Additionally, on December 3, 2012, we sold substantially all of our domestic telecommunications infrastructure services operations and related subsidiaries. We have presented the results of operations, financial position and cash flows of such telecommunications subsidiaries as discontinued operations for all applicable periods presented in this Annual Report on Form 10-K. The historical selected financial data should be read in conjunction with our Consolidated Financial Statements and related notes thereto included in Item 8. *Financial Statements and Supplementary Data* and Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share information)				
Consolidated Statements of Operations Data:					
Revenues	\$ 7,851,250	\$ 6,522,842	\$ 5,920,269	\$ 4,193,764	\$ 3,629,433
Cost of services (including depreciation)	6,617,730	5,467,389	4,982,562	3,632,048 ^(d)	3,039,912
Gross profit	1,233,520	1,055,453	937,707	561,716	589,521
Selling, general and administrative expenses	722,038 ^(a)	501,010	434,894	337,835	307,875
Amortization of intangible assets	35,907	27,515	37,691	29,039	37,655
Operating income	475,575	526,928	465,122	194,842	243,991
Interest expense	(4,765)	(2,668)	(3,746)	(1,803)	(4,902)
Interest income	3,741	3,380	1,471	1,066	1,417
Loss on early extinguishment of debt, net					(7,107) ^(e)
Equity in earnings (losses) of unconsolidated affiliates, including gain on sale of investment	(332)	112,744 ^(c)	2,084		
Other income (expense), net	(1,102)	(1,135)	(351)	(597)	559
Income from continuing operations before income taxes	473,117	639,249	464,580	193,508	233,958
Provision for income taxes ^(b)	157,408	217,940	158,859	63,096	88,884
Net income from continuing operations	315,709	421,309	305,721	130,412	145,074
Income (loss) from discontinued operations, net of taxes	(627)		16,935	14,004	10,483

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Net income	315,082	421,309	322,656	144,416	155,557
Less: Net income attributable to non-controlling interests	18,368	19,388	16,027	11,901	2,381
Net income attributable to common stock	\$ 296,714	\$ 401,921	\$ 306,629	\$ 132,515	\$ 153,176
Amounts attributable to common stock:					
Net income from continuing operations	\$ 297,341	\$ 401,921	\$ 289,694	\$ 118,511	\$ 142,693
Net income (loss) from discontinued operations	(627)		16,935	14,004	10,483
Net income attributable to common stock	\$ 296,714	\$ 401,921	\$ 306,629	\$ 132,515	\$ 153,176
Basic earnings per share attributable to common stock from continuing operations	\$ 1.35	\$ 1.87	\$ 1.36	\$ 0.56	\$ 0.68
Diluted earnings per share attributable to common stock from continuing operations	\$ 1.35	\$ 1.87	\$ 1.36	\$ 0.56	\$ 0.67

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- (a) In 2014, selling, general and administrative expenses included a \$102.5 million charge to provision for long-term contract receivable associated with an electric power infrastructure services project completed in 2012. Additionally, we recorded \$38.8 million of expense resulting from an arbitration decision associated with a contract dispute on a 2010 directional drilling project. For additional information, see *Current and Long-Term Accounts Receivable and Allowances for Doubtful Accounts* in Note 2 and *Legal Proceedings – Sunrise Powerlink Arbitration* and *National Gas Company of Trinidad and Tobago Arbitration* in Note 15 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data*.
- (b) The effective tax rates in 2014, 2013, 2012, 2011 and 2010 were impacted by the recording of \$8.2 million, \$10.0 million, \$7.9 million, \$8.4 million and \$7.6 million of tax benefits in each respective year primarily due to decreases in reserves for uncertain tax positions resulting from the expiration of various federal and state statute of limitations periods.
- (c) In 2013, we recorded a pre-tax gain of approximately \$112.7 million from the sale of all of our equity ownership interest in Howard Midstream Energy Partners, LLC (HEP).
- (d) In 2011, cost of services included a \$32.6 million charge related to our partial withdrawal from an underfunded pension plan. For additional information, see *Collective Bargaining Agreements* in Note 15 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data*.
- (e) In 2010, we recorded a \$7.1 million loss on early extinguishment of debt as a result of the redemption of all of our outstanding 3.75% convertible subordinated notes due 2026 (3.75% Notes). This loss includes a non-cash loss of \$3.5 million related to the difference between the net carrying value and the estimated fair value of the 3.75% Notes calculated as of the date of redemption, the payment of \$2.3 million representing the 1.607% redemption premium above par value and a non-cash loss of \$1.3 million from the write-off of the remaining unamortized deferred financing costs related to the 3.75% Notes.

	2014	2013	December 31, 2012	2011	2010
	(In thousands)				
Balance Sheet Data:					
Working capital	\$ 1,416,651	\$ 1,270,851	\$ 1,320,548	\$ 984,078	\$ 1,095,969
Goodwill	1,931,485	1,780,717	1,537,645	1,470,811	1,430,756
Total assets	6,312,024	5,793,245	5,140,757	4,699,114	4,341,212
Long-term debt, net of current maturities	72,489	1,053			
Total stockholders' equity	4,514,473	4,234,188	3,766,548	3,381,952	3,365,555

Table of Contents**ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and related notes thereto in Item 8. Financial Statements and Supplementary Data. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in Uncertainty of Forward-Looking Statements and Information below and in Item 1A. Risk Factors.

Introduction

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

We report our results under three reportable segments: (1) Electric Power Infrastructure Services, (2) Oil and Gas Infrastructure Services and (3) Fiber Optic Licensing and Other. This structure is generally focused on broad end-user markets for our services. Our consolidated revenues for the year ended December 31, 2014 were approximately \$7.85 billion, of which 67% was attributable to the Electric Power Infrastructure Services segment, 31% to the Oil and Gas Infrastructure Services segment and 2% to the Fiber Optic Licensing and Other segment.

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

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

For internal management purposes, we are organized into three internal divisions, namely, the Electric Power Division, the Oil and Gas Infrastructure Division and the Fiber Optic Licensing Division. These internal divisions are closely aligned with the reportable segments described above based on the predominant type of work provided by the operating units within each division.

Reportable segment information, including revenues and operating income by type of work, is gathered from each operating unit for the purpose of evaluating segment performance in support of our market strategies. These

classifications of our operating unit revenues by type of work for segment reporting purposes can at times

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

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

The Oil and Gas Infrastructure Services segment provides comprehensive network solutions to customers involved in the development and transportation of natural gas, oil and other pipeline products. Services performed by the Oil and Gas Infrastructure Services segment generally include the design, installation, repair and maintenance of pipeline transmission and distribution systems, gathering systems, production systems and compressor and pump stations, as well as related trenching, directional boring and automatic welding services. In addition, this segment's services include pipeline protection, integrity testing, rehabilitation and replacement, and fabrication of pipeline support systems and related structures and facilities. We also serve the offshore and inland water energy markets, primarily providing services to oil and gas exploration platforms, including mechanical installation (or hook-ups), electrical and instrumentation, pre-commissioning and commissioning, coatings, fabrication, pipeline construction, integrity services and marine asset repair. To a lesser extent, this segment designs, installs and maintains fueling systems as well as water and sewer infrastructure.

The Fiber Optic Licensing and Other segment designs, procures, constructs, maintains and owns fiber optic telecommunications infrastructure in select markets and licenses the right to use these point-to-point fiber optic telecommunications facilities to our customers pursuant to licensing agreements, typically with terms from five to twenty-five years, inclusive of certain renewal options. Under those agreements, customers are provided the right to use a portion of the capacity of a fiber optic network, with the network owned and maintained by us. We are also expanding our service offerings to provide lit services, with Quanta providing network management services to customers, as well as owning the electronic equipment necessary to make the fiber optic network operational. We believe market opportunities exist for lit services that will enable us to leverage capacities of our dark fiber networks, as well as providing other attractive growth opportunities. The Fiber Optic Licensing and Other segment provides services to communication carriers, as well as education, financial services, healthcare and other business enterprises with high bandwidth telecommunication needs. The telecommunication services provided through this segment are subject to regulation by the Federal Communications Commission and certain state public utility commissions. The Fiber Optic Licensing and Other segment also provides various telecommunication infrastructure services on a limited and ancillary basis, primarily to our customers in the electric power industry.

Table of Contents**Recent Investments, Acquisitions and Divestitures**

During 2014, we completed nine acquisitions, which enabled us to further enhance our electric power and oil and gas infrastructure service offerings in the United States and Canada and expand our capabilities in Australia to include electric power infrastructure service offerings. These acquisitions included four electric power infrastructure services companies located in Canada; two oil and gas infrastructure services businesses located in Canada; an electric power infrastructure services company located in Australia; a U.S. based general engineering and construction company specializing in hydrant fueling, waterfront and utility construction for the U.S. Department of Defense that is generally included in our Oil and Gas Infrastructure Services segment; and a geotechnical and geological engineering services company based in the United States that is generally included in our Electric Power Infrastructure Services segment. The aggregate consideration paid for these acquisitions consisted of approximately \$284.3 million in cash, 686,382 shares of Quanta common stock and 3,825,971 exchangeable shares of Canadian subsidiaries of Quanta that are exchangeable on a one-for-one basis for Quanta common stock. The exchangeable shares provide holders with rights equivalent to Quanta common stockholders with respect to dividends and other economic rights. In addition, we issued one share of Series G preferred stock associated with 899,858 of the exchangeable shares, which generally votes on the same matters as Quanta common stock and is entitled to a number of votes equal to the number of such exchangeable shares outstanding at that time. Exchangeable shares not associated with preferred stock do not have voting rights. The aggregate value of the securities issued related to 2014 acquisitions on the respective closing or settlement dates of the acquisitions, totaled approximately \$134.5 million. As these transactions were effective during 2014, the results of each acquired company have been included in our consolidated financial statements beginning on the respective dates of acquisition.

During 2013, we acquired six businesses, which included three electric power and three oil and gas infrastructure services companies. The electric power acquisitions expanded our geographic presence primarily in the northeastern, midwestern and western regions of the United States and in the central region of Canada, while the oil and gas infrastructure services companies increased our capacity to provide mechanical installations for the offshore oil and gas industry and pipeline logistics services throughout the United States and expanded our geographic presence to include pipeline construction services in Australia. The aggregate consideration paid for these acquisitions consisted of approximately \$341.1 million in cash and 3,547,482 shares of our common stock valued, as of the respective dates of issuance, at approximately \$88.9 million. The results for each company have been included in our consolidated financial statements beginning on the respective dates of acquisition.

On December 6, 2013, we sold all of our equity ownership interest in Howard Midstream Energy Partners, LLC (HEP) for proceeds of approximately \$220.9 million in cash, which resulted in a pre-tax gain of approximately \$112.7 million.

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

On December 3, 2012, we sold substantially all of our domestic telecommunications infrastructure services operations and related subsidiaries.

Seasonality; Fluctuations of Results; Economic Conditions

Our revenues and results of operations can be subject to seasonal and other variations. These variations are influenced by weather, customer spending patterns, bidding seasons, project timing and schedules, and holidays.

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

These seasonal impacts are typical for our U.S. operations, but as our foreign operations continue to grow, we may see a lessening of this pattern impacting our quarterly revenues. For example, revenues in Canada are often higher in the first quarter as projects are accelerated so that work can be completed prior to the break up, or seasonal thaw, as productivity is adversely affected by wet ground conditions during the warmer spring and summer months. Also, although revenues from Australia and other international operations have not been significant relative to our overall revenues to date, their seasonal patterns may differ from those in North America and may impact our seasonality more in the future.

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

We and our customers continue to operate in an uncertain business environment, with heightened regulatory and environmental requirements, stringent permitting processes and only gradual recovery in the economy from recessionary levels. Oil prices have declined significantly over the past several months. The recent decline in oil prices has created uncertainty with respect to the demand for our oil and gas infrastructure services in the near term, and it is also uncertain if, or for how long, oil prices will remain at lower levels. Over time, we expect that, as the current oversupply of global oil corrects and global demand for oil increases, oil prices could recover from current levels. We believe that, at a minimum, medium and long term production of oil from North American unconventional shale formations and the Canadian oil sands will continue, which will create demand for our infrastructure services over time.

We are closely monitoring our customers and the effect that changes in economic and market conditions have had or may have on them. Certain of our customers have reduced or delayed spending in recent years, which we attribute primarily to regulatory and permitting hurdles and negative economic and market conditions, and we anticipate that these issues may continue to affect demand for some of our services in the near-term. As mentioned previously, there

have been significant decreases in oil prices since mid-2014. If the development or discovery of natural gas and/or oil reserves slowed or stopped as a result of low natural gas or oil prices or

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otherwise, customers may reduce capital spending on mainline pipe, gas gathering and compressor systems and other related infrastructure, resulting in less demand for our services. We believe that most of our customers, many of whom are regulated utilities, remain financially stable in general and will be able to continue with their business plans in the long-term. You should read *Outlook* and *Understanding Margins* for additional discussion of trends and challenges that may affect our financial condition, results of operations and cash flows.

Understanding Margins

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

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

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

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

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

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

Materials versus labor. Typically, our customers are responsible for supplying their own materials on projects; however, for some of our contracts, we may agree to procure all or part of the required materials.

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Margins may be lower on projects where we furnish a significant amount of materials, as our mark-up on materials is generally lower than on our labor costs. In a given period, an increase in the percentage of work with higher materials procurement requirements may decrease our overall margins.

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

Insurance. As discussed in *Liquidity and Capital Resources – Self-Insurance*, we are insured for employer's liability, general liability, auto liability and workers' compensation claims. We also have employee health care benefit plans for most employees not subject to collective bargaining agreements. Margins could be impacted by fluctuations in insurance accruals as additional claims arise and as circumstances and conditions of existing claims change.

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

Foreign currency risk. Our financial performance on a U.S. dollar-denominated basis is subject to fluctuation in foreign currency exchange rates. Fluctuations in exchange rates relative to the U.S. dollar, primarily the Canadian and Australian dollars, could cause material fluctuations in comparisons of our results of operations between periods.

Selling, General and Administrative Expenses

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

Results of Operations

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

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	Year Ended December 31,					
	2014		2013		2012	
Revenues	\$ 7,851,250	100.0%	\$ 6,522,842	100.0%	\$ 5,920,269	100.0%
Cost of services (including depreciation)	6,617,730	84.3	5,467,389	83.8	4,982,562	84.2
Gross profit	1,233,520	15.7	1,055,453	16.2	937,707	15.8
Selling, general and administrative expenses	722,038	9.2	501,010	7.7	434,894	7.3
Amortization of intangible assets	35,907	0.4	27,515	0.4	37,691	0.6
Operating income	475,575	6.1	526,928	8.1	465,122	7.9
Interest expense	(4,765)	(0.1)	(2,668)		(3,746)	(0.1)
Interest income	3,741		3,380	0.1	1,471	
Equity in earnings (losses) of unconsolidated affiliates, including gain on sale of investment	(332)		112,744	1.7	2,084	
Other income (expense), net	(1,102)		(1,135)	(0.1)	(351)	
Income from continuing operations before income taxes	473,117	6.0	639,249	9.8	464,580	7.8
Provision for income taxes	157,408	2.0	217,940	3.3	158,859	2.6
Net income from continuing operations	315,709	4.0	421,309	6.5	305,721	5.2
Income (loss) from discontinued operations, net of taxes	(627)				16,935	0.3
Net income	315,082	4.0	421,309	6.5	322,656	5.5
Less: Net income attributable to non-controlling interests	18,368	0.2	19,388	0.3	16,027	0.3
Net income attributable to common stock	\$ 296,714	3.8%	\$ 401,921	6.2%	\$ 306,629	5.2%
Amounts attributable to common stock:						
Net income from continuing operations	\$ 297,341	3.8%	\$ 401,921	6.2%	\$ 289,694	4.9%
Net income (loss) from discontinued operations	(627)				16,935	0.3
Net income attributable to common stock	\$ 296,714	3.8%	\$ 401,921	6.2%	\$ 306,629	5.2%

2014 compared to 2013

Revenues. Revenues increased \$1.33 billion, or 20.4%, to \$7.85 billion for the year ended December 31, 2014. This increase was due in part to higher electric power infrastructure services revenues, which increased \$758.0 million, or 16.9%, to \$5.24 billion as a result of increased activity from electric power transmission, distribution and power generation projects in connection with of increased capital spending by our customers and approximately \$225 million in revenues generated by acquired companies. Also contributing to the increase were additional revenues from oil and gas infrastructure services, which increased \$574.9 million, or 30.8%, to \$2.44 billion, primarily due to approximately \$500 million in revenues generated by acquired companies and increased capital spending by our customers. These increases were partially offset by a decrease in revenues from fiber optic licensing and other, which decreased \$4.5 million, or 2.6%, to \$168.1 million.

Gross profit. Gross profit increased \$178.1 million, or 16.9%, to \$1.23 billion for the year ended December 31, 2014. This increase was primarily due to higher overall revenues earned during the current period. Gross profit as a percentage of revenues decreased to 15.7% for the year ended December 31, 2014 from 16.2% for the year ended December 31, 2013. This decrease in gross margin was primarily due to the negative impact of wet weather conditions, primarily in Canada and northern regions of the United States, as these areas experienced a late thaw from the winter season, as well as lower margins recognized on certain power generation projects

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ongoing during the year ended December 31, 2014 as compared to similar projects completed during the year ended December 31, 2013 and less favorable foreign currency exchange rates. These lower margins were partially offset by the contribution of mainline pipe revenues, which typically offer higher margin opportunities.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$221.0 million, or 44.1%, to \$722.0 million for the year ended December 31, 2014. This increase was primarily attributable to an aggregate \$102.5 million charge to provision for long-term contract receivable associated with an electric power infrastructure services project completed in 2012, which was the subject of a recently settled arbitration proceeding, and an aggregate \$38.8 million expense associated with an adverse arbitration decision regarding a contract dispute with the National Gas Company of Trinidad and Tobago (NGC) on a 2010 directional drilling project, as well as \$68.2 million in incremental general and administrative costs associated with acquired companies, \$11.6 million in higher professional fees and \$7.6 million in higher ancillary administration costs. These increases were partially offset by \$13.4 million in lower compensation and incentive costs associated with current levels of profitability. Selling, general and administrative expenses as a percentage of revenues increased to 9.2% for the year ended December 31, 2014 from 7.7% for the year ended December 31, 2013, due primarily to the impact of the provision for long-term contract receivable and the expense associated with the NGC arbitration decision discussed above. The impact of these items was partially offset by better absorption of general and administrative expenses due to the higher revenues described above.

Amortization of intangible assets. Amortization of intangible assets increased \$8.4 million to \$35.9 million for the year ended December 31, 2014. This increase was primarily due to increased amortization of intangibles associated with companies acquired since the fourth quarter of 2013, partially offset by reduced amortization expense from previously acquired intangible assets as certain of these assets became fully amortized.

Interest expense. Interest expense increased \$2.1 million to \$4.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 due to increased borrowing activity, fees associated with the increase in unused capacity of our expanded credit facility and higher amortization of deferred financing costs following the amendment and restatement of our credit agreement on October 30, 2013.

Interest income. Interest income was \$3.7 million and \$3.4 million for the years ended December 31, 2014 and 2013. The increase was primarily due to a higher volume of cash in foreign banks during the year ended December 31, 2014, which generally had a higher rate of return than balances in domestic banks, partially offset by lower foreign currency exchange rates in the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Equity in earnings (losses) of unconsolidated affiliates. Equity in earnings (losses) of unconsolidated affiliates was a loss of \$0.3 million and income of \$112.7 million for the years ended December 31, 2014 and December 31, 2013. During the fourth quarter of 2013, we sold all of our equity ownership interest in HEP for proceeds of approximately \$220.9 million in cash which resulted in a pre-tax gain of approximately \$112.7 million.

Provision for income taxes. The provision for income taxes was \$157.4 million for the year ended December 31, 2014, with an effective tax rate of 33.3%. The provision for income taxes was \$217.9 million for the year ended December 31, 2013, with an effective tax rate of 34.1%. The effective tax rates for 2014 and 2013 were impacted by the recording of net tax benefits in the amounts of \$8.2 million in 2014 and \$10.0 million in 2013 associated with decreases in reserves for uncertain tax positions resulting from the expiration of various federal and state statute of limitations periods. Excluding the tax benefits from decreases in reserves for uncertain tax positions, the effective tax rates would have been 35.0% and 35.7% for the years ended December 31, 2014 and 2013. The lower effective tax rate for the year ended December 31, 2014 was primarily due to a higher proportion of income before taxes earned from international jurisdictions, which are generally taxed at lower statutory rates.

Other comprehensive income (loss). Other comprehensive income (loss), net of taxes was a loss of \$86.1 million in the year ended December 31, 2014 compared to a loss of \$51.7 million in the year ended December 31, 2013, primarily due to unfavorable foreign currency translation adjustments related to the strengthening of the U.S. dollar against the Canadian and Australian dollars throughout 2014 and 2013.

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Revenues. Revenues increased \$602.6 million, or 10.2%, to \$6.52 billion for the year ended December 31, 2013. This increase was primarily due to higher revenues from the Oil and Gas Infrastructure Services segment, which increased \$334.9 million, or 21.8%, to \$1.87 billion, primarily due to increased revenues from pipeline projects related to unconventional shale formations in certain regions of North America and \$167.7 million in revenues generated from companies acquired in 2013. Additionally, revenues from electric power infrastructure services projects increased \$274.1 million, or 6.5%, to \$4.48 billion primarily as a result of increases in capital spending by our customers and \$83.6 million in revenues generated from companies acquired in 2013. These increases were partially offset by a decrease of \$139.7 million in electric power revenues from emergency restoration services during 2013 as compared to 2012. Emergency restoration services revenues were higher in 2012 primarily as a result of Hurricane Sandy, which impacted the northeastern United States in the fourth quarter of 2012.

Gross profit. Gross profit increased \$117.7 million, or 12.6%, to \$1.06 billion for the year ended December 31, 2013. Gross profit as a percentage of revenues increased to 16.2% for the year ended December 31, 2013 as compared to 15.8% for the year ended December 31, 2012. These increases were primarily due to the impact of higher revenues and a result of overall performance improvements in the Oil and Gas Infrastructure Services segment during the year ended December 31, 2013 as compared to the year ended December 31, 2012, which was negatively impacted by increased project costs as a result of performance issues caused by adverse weather conditions on certain projects that did not recur to the same extent during 2013. These increases were partially offset by the decreased contribution of emergency restoration services revenues, which typically yield higher margins.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$66.1 million, or 15.2%, to \$501.0 million for the year ended December 31, 2013. The increase was primarily attributable to approximately \$42.7 million in higher salary and incentive compensation costs associated with increased levels of operating activity and profitability. Included in this increase in compensation costs was approximately \$4.3 million of expense related to the accelerated vesting of equity-based awards associated with the retirement of the former Executive Chairman of our board of directors in the second quarter of 2013. Also contributing to the overall increase in selling, general and administrative expenses was approximately \$21.3 million in incremental administrative expenses related to companies acquired in 2013 and \$5.1 million in higher costs associated with our ongoing technology and business development initiatives. Selling, general and administrative expenses as a percentage of revenues increased from 7.3% for the year ended December 31, 2012 to 7.7% for the year ended December 31, 2013 due to the impact of higher salary and incentive compensation costs previously discussed coupled with the impact from lower levels of emergency restoration services revenues in 2013 as compared to 2012.

Amortization of intangible assets. Amortization of intangible assets decreased \$10.2 million to \$27.5 million for the year ended December 31, 2013. This decrease was primarily due to reduced amortization expense from previously acquired intangible assets as certain of these assets became fully amortized, partially offset by increased amortization of intangibles associated with businesses acquired during 2013.

Interest expense. Interest expense decreased \$1.1 million to \$2.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012 due to lower levels of borrowings under our credit facility during the year ended December 31, 2013.

Interest income. Interest income was \$3.4 million and \$1.5 million for the years ended December 31, 2013 and 2012. The increase was primarily due to higher average cash balances and interest rates during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Equity in earnings (losses) of unconsolidated affiliates. Equity in earnings (losses) of unconsolidated affiliates was income of \$112.7 million for the year ended December 31, 2013 as compared to income of \$2.1

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million for the year ended December 31, 2012. During the fourth quarter of 2013, we sold all of our equity ownership interest in HEP for proceeds of approximately \$220.9 million in cash which resulted in a pre-tax gain of approximately \$112.7 million.

Provision for income taxes. The provision for income taxes was \$217.9 million for the year ended December 31, 2013, with an effective tax rate of 34.1%. The provision for income taxes was \$158.9 million for the year ended December 31, 2012, with an effective tax rate of 34.2%. The effective tax rates for 2013 and 2012 were primarily impacted by the recording of net tax benefits in the amount of \$10.0 million in 2013 and \$7.9 million in 2012 associated with decreases in reserves for uncertain tax positions resulting from the expiration of various federal and state statute of limitation periods and settlement of certain tax audits. Excluding the tax benefits from decreases in reserves for uncertain tax positions, the effective tax rates would have been 35.7% and 35.9% for the years ended December 31, 2013 and 2012.

Other comprehensive income (loss). Other comprehensive income (loss), net of taxes was a loss of \$51.7 million in the year ended December 31, 2013, compared to income of \$13.7 million in the year ended December 31, 2012. The other comprehensive loss for the year ended December 31, 2013 was primarily due to the strengthening of the U.S. dollar against the Canadian and Australian dollars. The other comprehensive income for the year ended December 31, 2012 was primarily due to the weakening of the U.S. dollar against the Canadian dollar.

Segment Results

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

	Year Ended December 31,					
	2014		2013		2012	
Revenues:						
Electric Power Infrastructure	\$ 5,238,627	66.7%	\$ 4,480,647	68.7%	\$ 4,206,509	71.1%
Oil and Gas Infrastructure	2,444,558	31.1	1,869,615	28.7	1,534,713	25.9
Fiber Optic Licensing and Other	168,065	2.2	172,580	2.6	179,047	3.0
Consolidated revenues from external customers	\$ 7,851,250	100.0%	\$ 6,522,842	100.0%	\$ 5,920,269	100.0%
Operating income (loss):						
Electric Power Infrastructure	\$ 458,332	8.7%	\$ 521,855	11.6%	\$ 520,834	12.4%
Oil and Gas Infrastructure	162,797	6.7	138,543	7.4	55,410	3.6
Fiber Optic Licensing and Other	54,386	32.4	55,415	32.1	61,299	34.2
Corporate and non-allocated costs	(199,940)	N/A	(188,885)	N/A	(172,421)	N/A
Consolidated operating income	\$ 475,575	6.1%	\$ 526,928	8.1%	\$ 465,122	7.9%

2014 compared to 2013**Electric Power Infrastructure Services Segment Results**

Revenues for this segment increased \$758.0 million, or 16.9%, to \$5.24 billion for the year ended December 31, 2014. Revenues were positively impacted by increased activity from electric power transmission, distribution and power generation projects primarily as a result of increased capital spending by our customers and approximately \$225 million in revenues generated by acquired companies. Partially offsetting these increases was a negative impact on reported revenues from our international operations as a result of fluctuations in foreign currency exchange rates in 2014 as compared to 2013, primarily attributable to the strengthening of the U.S. dollar against the Canadian dollar.

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Operating income decreased \$63.5 million, or 12.2%, to \$458.3 million for the year ended December 31, 2014. Operating income as a percentage of segment revenues decreased to 8.7% for the year ended December 31, 2014 from 11.6% for the year ended December 31, 2013. These decreases were primarily due to the impact of the \$102.5 million provision for long-term contract receivable as well as the negative production impact of wet weather conditions, primarily in Canada and northern regions of the United States, as these areas experienced a late thaw from the winter season. Additionally, lower margins were recognized on certain power generation projects ongoing during the year ended December 31, 2014 as compared to projects completed during the year ended December 31, 2013. These decreases were partially offset by contributions from the overall impact of segment revenues described above, which improved this segment's ability to cover fixed and overhead costs.

Oil and Gas Infrastructure Services Segment Results

Revenues for this segment increased \$574.9 million, or 30.8%, to \$2.44 billion for the year ended December 31, 2014. Revenues for the year ended December 31, 2014 were favorably impacted by approximately \$500 million in revenues generated by acquired companies in the United States, Canada and Australia, the majority of which was transmission related, and increased capital spending by our customers, primarily related to distribution. Partially offsetting these increases was a negative impact on reported revenues from our international operations as a result of fluctuations in foreign currency exchange rates in 2014 as compared to 2013, primarily attributable to the strengthening of the U.S. dollar against the Canadian dollar and Australian dollar.

Operating income increased \$24.3 million, or 17.5%, to \$162.8 million for the year ended December 31, 2014. This increase was primarily due to the increase in segment revenues described above, including contributions from mainline pipe projects in the United States and Australia, which typically offer higher margin opportunities, and the favorable settlement of certain contract change orders during the period. Operating income as a percentage of segment revenues decreased to 6.7% for the year ended December 31, 2014 from 7.4% for the year ended December 31, 2013. This decrease was primarily due to an aggregate \$38.8 million expense recorded in 2014 associated with an adverse arbitration decision regarding a contract dispute with NGC on a 2010 directional drilling project, as well as to the impact of an increase in the estimated withdrawal liability associated with the Central States, Southeast and Southwest Areas Pension Plan (the Central States Plan) based on certain withdrawal scenarios that increased the estimated range of possible liability.

Fiber Optic Licensing and Other Segment Results

Revenues for this segment decreased \$4.5 million, or 2.6%, to \$168.1 million for the year ended December 31, 2014. This decrease in revenues was due to lower levels of ancillary telecommunication services revenues during the year ended December 31, 2014 as compared to the year ended December 31, 2013 as certain larger projects completed in the year ended December 31, 2013 did not recur to the same extent in the year ended December 31, 2014.

Operating income decreased \$1.0 million, or 1.9%, to \$54.4 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. The decrease in operating income was primarily due to the decrease in segment revenues described above. Operating income as a percentage of segment revenues for the year ended December 31, 2014 increased to 32.4% as compared to 32.1% for the year ended December 31, 2013, primarily due to a \$3.2 million charge recorded during 2013 associated with a revised assessment of state gross receipts tax requirements on fiber optic licensing revenues as a result of an industry related legal proceeding, partially offset by higher network maintenance costs during 2014.

Table of Contents***Corporate and Non-allocated Costs***

Certain selling, general and administrative expenses and amortization of intangible assets are not allocated to segments. Corporate and non-allocated costs for the year ended December 31, 2014 increased \$11.1 million to \$199.9 million as compared to the year ended December 31, 2013. This increase was partially due to \$8.4 million in higher amortization expense primarily due to the amortization of newly acquired intangible assets from 2014 and 2013 acquisitions, \$8.0 million in higher consulting and other professional fees, \$6.4 million in higher acquisition and integration costs and \$2.1 million in higher ongoing technology and business development initiatives. These increases were partially offset by \$15.6 million in lower compensation and incentive costs associated with current levels of profitability and due to the impact of approximately \$4.3 million of non-cash stock-based compensation expense in the second quarter of 2013 related to the retirement of the former Executive Chairman of our board of directors.

2013 compared to 2012***Electric Power Infrastructure Services Segment Results***

Revenues for this segment increased \$274.1 million, or 6.5%, to \$4.48 billion for the year ended December 31, 2013. Revenues were positively impacted by increased activity in electric power transmission and distribution projects, which resulted primarily from increased capital spending by our customers. Revenues in 2013 were also favorably impacted by the additional contribution of approximately \$83.6 million in revenues from companies acquired in 2013. Partially offsetting these increases was a decline in revenues from emergency restoration services, which decreased approximately \$139.7 million to approximately \$110.5 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Emergency restoration services revenues were higher in 2012 primarily as a result of Hurricane Sandy, which impacted the northeastern United States in the fourth quarter of 2012. Revenues for the year ended December 31, 2013 were also negatively impacted by lower revenues related to renewable energy projects due to decreased capital spending by our customers primarily as a result of a change in the tax incentives associated with these types of projects.

Operating income increased \$1.0 million, or 0.2%, to \$521.9 million for the year ended December 31, 2013, while operating income as a percentage of segment revenues decreased to 11.6% for the year ended December 31, 2013 from 12.4% for the year ended December 31, 2012. Operating income was positively impacted in 2013 by higher overall levels of infrastructure service revenues. However, these increases were substantially offset by lower levels of operating income contributed from emergency restoration services revenues in 2013 as compared to 2012, which typically yield higher margins.

Oil and Gas Infrastructure Services Segment Results

Revenues for this segment increased \$334.9 million, or 21.8%, to \$1.87 billion for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to an increase in revenues from pipeline projects related to unconventional shale formations in certain regions of North America. Revenues for the year ended December 31, 2013 were also favorably impacted by approximately \$167.7 million in revenues from companies acquired in 2013.

Operating income increased \$83.1 million to \$138.5 million for the year ended December 31, 2013 from \$55.4 million for the year ended December 31, 2012. Operating income as a percentage of segment revenues increased to 7.4% for the year ended December 31, 2013 from 3.6% for the year ended December 31, 2012. These increases were primarily due to continued performance improvements in project execution and the overall increase in segment

revenues described above, which improved this segment's ability to cover fixed and overhead costs. Operating margins for the year ended December 31, 2012 were negatively impacted by increased project costs as a result of performance issues caused by adverse weather conditions on certain projects which did not recur to the same extent during 2013.

Table of Contents***Fiber Optic Licensing and Other Segment Results***

Revenues for this segment decreased \$6.5 million, or 3.6%, to \$172.6 million for the year ended December 31, 2013. This decrease in revenues was primarily due to a decrease in revenues related to ancillary telecommunications and wireless infrastructure projects, partially offset by increased revenues from the installation of a statewide fiber optic network in Pennsylvania and from increased licensing of point-to-point fiber optic telecommunications facilities as a result of our continued network expansion activities.

Operating income decreased \$5.9 million, or 9.6%, to \$55.4 million for the year ended December 31, 2013. Operating income as a percentage of segment revenues for the year ended December 31, 2013 decreased to 32.1% compared to 34.2% for the year ended December 31, 2012. These decreases were primarily due to a \$3.2 million charge associated with a revised assessment of state gross receipts tax requirements on fiber optic licensing revenues as a result of a recent industry related legal proceeding, as well as higher network maintenance costs during 2013, startup costs for new lit service offerings, and the decrease in segment revenues described above.

Corporate and Non-allocated Costs

Certain selling, general and administrative expenses and amortization of intangible assets are not allocated to segments. Corporate and non-allocated costs for the year ended December 31, 2013 increased \$16.5 million to \$188.9 million. Contributing to this increase was approximately \$24.8 million in higher salary and incentive compensation costs associated with increased levels of operating activity and profitability. Included in this increase in compensation costs was approximately \$4.3 million of expense related to the accelerated vesting of equity-based awards associated with the retirement of the former Executive Chairman of our board of directors in the second quarter of 2013. Also contributing to the increase was approximately \$4.6 million in higher acquisition and integration costs and \$2.7 million in costs associated with our ongoing technology and business development initiatives. Partially offsetting these increases was a \$10.2 million decrease in amortization expense as previously acquired intangible assets became fully amortized, partially offset by amortization expense related to 2013 acquisitions.

Liquidity and Capital Resources***Cash Requirements***

Our cash and cash equivalents totaled \$190.5 million and \$488.8 million as of December 31, 2014 and 2013. As of December 31, 2014 and 2013, cash and cash equivalents held in domestic bank accounts were approximately \$127.2 million and \$236.7 million, and cash and cash equivalents held in foreign bank accounts were approximately \$63.3 million and \$252.1 million, held primarily in Canada and Australia. As of December 31, 2014 and 2013, cash and cash equivalents held by our investments in joint ventures, which are either consolidated or proportionately consolidated, were approximately \$19.1 million and \$18.9 million. We have no rights with respect to the joint ventures' cash except as permitted pursuant to their respective partnership agreements.

We were in compliance with the covenants under our credit agreement at December 31, 2014. We anticipate that our cash and cash equivalents on hand, existing borrowing capacity under our credit facility, and our future cash flows from operations will provide sufficient funds to enable us to meet our future operating needs and our planned capital expenditures, as well as facilitate our ability to grow in the foreseeable future.

Our industry is capital intensive, and we expect the need for substantial capital expenditures to continue into the foreseeable future to meet the anticipated demand for our services. Capital expenditures are expected to total \$275 million to \$300 million for 2015. Approximately \$50 million to \$60 million of the expected 2015 capital

expenditures are targeted for the expansion of our fiber optic networks.

We also evaluate opportunities for strategic acquisitions from time to time that may require cash, as well as opportunities to make investments in customer-sponsored projects where we anticipate performing services such

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as project management, engineering, procurement or construction services. These investment opportunities exist in the markets and industries we serve and may require the use of cash in the form of debt or equity investments.

During the fourth quarter of 2013, our board of directors approved a stock repurchase program authorizing us to purchase, from time to time through December 31, 2016, up to \$500.0 million of our outstanding common stock. These repurchases can be made in open market transactions or in privately negotiated transactions, including block purchases or otherwise, at management's discretion, and this program does not obligate us to acquire any specific amount of common stock. As of December 31, 2014, we had repurchased \$93.5 million of our common stock under this program. During the first quarter of 2015, we repurchased an additional \$182.0 million of our common stock under this program.

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

Through December 31, 2014, we have not provided U.S. income taxes on approximately \$344.5 million of unremitted foreign earnings. If we were to repatriate cash that is indefinitely reinvested outside the United States, we could be subject to additional U.S. income and foreign withholding taxes. Because of the number and variability of assumptions required, it is not practicable to determine the amount of any additional U.S. tax liability that may result if we decide to no longer indefinitely reinvest foreign earnings outside the United States. If our intentions or U.S. tax laws change in the future, there may be a significant negative impact on the provision for income taxes and cash flows as a result of recording an incremental tax liability in the period such change occurs.

Sources and Uses of Cash

As of December 31, 2014, we had cash and cash equivalents of \$190.5 million and working capital of \$1.42 billion. We also had \$336.7 million of outstanding letters of credit and bank guarantees, \$225.1 million of which was denominated in U.S. dollars and \$111.6 million of which was denominated in Australian or Canadian dollars, and \$68.8 million of outstanding borrowings under our credit facility, all of which was denominated in Canadian dollars. As of December 31, 2014, our \$1.325 billion senior secured revolving credit facility, which matures on October 30, 2018, had \$919.5 million available for borrowings or issuing new letters of credit or bank guarantees.

Operating Activities

Cash flow from operations is primarily influenced by demand for our services and operating margins but can also be influenced by working capital needs associated with the various types of services that we provide. In particular, working capital needs may increase when we commence large volumes of work under circumstances where project costs, primarily associated with labor, equipment and subcontractors, are required to be paid before the receivables resulting from the work performed are billed and collected. Accordingly, changes within working capital in accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, and billings in excess of costs and estimated earnings on uncompleted contracts are normally related and are typically affected on a collective basis by changes in revenue due to both changes in timing and volume of work performed and variability in the timing of customer billings and payments. Additionally, working capital needs are generally higher during the summer and fall

months due to increased demand for our services when favorable weather conditions exist in many of the regions in which we operate. Conversely, working capital assets are typically converted to cash during the winter months. These seasonal trends can be offset by changes in the timing of projects which can be impacted by project delays or accelerations and other economic factors that may affect customer spending.

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Operating activities from continuing operations provided net cash of \$310.8 million during 2014 as compared to \$446.6 million during 2013 and \$166.8 million during 2012. The decrease in cash flows from operating activities from continuing operations for the year ended December 31, 2014 compared to the year ended December 31, 2013 was partially a result of the cash outflows associated with the \$28.3 million arbitration payment described in *Legal Proceedings – National Gas Company of Trinidad and Tobago Arbitration* in Note 15 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data*. Operating cash flow from continuing operations for the year ended December 31, 2014 was also impacted by increased working capital requirements associated with the ramp up of certain electric power transmission projects, as well as weather related delays in part of North America and the timing of project close-outs that affected the achievement of certain billing milestones. In comparison, the cash flow provided by operating activities from continuing operations during the year ended December 31, 2013 was positively impacted by the collection of receivables during the first quarter of 2013 attributable to significantly higher levels of emergency restoration services provided in the fourth quarter of 2012 which did not recur in the fourth quarter of 2013. The higher working capital requirements in 2012 were primarily due to the ramp up of multiple large electric transmission projects as well as higher levels of emergency restoration services projects, primarily as a result of Hurricane Sandy, which impacted the northeastern United States in the fourth quarter of 2012. Also contributing to the increase in cash from operating activities from continuing operations were overall increased operating activity in 2014 and 2013 as compared to 2012.

Days sales outstanding (DSO) as of December 31, 2014 was 83 days, as compared to 72 days at December 31, 2013. This increase was primarily due to an additional seven days attributable to reclassification of the remaining \$65 million receivable for the Sunrise Powerlink project as well as certain other retainage amounts from long-term to current assets as of December 31, 2014 and the impact of an acquisition in the fourth quarter of 2014. These items negatively affected the December 31, 2014 calculation of DSO as there were no material fourth quarter revenues associated with these asset balances. DSO is calculated by using the sum of current accounts receivable, net of allowance (which include retainage and unbilled balances), plus costs and estimated earnings in excess of billings on uncompleted contracts less billings in excess of costs and estimated earnings on uncompleted contracts, divided by average revenues per day during the quarter.

Investing Activities

During 2014, we used net cash in investing activities from continuing operations of \$542.9 million as compared to \$320.0 million and \$321.1 million used in investing activities in 2013 and 2012. Investing activities from continuing operations in 2014 included \$301.5 million used for capital expenditures and \$262.2 million used in connection with business acquisitions, partially offset by \$14.4 million of proceeds from the sale of equipment. Investing activities from continuing operations in 2013 included \$263.6 million used for capital expenditures, \$283.8 million used in connection with acquisitions and \$10.0 million used for other investments (primarily comprised of the capital lease of an internally constructed electric power transmission asset). These amounts were partially offset by investments in and return on equity from unconsolidated affiliates of \$186.2 million, which includes gross proceeds from the sale of all of our equity ownership in HEP of approximately \$220.9 million, the release of \$36.5 million of restricted cash balances associated with a newly acquired company, and \$14.8 million of proceeds from the sale of equipment. Investing activities from continuing operations in 2012 included \$209.4 million used for capital expenditures, partially offset by \$12.4 million of proceeds from the sale of equipment. Additionally, investing activities from continuing operations in 2012 included \$68.7 million used in connection with business acquisitions and \$53.8 million used in equity investment contributions, primarily to HEP.

Our industry is capital intensive, and we expect the need for substantial capital expenditures to continue into the foreseeable future to meet the anticipated demand for our services. In addition, we expect to continue to pursue strategic acquisitions and investments, although we cannot predict the timing or magnitude of the potential cash

outlays for these initiatives.

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During 2014, net cash used by financing activities from continuing operations was \$58.3 million as compared to cash used by financing activities from continuing operations of \$16.7 million and \$15.3 million in 2013 and 2012. Financing activities from continuing operations during 2014 included \$93.5 million of common stock repurchases under our stock repurchase program, \$30.4 million of debt repayments primarily related to debt of acquired companies that was repaid shortly after their respective acquisition dates and \$14.4 million of cash payments to non-controlling interests as distributions of joint venture profits, partially offset by \$71.8 million of net proceeds from borrowings under our credit facility. Financing activities from continuing operations in 2013 included \$17.6 million of cash payments to non-controlling interests as distributions of joint venture profits, \$3.2 million of loan costs related to the amendment and restatement of our credit agreement on October 30, 2013 and the positive impact of \$3.7 million related to the tax impact of stock-based awards. Financing activities from continuing operations in 2012 included \$18.0 million of cash payments to non-controlling interests as distributions of joint venture profits.

*Debt Instruments**Credit Facility*

On October 30, 2013, we entered into an amended and restated credit agreement with various lenders that provides for a \$1.325 billion senior secured revolving credit facility maturing on October 30, 2018. The entire amount available may be used for revolving loans and letters of credit in U.S. dollars. Up to \$400.0 million may be used for revolving loans and letters of credit in certain currencies other than U.S. dollars. Swing line loans are limited to \$50.0 million in U.S. dollars, \$30.0 million in Canadian dollars and \$20.0 million in Australian dollars. In addition, subject to the conditions specified in the credit agreement, we have the option to increase the revolving commitments by up to \$300.0 million from time to time upon receipt of additional commitments from new or existing lenders. Borrowings under the credit agreement are to be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes.

As of December 31, 2014, we had approximately \$336.7 million of outstanding letters of credit and bank guarantees, \$225.1 million of which was denominated in U.S. dollars and \$111.6 million of which was denominated in Australian and Canadian dollars, and \$68.8 million of outstanding borrowings under the credit facility, all of which was denominated in Canadian dollars. The remaining \$919.5 million was available for borrowings or issuing new letters of credit or bank guarantees.

Effective April 1, 2014, amounts borrowed under the credit agreement in U.S. dollars bear interest, at our option, at a rate equal to either (i) the Eurocurrency Rate (as defined in the credit agreement) plus 1.125% to 2.125%, as determined based on our Consolidated Leverage Ratio (as described below), or (ii) the Base Rate (as described below) plus 0.125% to 1.125%, as determined based on our Consolidated Leverage Ratio. Amounts borrowed as revolving loans under the credit agreement in any currency other than U.S. dollars bear interest at a rate equal to the Eurocurrency Rate plus 1.125% to 2.125%, as determined based on our Consolidated Leverage Ratio. Standby letters of credit issued under the credit agreement are subject to a letter of credit fee of 1.125% to 2.125%, based on our Consolidated Leverage Ratio, and Performance Letters of Credit (as defined in the credit agreement) issued under the credit agreement in support of certain contractual obligations are subject to a letter of credit fee of 0.675% to 1.275%, based on our Consolidated Leverage Ratio. We are also subject to a commitment fee of 0.20% to 0.40%, based on our Consolidated Leverage Ratio, on any unused availability under the credit agreement.

Prior to April 1, 2014, amounts borrowed under the credit agreement in U.S. dollars bore interest, at our option, at a rate equal to either (i) the Eurocurrency Rate plus 1.25%, or (ii) the Base Rate plus 0.25%. Amounts borrowed as

revolving loans under the credit agreement in any currency other than U.S. dollars bore interest at a rate equal to the Eurocurrency Rate plus 1.25%. Standby letters of credit issued under the credit agreement were subject to a letter of credit fee of 1.25%, and Performance Letters of Credit issued under the credit agreement in

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support of certain contractual obligations were subject to a letter of credit fee of 0.75%. We were also subject to a commitment fee of 0.20% on any unused availability under the credit agreement.

The Consolidated Leverage Ratio is the ratio of our Consolidated Funded Indebtedness to Consolidated EBITDA (as those terms are defined in the credit agreement). For purposes of calculating our Consolidated Leverage Ratio, Consolidated Funded Indebtedness is reduced by available cash and Cash Equivalents (as defined in the credit agreement) in excess of \$25.0 million. The Base Rate equals the highest of (i) the Federal Funds Rate (as defined in the credit agreement) plus 0.5%, (ii) the prime rate publicly announced by Bank of America, N.A. and (iii) the Eurocurrency Rate plus 1.00%.

Subject to certain exceptions, the credit agreement is secured by substantially all of our assets and the assets of our wholly owned U.S. subsidiaries and by a pledge of all of the capital stock of our wholly owned U.S. subsidiaries and 65% of the capital stock of direct foreign subsidiaries of our wholly owned U.S. subsidiaries. Our wholly owned U.S. subsidiaries also guarantee the repayment of all amounts due under the credit agreement. Subject to certain conditions, all collateral will automatically be released from the liens at any time we maintain an Investment Grade Rating (defined in the credit agreement as two of the following three conditions being met: (i) a corporate credit rating that is BBB- or higher by Standard & Poor's Rating Services, (ii) a corporate family rating that is Baa3 or higher by Moody's Investors Services, Inc. or (iii) a corporate credit rating that is BBB- or higher by Fitch Ratings, Inc.).

The credit agreement contains certain covenants, including a maximum Consolidated Leverage Ratio and a minimum Consolidated Interest Coverage Ratio (as such terms are defined in the credit agreement). The credit agreement also limits certain acquisitions, mergers and consolidations, indebtedness, asset sales and prepayments of indebtedness and, subject to certain exceptions, prohibits liens on our assets. The credit agreement allows cash payments for dividends and stock repurchases subject to compliance with the following requirements (after giving effect to the dividend or stock repurchase): (i) no default or event of default under the credit agreement; (ii) continued compliance with the financial covenants in the credit agreement; and (iii) at least \$100 million of availability under the credit agreement and/or cash and cash equivalents on hand. As of December 31, 2014, we were in compliance with all of the covenants in the credit agreement.

The credit agreement provides for customary events of default and contains cross-default provisions with our underwriting, continuing indemnity and security agreement with our sureties and all other debt instruments exceeding \$75.0 million in borrowings or availability. If an Event of Default (as defined in the credit agreement) occurs and is continuing, on the terms and subject to the conditions set forth in the credit agreement, the lenders may declare all amounts outstanding and accrued and unpaid interest immediately due and payable, require that we provide cash collateral for all outstanding letter of credit obligations, terminate the commitments under the credit agreement, and foreclose on the collateral.

Off-Balance Sheet Transactions

As is common in our industry, we have entered into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected in our balance sheets. Our significant off-balance sheet transactions include liabilities associated with non-cancelable operating leases, letter of credit obligations, commitments to expand our fiber optic networks, commitments to purchase equipment, surety guarantees, certain multi-employer pension plan liabilities and obligations relating to our investments and joint venture arrangements. Certain joint venture structures involve risks not directly reflected in our balance sheets. For certain joint ventures, we have guaranteed all of the obligations of the joint venture under a contract with the customer. Additionally, other joint venture arrangements qualify as a general partnership, for which we are jointly and severally liable for all of the

obligations of the joint venture. In our joint venture arrangements, typically each joint venturer indemnifies the other party for any liabilities incurred in excess of the liabilities such other party is obligated to bear under the respective joint venture agreement. Other than as discussed in this report, we have not engaged in any material off-balance sheet financing arrangements through special purpose entities, and we have no material guarantees of the work or obligations of third parties.

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

We have guaranteed the residual value of the underlying assets under certain of our equipment operating leases at the date of termination of such leases. We have agreed to pay any difference between this residual value and the fair market value of each underlying asset as of the lease termination date. As of December 31, 2014, the maximum guaranteed residual value was approximately \$434.2 million. We believe that no significant payments will be made as a result of the difference between the fair market value of the leased equipment and the guaranteed residual value. However, there can be no assurance that future significant payments will not be required.

Letters of Credit

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

As of December 31, 2014, we had \$336.7 million in outstanding letters of credit and bank guarantees to secure our casualty insurance program and various contractual commitments. These are irrevocable stand-by letters of credit with maturities generally expiring at various times throughout 2015. Upon maturity, it is expected that the majority of the letters of credit related to the casualty insurance program will be renewed for subsequent one-year periods.

Performance Bonds and Parent Guarantees

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

arrangements in the foreseeable future. As of December 31, 2014, the total amount of outstanding performance bonds was estimated to be approximately \$2.8 billion. Our estimated maximum exposure as it relates to the value of bonds outstanding is lowered on each bonded project as the cost to complete is reduced, and each of our commitments under the performance bonds

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generally extinguishes concurrently with the expiration of our related contractual obligation. The estimated cost to complete these bonded projects was estimated to be approximately \$701 million as of December 31, 2014.

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

Contractual Obligations

As of December 31, 2014, our future contractual obligations were as follows (in thousands):

	Total	2015	2016	2017	2018	2019	Thereafter
Long-term debt ⁽¹⁾	\$ 75,163	\$ 2,868	\$ 472	\$ 3,030	\$ 68,793	\$	\$
Short-term debt ⁽¹⁾	5,056	5,056					
Operating lease obligations	235,587	79,441	49,455	39,462	29,043	14,716	23,470
Capital lease obligations ⁽¹⁾	1,146	952	194				
Equipment purchase commitments	5,635	5,635					
Capital commitment related to investments in unconsolidated affiliates ⁽²⁾	79,274	5,973	9,168	36,891		27,242	
Committed capital expenditures for fiber optic networks under contracts with customers	16,781	16,781					
Total	\$ 418,642	\$ 116,706	\$ 59,289	\$ 79,383	\$ 97,836	\$ 41,958	\$ 23,470

(1) Amounts are recorded in our December 31, 2014 consolidated balance sheet.

(2) A return of capital from unconsolidated affiliates of approximately \$52.9 million is anticipated in August 2017.

Fiber Optic Networks Commitments

The committed capital expenditures for fiber optic networks represent commitments related to signed contracts with customers. The amounts are estimates of costs required to build the networks under contract. The actual capital expenditures related to building the networks could vary materially from these estimates. We have also committed capital for the expansion of our vehicle fleet in order to accommodate manufacturer lead times on certain types of vehicles. As of December 31, 2014, production orders for approximately \$5.6 million had been issued with delivery dates scheduled to occur throughout 2015. Although we have committed to the purchase of these vehicles at the time of their delivery, we intend that these orders will be assigned to third party leasing companies and made available to us under certain of our master equipment lease agreements, which will release us from our capital commitment.

Unrecognized Tax Benefits

As of December 31, 2014, the total unrecognized tax benefits related to uncertain tax positions was \$51.1 million. We are currently under examination by the Internal Revenue Service for calendar years 2011 and 2012. Additionally, certain of our subsidiaries are under examination by various U.S. state, Canadian and other foreign tax authorities for multiple periods, and the amount of unrecognized tax benefits could therefore increase or decrease as a result of the expiration of certain statute of limitations periods or settlements of these examinations. We believe it is reasonably possible that within the next 12 months unrecognized tax benefits may decrease by up to \$10.3 million due to the expiration of certain statute of limitations periods or settlements of the examinations.

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

We may also have additional liabilities imposed by law as a result of our participation in multi-employer defined benefit pension plans. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multi-employer plan if the employer withdraws from the plan or the plan is terminated or experiences a mass withdrawal. These liabilities include an allocable share of the unfunded vested benefits in the plan for all plan participants, not merely the benefits payable to a contributing employer's own retirees. Other than as noted below, we are not aware of any material amounts of withdrawal liability that have been or are expected to be incurred as a result of a withdrawal by any of our operating units from any multi-employer defined benefit pension plans.

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

We recorded a partial withdrawal liability of approximately \$32.6 million in the fourth quarter of 2011 related to the withdrawal by certain of our subsidiaries from the Central States Plan. The partial withdrawal liability we recognized was based on estimates received from the Central States Plan during 2011 for a complete withdrawal by all of our subsidiaries participating in the Central States Plan. The Central States Plan asserted that the withdrawal of the PLCA members was not effective in 2011, although we believed at that time that a legally effective withdrawal had occurred during the fourth quarter of 2011. Although the federal district court of Northern Illinois, Eastern Division, ruled that the withdrawal of the PLCA members was not effective in 2011, the PLCA appealed the decision, and the outcome of that appeal remains uncertain. Certain of our subsidiaries continued participation in the Central States Plan, and we believe we subsequently effected a complete withdrawal as of December 30, 2012.

In December 2013, the Central States Plan filed separate lawsuits against two of our subsidiaries. In the first lawsuit, the Central States Plan alleged that one of our subsidiaries elected to participate in the Central States Plan pursuant to the collective bargaining agreement under which it participates. The subsidiary argued that no

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such election was made and that any payments made by the subsidiary to the Central States Plan were made in error. The parties recently reached an agreement in principle to settle this lawsuit, pursuant to which, among other things, the Central States Plan agreed to return the payments made by the subsidiary. In the second lawsuit, the Central States Plan alleges that contributions made by another one of our subsidiaries to a new industry fund that was created after we withdrew from the Central States Plan should have been made to the Central States Plan. This arguably would extend the date of withdrawal for this subsidiary to 2014. We have disputed these allegations on the basis that we have properly paid contributions to the new industry fund based on the terms of the collective bargaining agreement under which we participate.

In March 2014, one of our subsidiaries was notified of a joint grievance committee decision relating to a separate grievance matter concluding that our subsidiary should have hired Teamsters under a specific collective bargaining agreement to perform certain jobs. This matter was subsequently resolved with the Teamsters, effectively resulting in an award of wages and benefits (including pension contributions) to the two Teamsters employees under an alternate collective bargaining agreement that is not related to the Central States Plan. In addition, in March 2014 the Central States Plan provided revised estimates indicating that the withdrawal liability based on certain withdrawal scenarios from 2011 through 2014 could range between \$40.1 million and \$55.4 million. In July 2014, the Central States Plan provided us with a Notice and Demand of partial withdrawal liability for certain of our subsidiaries in the amount of \$39.6 million. We continue to dispute the total withdrawal liability owed to the Central States Plan. However, monthly payments associated with this Notice and Demand began in the third quarter of 2014, and the parties continue the process to determine the final withdrawal liability. The amount owed upon resolution of this matter will be reduced by the payments made.

The ultimate liability associated with the complete withdrawal of our subsidiaries from the Central States Plan will depend on various factors, including interpretations of the terms of the collective bargaining agreements under which the subsidiaries participated and whether exemptions from withdrawal liability applicable to construction industry employers will be available. Based on the previous estimates of liability associated with a complete withdrawal from the Central States Plan, and allowing for the exclusion of amounts we believe have been improperly included in such estimate, we will seek to challenge and further negotiate the amount owed in connection with this matter. However, we recorded an adjustment to cost of services during the three months ended March 31, 2014 to increase the recognized withdrawal liability to an amount within the range communicated to us by the Central States Plan. We believe that the range of reasonable possible loss associated with the Central States Plan is up to \$55.4 million. Given the unknown nature of some of the factors mentioned above, the final withdrawal liability cannot yet be determined with certainty. Accordingly, it is reasonably possible that the amount owed upon final resolution of these matters could be materially higher than the liability we have recognized through December 31, 2014.

On October 9, 2013, we acquired a company that experienced a complete withdrawal from the Central States Plan prior to the date of our acquisition. The Central States Plan issued a Notice and Demand dated March 13, 2013 to the acquired company for a withdrawal liability in the total amount of \$6.9 million payable in installments. Based on legal arguments, the acquired company took the position that the amount of withdrawal liability payable to the Central States Plan as a result of its complete withdrawal was \$4.8 million, of which approximately \$3.1 million remained outstanding as of December 31, 2014. The acquired company and Quanta have taken steps to challenge the amount of the assessment by the Central States Plan; however, payments in accordance with the terms of the Central States Plan's demand letter are required to be made while the dispute process is ongoing. Approximately \$2.1 million of the purchase price was deposited into an escrow account on October 9, 2013 to fund any withdrawal obligation in excess of the \$4.8 million initially demanded. Accordingly, the acquired company's withdrawal from the Central States Plan is not expected to have a material impact on our results of operations, financial condition or cash flows.

For a more complete description of our obligations with respect to multi-employer pension plans, see *Collective Bargaining Agreements* in Note 15 of the Notes to Consolidated Financial Statements in Item 8.

Table of Contents*Letters of Credit Fees and Commitment Fees*

Also excluded from the Contractual Obligations table is interest associated with letters of credit fees and commitment fees under our credit facility because the outstanding letters of credit, availability and applicable interest rates and fees are variable. For additional information regarding the interest rates associated with borrowings under our credit facility, see Note 9 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report.

Joint Venture Capital Commitments

We have also excluded from the Contractual Obligations table additional capital commitments associated with investments in unconsolidated affiliates related to planned midstream infrastructure projects of approximately \$9.3 million because we are unable to determine the exact timing of these capital commitments but anticipate them to be paid by June 1, 2017. As specific amounts of capital commitments and their timing are determined, we will reflect such amounts in the Contractual Obligations table.

Self-Insurance

We are insured for employer's liability, general liability, auto liability and workers' compensation claims. Under these programs, the deductibles were \$10.0 million per occurrence for general liability and auto liability, \$5.0 million per occurrence for workers' compensation, and \$1.0 million per occurrence for employer's liability for the policy years 2014-2015 and 2013-2014. For the 2012-2013 policy year, the deductibles were \$5.0 million per occurrence for general liability, auto liability and workers' compensation and \$1.0 million per occurrence for employer's liability. We are generally self-insured for all claims that do not exceed the amount of the applicable deductible. In connection with our casualty insurance programs, we are required to issue letters of credit to secure our self insured obligations. We also have employee health care benefit plans for most employees not subject to collective bargaining agreements, of which the primary plan is subject to a deductible of \$375,000 per claimant per year.

Losses under all of these insurance programs are accrued based upon our estimate of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries. These insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the extent of damage, the determination of our liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals are adequate. As of December 31, 2014 and 2013, the gross amount accrued for insurance claims totaled \$170.2 million and \$161.8 million, with \$130.8 million and \$122.6 million considered to be long-term and included in other non-current liabilities. Related insurance recoveries/receivables as of December 31, 2014 and 2013 were \$9.1 million and \$9.1 million, of which \$0.8 million and \$0.7 million were included in prepaid expenses and other current assets and \$8.3 million and \$8.4 million were included in other assets, net.

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

Concentrations of Credit Risk

We are subject to concentrations of credit risk related primarily to our cash and cash equivalents and our accounts receivable, including amounts related to unbilled accounts receivable and costs and estimated earnings in excess of

billings on uncompleted contracts. Substantially all of our cash investments are managed by what we

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believe to be high credit quality financial institutions. In accordance with our investment policies, these institutions are authorized to invest this cash in a diversified portfolio of what we believe to be high quality investments, which primarily include interest-bearing demand deposits, money market mutual funds and investment grade commercial paper with original maturities of three months or less. Although we do not currently believe the principal amount of these investments is subject to any material risk of loss, changes in economic conditions could impact the interest income we receive from these investments. In addition, we grant credit under normal payment terms, generally without collateral, to our customers, which include electric power, oil and gas companies, governmental entities, general contractors, and builders, owners and managers of commercial and industrial properties located primarily in the United States, Canada and Australia. Consequently, we are subject to potential credit risk related to changes in business and economic factors throughout the United States, Canada and Australia, which may be heightened as a result of uncertain economic and financial market conditions that have existed in recent years. However, we generally have certain statutory lien rights with respect to services provided. Historically, some of our customers have experienced significant financial difficulties, and others may experience financial difficulties in the future. These difficulties expose us to increased risk related to collectability of billed and unbilled receivables and costs and estimated earnings in excess of billings on uncompleted contracts for services we have performed.

As of December 31, 2013, two customers accounted for approximately 15% and 11% of consolidated net position. The services provided to these customers related primarily to our Electric Power Infrastructure Services segment. Substantially all of the balance for the customer accounting for 11% of our consolidated net position at December 31, 2013 related to the Sunrise Powerlink project, which had a long-term receivable balance related to a significant change order. This receivable was the subject of an arbitration proceeding that was dismissed in January 2015 pursuant to a December 2014 settlement agreement. For additional information, see *Legal Proceedings* and *Critical Accounting Policies – Current and Long-Term Accounts and Notes Receivable and Allowances for Doubtful Accounts* below. No other customers represented 10% or more of our consolidated net position as of December 31, 2013. No customers represented 10% or more of our revenues for the years ended December 31, 2014, 2013 and 2012 or 10% or more of our consolidated net position as of December 31, 2014.

Legal Proceedings

We are from time to time party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, employment-related damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, we record a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In addition, we disclose matters for which management believes a material loss is at least reasonably possible. See *Legal Proceedings* and *Collective Bargaining Agreements* in Note 15 of the Notes to Consolidated Financial Statements in Item 8. *Financial Statements and Supplementary Data* for additional information regarding litigation, claims and other legal proceedings, including our partial withdrawal liability under the Central States Plan.

Sunrise Powerlink Arbitration. On April 21, 2010, PAR Electrical Contractors, Inc. (PAR), one of our wholly owned subsidiaries, entered into a contract with San Diego Gas & Electric Company (SDG&E) to construct a 117-mile electrical transmission line in Imperial and San Diego Counties, California, known as the Sunrise Powerlink project. Construction commenced on November 17, 2010, with commercial operations beginning on June 17, 2012. We alleged that during the construction phase, SDG&E directed multiple changes to the construction schedule that required us to significantly increase our resources to the project in order to meet SDG&E's required completion date. Further, we contended that the project experienced numerous impacts beyond our control such as access delays and restrictions, as well as problems with customer supplied materials to the project. Following completion of the project, we had multiple meetings with SDG&E to review project scope, costs and performance criteria in an attempt to

resolve the amount owed to us. SDG&E also conducted an audit of our records, which resulted in confirmation of our direct costs incurred in completing the project, but not

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a resolution of the final amount owed to us. We previously recorded a long-term contract receivable in the amount of approximately \$165 million in connection with contract price adjustments related to the Sunrise Powerlink project.

In October 2013, we initiated arbitration proceedings against SDG&E alleging breach of contract and seeking compensation for our additional costs incurred on the project. SDG&E filed a counterclaim for breach of contract seeking approximately \$32 million for our alleged untimely performance. During the third quarter of 2014, we evaluated the legal theories and strategies most advantageous to pursue relative to our position in the arbitration at the time, which resulted in a change in our expected strategy for collecting the receivable. This change in approach caused us to revise our estimate of expected outcomes and to record an adjustment to the net realizable value of the long-term contract receivable. A provision of \$52.5 million was recognized in the three months ended September 30, 2014 as a charge to selling, general and administrative expense to reflect the impact of these changes in our assessment of the collectability of this long-term receivable. We also amended our arbitration demand in October 2014 and asserted a claim for damages in excess of \$113 million including interest and other relief to which we were entitled.

In December 2014, the parties reached an agreement to dismiss the arbitration. The settlement terms provided for a cash payment by SDG&E to us in the amount of \$65 million, representing the final amount to compensate us for substantially all of the unpaid portion of our costs incurred on the project. As a result, an additional provision of \$49.9 million was recognized in the three months ended December 31, 2014 as a charge to selling, general and administrative expense to reflect the impact of this settlement. Payment was received in January 2015, and the arbitration was dismissed shortly thereafter.

Related Party Transactions

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

Inflation

Due to relatively low levels of inflation experienced during the years ended December 31, 2014, 2013 and 2012, inflation did not have a significant effect on our results.

New Accounting Pronouncements***Adoption of New Accounting Pronouncements***

On January 1, 2014, we adopted an update that provides guidance on the balance sheet presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard did not have a material effect on our consolidated financial statements.

Accounting Standards Not Yet Adopted

In April 2014, the FASB issued an update that changes the requirement for reporting discontinued operations. A disposal of a component of an entity or a group of components of an entity will be required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the entity or group of components of an entity meets the criteria to be classified

as held for sale or when it is disposed of by sale or other than by sale. The update also requires additional disclosures about discontinued operations, a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements, and an entity's significant continuing involvement with a discontinued operation. The update is effective prospectively

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for fiscal years beginning on or after December 15, 2014, including interim periods within those years. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in previously issued financial statements. We adopted this guidance effective January 1, 2015. This guidance will impact the disclosure and presentation of how we report any future disposals of components or groups of components of our business.

In May 2014, the FASB issued an update that supersedes most current revenue recognition guidance as well as some cost recognition guidance. The update requires that an entity recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update also requires new qualitative and quantitative disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, information about contract balances and performance obligations, and assets recognized from costs incurred to obtain or fulfill a contract. For public entities, the update is effective for fiscal years beginning on or after December 15, 2016, including interim periods within that year. The guidance can be applied on a full retrospective or modified retrospective basis whereby the entity records a cumulative effect of initially applying this update at the date of initial application, and early adoption is not permitted. We are currently evaluating the potential impact of this authoritative guidance on our consolidated financial statements and are planning to adopt this guidance effective January 1, 2017.

In August 2014, the FASB issued guidance to address the diversity in practice in determining when there is substantial doubt about an entity's ability to continue as a going concern and when and how an entity must disclose certain relevant conditions and events. This update requires an entity to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year after the date that the financial statements are issued (or available to be issued). If such conditions or events exist, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern for a period of one year after the date that the financial statements are issued (or available to be issued), along with the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations and management's plans that are intended to mitigate those conditions or events. The guidance is effective for annual and interim periods ending after December 15, 2016. This guidance will impact the disclosure and presentation of how we report any substantial doubt about our ability to continue as a going concern, if such substantial doubt were to exist. Quanta will adopt this guidance effective January 1, 2017.

In February 2015, the FASB issued an update which amends existing consolidation guidance, including amending the guidance related to determining whether an entity is a variable interest entity. The update is effective for interim and annual periods beginning after December 15, 2015, although early adoption is permitted. The guidance may be applied using a modified retrospective approach whereby the entity records a cumulative effect of adoption at the beginning of the fiscal year of initial application. A reporting entity may also apply the amendments on a full retrospective basis. We are currently evaluating the potential impact of this authoritative guidance on our consolidated financial statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with US GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist as of the date the consolidated financial statements are published and the reported amounts of revenues and expenses recognized during the periods presented.

We review all significant estimates affecting our consolidated financial statements on a recurring basis and record the effect of any necessary adjustments prior to their publication. Judgments and estimates are based on our beliefs and assumptions derived from information available at the time such judgments and estimates are made. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements. There can be no assurance that actual results will not differ from those estimates. Management has reviewed its development and selection of critical accounting estimates with the

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audit committee of our board of directors. We believe the following accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

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

Revenues from fixed price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. These contracts provide for a fixed amount of revenues for the entire project. Such contracts provide that the customer accept completion of progress to date and compensate us for services rendered, which may be measured in terms of units installed, hours expended or some other measure of progress. Contract costs include all direct materials, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Much of the material associated with our work is owner-furnished and is therefore not included in contract revenues and costs. The cost estimation process is based on professional knowledge and experience of our engineers, project managers and financial professionals. Changes in job performance, job conditions and final contract settlements are factors that influence management's assessment of total contract value and the total estimated costs to complete those contracts and therefore, our profit recognition. Changes in these factors may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. These factors are routinely evaluated on a project by project basis throughout the project term, and the impact of corresponding revisions in management's estimates of contract value, contract cost and contract profit are recorded as necessary in the period in which the revisions are determined. Provisions for losses on uncompleted contracts are made in the period in which such losses are determined to be probable and the amount can be reasonably estimated. If actual results significantly differ from our estimates used for revenue recognition and claim assessments, our financial condition and results of operations could be materially impacted. Our operating results for the year ended December 31, 2014 were impacted by less than 5% as a result of changes in contract estimates related to projects that were in progress at December 31, 2013.

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

We may incur costs subject to change orders, whether approved or unapproved by the customer, and/or claims related to certain contracts. We determine the probability that such costs will be recovered based upon evidence such as past practices with the customer, specific discussions or preliminary negotiations with the customer or verbal approvals. We treat items as a cost of contract performance in the period incurred if it is not probable that the costs will be recovered or will recognize revenue if it is probable that the contract price will be adjusted and can be reliably

estimated.

As of December 31, 2014 and 2013, we had approximately \$106.8 million and \$75.5 million of change orders and/or claims that had been included as contract price adjustments on certain contracts which were in the process of being negotiated in the normal course of business.

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As of December 31, 2013 and throughout most of 2014, we also had previously recognized contract price adjustments related to a change order from the Sunrise Powerlink project of approximately \$165 million. In October 2013, we initiated arbitration proceedings against SDG&E pursuant to a contractually agreed upon dispute resolution process to collect amounts due for this project. In December 2014, the parties reached an agreement to settle the arbitration under terms providing for a cash payment by SDG&E in the amount of \$65 million, representing the final amount to compensate us for substantially all of the unpaid portion of the costs incurred by us on the project. During the third and fourth quarters of 2014, we recorded a provision in the aggregate amount of \$102.5 million against the recorded value of this asset. See *Liquidity and Capital Resources – Legal Proceedings – Sunrise Powerlink Arbitration* above for additional information.

These aggregate contract price adjustments represent management's best estimate of additional contract revenues which have been earned and which management believes are probable of collection. The amounts ultimately realized by us upon final acceptance by our customers could be higher or lower than such estimated amounts.

Fiber Optic Licensing The fiber optic licensing business constructs and licenses the right to use fiber optic telecommunications facilities to its customers pursuant to licensing agreements, typically with terms from five to twenty-five years, inclusive of certain renewal options. Under those agreements, customers are provided the right to use a portion of the capacity of a fiber optic facility, with the facility owned and maintained by us. Revenues, including any initial fees or advance billings, are recognized ratably over the expected length of the agreements, including probable renewal periods. As of December 31, 2014 and 2013, initial fees and advance billings on these licensing agreements not yet recorded in revenue were \$56.5 million and \$48.8 million and are recognized as deferred revenue, with \$48.2 million and \$40.2 million considered to be long-term and included in other non-current liabilities. Actual revenues may differ from those estimates if the contracts are not renewed as expected.

Self-Insurance. As discussed in *Liquidity and Capital Resources – Self-Insurance*, we are insured for employer's liability, general liability, auto liability and workers' compensation claims.

Losses under all of these insurance programs are accrued based upon our estimate of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries. These insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the extent of damage, the determination of our liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals are adequate. As of December 31, 2014 and 2013, the gross amount accrued for insurance claims totaled \$170.2 million and \$161.8 million with \$130.8 million and \$122.6 million considered to be long-term and included in other non-current liabilities. Related insurance recoveries/receivables as of December 31, 2014 and 2013 were \$9.1 million and \$9.1 million, of which \$0.8 million and \$0.7 million were included in prepaid expenses and other current assets and \$8.3 million and \$8.4 million were included in other assets, net.

Valuation of Goodwill. We have recorded goodwill in connection with our historical acquisitions of companies. Upon acquisition, these companies have been either combined into one of our existing operating units or managed on a stand-alone basis as an individual operating unit. Goodwill recorded in connection with these acquisitions is subject to an annual assessment for impairment, which we perform at the operating unit level for each operating unit that carries a balance of goodwill. Each of our operating units is organized into one of three internal divisions: the Electric Power Division, the Oil and Gas Infrastructure Division or the Fiber Optic Licensing Division. As most of the companies acquired by us provide multiple types of services for multiple types of customers, these divisional designations are based on the predominant type of work performed by each operating unit at the point in time the divisional designation is made. Goodwill is required to be measured for impairment at the reporting unit level, which is the operating segment level or one level below the operating segment level for which discrete financial information

is available, and we have determined that our individual operating units represent our reporting units for the purpose of assessing goodwill impairments.

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

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

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

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

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

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The projected cash flows and estimated levels of EBITDA by reporting unit were used to determine fair value under the three approaches discussed herein. The following table presents the significant estimates used by management in determining the fair values of our reporting units at December 31, 2014, 2013 and 2012:

	Operating Units Providing Predominantly			Operating Unit Providing		
	Electric Power and Oil and Gas Infrastructure Services			Fiber Optic Licensing		
	2014	2013	2012	2014	2013	2012
Years of cash flows before terminal value	5	5	5	15	15	15
Discount rates	12% to 14%	12% to 14%	12% to 13%	12%	12%	12%
EBITDA multiples	5.0 to 6.0	5.0 to 8.0	4.5 to 8.0	9.5	9.5	9.5
Weighting of three approaches:						
Discounted cash flows	70%	70%	70%	90%	90%	90%
Market multiple	15%	15%	15%	5%	5%	5%
Market capitalization	15%	15%	15%	5%	5%	5%

For recently acquired reporting units, a step one impairment test may indicate an implied fair value that is substantially similar to the reporting unit's carrying value. Such similarities in value are generally an indication that management's estimates of future cash flows associated with the recently acquired reporting unit remain relatively consistent with the assumptions that were used to derive its initial fair value.

During the fourth quarter of 2014, a two-step fair-value based goodwill impairment analysis was performed for each of our reporting units, and no reporting units, other than recently acquired reporting units, were evaluated solely on a qualitative basis. The analysis indicated that the implied fair value of each of our reporting units was substantially in excess of its carrying value. Following the analysis, management concluded that no impairment was indicated at any reporting unit. As discussed generally above, when evaluating the 2014 step one impairment test results, management considered many factors in determining whether or not an impairment of goodwill for any reporting unit was reasonably likely to occur in future periods, including future market conditions and the economic environment in which our reporting units were operating. Additionally, management considered the sensitivity of its fair value estimates to changes in certain valuation assumptions and, after giving consideration to at least a 10% decrease in the fair value of each of our reporting units, the results of the assessment at December 31, 2014 did not change. However, circumstances such as market declines, unfavorable economic conditions (including sustained decreases in oil and natural gas prices), the loss of a major customer or other factors could impact the valuation of goodwill in future periods.

The goodwill analysis performed for each reporting unit was based on estimates and industry comparables obtained from the electric power, oil and gas and fiber optic licensing industries, and no impairment was indicated. The 15-year discounted cash flow model used for fiber optic licensing was based on the long-term nature of the underlying fiber optic network licensing agreements.

We assigned a higher weighting to the discounted cash flow approach in all periods to reflect increased expectations of market value being determined from a held and used model. As stated previously, cash flows are derived from budgeted amounts and operating forecasts that have been evaluated by management. In connection with the 2014 assessment, projected annual growth rates by reporting unit varied widely with ranges from 0% to 71% for reporting units in the Electric Power Division and the Oil and Gas Infrastructure Division and 4% to 12% for the reporting unit in Fiber Optic Licensing Division.

Estimating future cash flows requires significant judgment, and our projections may vary from cash flows eventually realized. Changes in our judgments and projections could result in a significantly different estimate of the fair value of reporting units and intangible assets and could result in an impairment. Variances in the assessment of market conditions, projected cash flows, cost of capital, growth rates and acquisition multiples applied could have an impact on the assessment of impairments and any amount of goodwill impairment charges

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recorded. For example, lower growth rates, lower acquisition multiples or higher costs of capital assumptions would all individually lead to lower fair value assessments and potentially increased frequency or size of goodwill impairments. Any goodwill or other intangible impairment would be included in the consolidated statements of operations.

Based on the first step of the goodwill impairment analysis, we compared the sum of fair values of our reporting units to our market capitalization at December 31, 2014 and determined that the excess of the aggregate fair value of all reporting units to our market capitalization reflected a reasonable control premium. Our market capitalization at December 31, 2014 was approximately \$5.99 billion, and our total stockholders' equity was approximately \$4.51 billion. We determined that there was no goodwill impairment at December 31, 2014. Increases in the carrying value of individual reporting units that may be indicated by our impairment tests are not recorded, therefore we may record goodwill impairments in the future, even when the aggregate fair value of our reporting units as a whole may increase.

We and our customers continue to operate in an uncertain business environment, with increasing regulatory requirements and only gradual recovery in the economy from recessionary levels. We are closely monitoring our customers and the effect that changes in economic and market conditions have had or may have on them. Certain of our customers have reduced spending in recent years, which we attribute to the negative economic and market conditions, and we anticipate that these negative conditions may continue to affect demand for some of our services in the near-term. We continue to evaluate the impact of the economic environment on our reporting units and the valuation of recorded goodwill. Although we are not aware of circumstances that would lead to a goodwill impairment at a reporting unit currently, circumstances such as a continued market decline, the loss of a major customer or other factors could impact the valuation of goodwill in the future.

Our goodwill is included in multiple reporting units. Due to the cyclical nature of our business, and the other factors described under *Risk Factors* in Item 1A, the profitability of our individual reporting units may suffer from downturns in customer demand and other factors. These factors may have a disproportionate impact on the individual reporting units as compared to Quanta as a whole and might adversely affect such fair value of individual reporting units. If material adverse conditions occur that impact our reporting units, our future estimates of fair value may not support the carrying amount of one or more of our reporting units, and the related goodwill would need to be written down to an amount considered recoverable.

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

We amortize intangible assets based upon the estimated consumption of the economic benefits of each intangible asset or on a straight-line basis if the pattern of economic benefits consumption cannot otherwise be reliably estimated. Intangible assets subject to amortization are reviewed for impairment and are tested for recoverability

whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For instance, a significant change in business climate or a loss of a significant customer, among other things, may trigger the need for interim impairment testing of intangible assets. An impairment loss would be recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

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Valuation of Long-Lived Assets. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be realizable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such asset is necessary. This requires us to make long-term forecasts of the future revenues and costs related to the assets subject to review. Forecasts require assumptions about demand for our products and future market conditions. Estimating future cash flows requires significant judgment, and our projections may vary from the cash flows eventually realized. Future events and unanticipated changes to assumptions could require a provision for impairment in a future period. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value. Such expense would be reflected in income (loss) from operations in the consolidated statements of operations. In addition, we estimate the useful lives of our long-lived assets and other intangibles and periodically review these estimates to determine whether these lives are appropriate.

Current and Long-Term Accounts and Notes Receivable and Allowance for Doubtful Accounts. We provide an allowance for doubtful accounts when collection of an account or note receivable is considered doubtful, and receivables are written off against the allowance when deemed uncollectible. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates regarding, among other factors, our customer's access to capital, our customer's willingness or ability to pay, general economic and market conditions, the ongoing relationship with the customer and uncertainties related to the resolution of disputed matters. We consider accounts receivable delinquent after 30 days but do not generally include delinquent accounts in our analysis of the allowance for doubtful accounts unless the accounts receivable have been outstanding for at least 90 days. In addition to balances that have been outstanding for 90 days or more, we also include accounts receivable balances that relate to customers in bankruptcy or with other known difficulties in our analysis of the allowance for doubtful accounts. Material changes in our customers' business or cash flows, which may be impacted by negative economic and market conditions, could affect our ability to collect amounts due from them.

Long-term accounts receivable are included within other assets, net on our consolidated balance sheets. Within this balance at December 31, 2013 was a long-term contract receivable previously recorded in the amount of approximately \$165 million attributable to recognized contract price adjustments related to a change order from the Sunrise Powerlink project, an electric power infrastructure services project completed in 2012 by PAR for SDG&E. This receivable was the subject of a recently settled arbitration proceeding discussed further in *Legal Proceedings Sunrise Powerlink Arbitration* above. In December 2014, the parties reached an agreement to settle the arbitration under terms providing for a cash payment by SDG&E to us in the amount of \$65 million, representing the final amount to compensate us for substantially all of the unpaid portion of our costs incurred on the project. Accordingly, a provision of \$102.5 million was recognized in 2014 as a charge to selling, general and administrative expense, and the remaining balance of \$65 million was reclassified to accounts receivable leaving no balance remaining in other assets, net related to the Sunrise Powerlink project as of December 31, 2014. Payment was received in January 2015, and the arbitration was dismissed shortly thereafter.

Should customers experience financial difficulties or file for bankruptcy, or should anticipated recoveries relating to receivables in existing bankruptcies or other workout situations fail to materialize, we could experience reduced cash flows and losses in excess of current allowances provided.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally due upon completion of the contracts and acceptance by the customer. Based on our experience with similar contracts in recent years, the majority of the retainage balances at each balance sheet date are expected to be collected within the next twelve months. Current retainage balances as of December 31, 2014 and 2013 were approximately \$307.3 million and \$194.5 million and were included in accounts receivable. Retainage balances with settlement dates beyond the next twelve months were included in other assets, net, and as of December 31, 2014 and 2013 were \$19.6

million and \$50.8 million.

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Within accounts receivable, we recognize unbilled receivables in circumstances such as when revenues have been earned and recorded but the amount cannot be billed under the terms of the contract until a later date; costs have been incurred but are yet to be billed under cost-reimbursement type contracts; or amounts arise from routine lags in billing (for example, work completed one month but not billed until the next month). These balances do not include revenues accrued for work performed under fixed-price contracts as these amounts are recorded as costs and estimated earnings in excess of billings on uncompleted contracts. At December 31, 2014 and 2013, the balances of unbilled receivables included in accounts receivable were approximately \$165.5 million and \$179.2 million.

Income Taxes. We follow the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the underlying assets or liabilities are recovered or settled.

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

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

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

Outlook

We believe there are growth opportunities across all the industries we serve. However, we and our customers continue to operate in a somewhat uncertain business environment, with gradual improvement in the economy yet continuing uncertainty in the marketplace. Our customers are also facing stringent regulatory and environmental requirements as they implement projects to enhance and expand their infrastructure. More recently, the sharp decline in oil prices could impact certain of our end markets, should prices remain at lower levels for an extended period of time. These economic, regulatory and other factors have negatively affected our results in the past and may continue to create some uncertainty as to the timing of anticipated customer spending. We believe that our financial and operational strengths will enable us to manage these challenges and uncertainties, and we remain optimistic about our near-term and long-term opportunities.

Electric Power Infrastructure Services Segment

The North American electric grid is aging and requires significant upgrades, maintenance and expansion to meet current and future demands for power delivery. Over the past several years, many utilities across North America have

begun to implement plans to improve their transmission systems in order to improve reliability and reduce congestion. Among other things, these activities include new construction, structure change-outs, line

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upgrades and maintenance projects on many transmission systems. In addition, state renewable portfolio standards, which set required or voluntary standards for how much power is to be generated from renewable energy sources, can result in the need for additional transmission lines and substations to transport the power from these facilities, which are often in remote locations, to demand centers. Other factors, such as the reliability standards issued by the North American Electric Reliability Corporation (NERC) and other regulatory actions, are also driving transmission system upgrades and expansions. We believe these factors create significant opportunities for our transmission infrastructure services.

We believe that utilities remain committed to the expansion and strengthening of their transmission infrastructure with planning, engineering and funding for many of their projects in place. The regulatory and environmental permitting processes remain a hurdle for some proposed transmission and renewable energy projects, and these factors continue to create uncertainty as to timing of this spending. The timing and scope of projects can also be affected by other factors such as siting, right-of-way and unfavorable economic and market conditions. We anticipate many of these issues to be overcome and spending on transmission projects to be active over the next few years. We currently have a number of these projects underway, and we expect this segment's backlog to remain strong throughout 2015.

Several existing, pending or proposed legislative or regulatory actions may also positively affect demand for the services provided by this segment in the long term, particularly in connection with electric power infrastructure and renewable energy spending. For example, legislative or regulatory action that alleviates some of the siting and right-of-way challenges that impact transmission projects would potentially accelerate future transmission line construction. We also anticipate increased infrastructure spending by our customers as a result of regulation requiring the power industry to meet federal reliability standards for its transmission and distribution systems and providing incentives to the industry to invest in and improve maintenance on its systems. Developments in environmental regulations concerning fossil fuel power generation plants are resulting in the need to retire or upgrade older coal-fired generation facilities to comply with new environmental and emission rules. Much of the electricity previously generated from retired coal-fired generation facilities will be replaced over the coming years by newly developed natural gas-fired generation facilities. We believe this coal to gas dynamic will require old transmission lines to be updated, rebuilt or replaced with higher voltage transmission infrastructure as well as the construction of new transmission infrastructure to connect new natural gas-fired generation facilities to the grid.

The Federal Energy Regulatory Commission (FERC) issued FERC Order No. 1000 to promote more efficient and cost-effective development of new transmission facilities. The order establishes transmission planning and cost allocation requirements intended to facilitate multi-state electric transmission lines and to encourage competition by removing, under certain conditions, federal rights of first refusal from FERC-approved tariffs and agreements. We believe FERC Order No. 1000, which was affirmed by FERC in May 2012 with the issuance of FERC Order No. 1000-A, has the potential to favorably impact electric transmission line development over time.

We benefited from increases in distribution spending throughout the last four years, despite continued economic and political uncertainties. Furthermore, as a result of reduced spending by utilities on their distribution systems during 2009 and 2010, combined with the need to meet reliability requirements, we believe there is an ongoing need for utilities to resume sustained investment in their distribution systems in order to properly maintain their systems. In addition, a number of utilities are implementing system upgrades or hardening programs in response to severe weather events that have occurred over the past few years, which is also increasing distribution investment in some regions of the United States. We also anticipate that utilities will continue to integrate smart grid technologies into their distribution systems over time to improve grid management and create efficiencies. Development and installation of smart grid technologies and other energy efficiency initiatives have benefited from stimulus funding under the American Recovery and Reinvestment Act of 2009, as well as the implementation of grid management

initiatives by utilities and the desire by consumers for more efficient energy use.

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

The need to ensure available specialized labor resources for projects also drives strategic relationships with customers. In addition, several industry and market trends are prompting customers in the electric power industry to seek outsourcing partners. These trends include an aging utility workforce and labor availability issues, increasing pressure to reduce cost and improve reliability, and increasing duration and complexity of customer capital programs. As the economy and financial markets continue to recover, customer demand for labor resources will continue to increase, possibly outpacing the supply of industry resources. As a result, we believe the number of opportunities for strategic partnerships is growing.

Oil and Gas Infrastructure Services Segment

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

The oil and gas industry is cyclical and subject to volatility as a result of fluctuations in natural gas, natural gas liquids and oil prices. In the past, sustained periods of low prices for these products negatively impacted the development of these natural resources and related infrastructure. In addition, environmental scrutiny, stringent regulatory requirements and cumbersome permitting processes caused delays in some mainline pipe projects during the past several years. These dynamics resulted in below average mainline pipe construction opportunities for us and the industry in 2011, 2012 and 2013.

The lack of mainline pipe opportunities in 2011, 2012 and 2013 negatively impacted our Oil and Gas Infrastructure Services segment margins, in part as a result of our inability to adequately cover certain fixed costs. Margins for mainline pipe projects are also subject to significant performance risk, which can arise from adverse weather conditions, challenging geography, customer decisions and crew productivity. Our specific opportunities in the mainline pipe business are sometimes difficult to predict because of the seasonality of the bidding and construction cycles within the industry.

A number of large mainline pipe projects are in various stages of development from the Canadian oil sands and North American shale formations to refineries and other demand centers. Many of these projects are still developing, though several mainline projects have been awarded to us and other pipeline construction contractors. Given the costs and time required to bring a mainline pipeline project from conception to construction, we believe many of our

customers view such projects as important, strategic pieces of infrastructure. Industry participants with this view have a long term perspective regarding their needs and are less

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influenced by short term commodity fluctuations. However, if oil and natural gas prices remained at low levels for a prolonged period, demand for our oil and natural gas infrastructure services could be materially impacted. While there is risk that some of these projects will not occur or could be delayed, we are encouraged by these proposed mainline pipe development plans and the progression of some mainline projects being awarded to contractors, which could create an improved and favorable mainline pipe market in 2015 for us and the industry in North America. A number of the proposed oil mainline projects that are under development have already secured oil production customers under contractual arrangements, making these projects economically viable despite the decline in oil prices. There are also a number of natural gas mainline projects in development and we expect an increase in new proposed natural gas mainline projects over the coming years, which could result in additional demand for our mainline services going forward.

We also believe there are significant mainline pipe opportunities in Australia driven by the production of coal seam gas for LNG export. A number of LNG export facilities are under construction and proposed for development in Australia, Canada and the United States, and pipelines and related infrastructure will be required to serve these facilities.

Our customers continue to invest in the infrastructure needed to support the development of unconventional shale formations. We have established a strong presence in select unconventional shale formations to position us to successfully pursue projects associated with midstream gathering infrastructure development. Even though oil prices have declined recently, demand for pipeline services to support shale gathering infrastructure has remained active in the markets we are strategically focused on. However, due to the recent decline in oil prices, we believe demand for midstream gathering infrastructure in some shale formations where oil is the primary product being produced could be negatively impacted if oil prices remain at lower levels for an extended period of time. The majority of our midstream gathering work is performed in shale formations where natural gas is the primary product being produced. Over the medium and longer term, however, we believe oil, natural gas and natural gas liquids should achieve prices that support their continued exploitation, which will require additional infrastructure to be built to support increased North American hydrocarbon production.

We have also expanded our service offerings in this segment through several recent acquisitions, including the acquisition of two pipeline construction and related services companies in Canada, which has expanded our Canadian services capabilities and the acquisition of a mainline construction company in Australia, which has different market drivers and seasonality as compared to North America. In addition, our recent acquisitions of companies that provide pipeline logistics services to the natural gas and oil industry in the United States and specialty services to the offshore oil and gas industry further enhance the segment's service offerings, customer base and end markets.

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

We believe there are meaningful long-term opportunities for us to penetrate the offshore and inland water energy markets in providing various infrastructure design, installation and maintenance services primarily to the Gulf of Mexico region but also in select international markets. The offshore infrastructure service opportunities

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we see are very similar to what we perform onshore in this segment, and several of our existing onshore customers who also have offshore assets have expressed interest in our ability to provide offshore infrastructure services. Demand for offshore energy infrastructure services is similar to that on land, including the need for engineering, construction and maintenance services for new and existing offshore exploration and production platforms. In addition, the majority of the thousands of miles of marine based pipelines and related production facilities are approaching or are beyond the end of their useful lives. We see this as an opportunity to leverage our onshore pipeline integrity services and technology to the offshore market's aging infrastructure. Further, new regulations and the more stringent enforcement of existing regulations administered by the Bureau of Safety and Environmental Enforcement should create opportunities for offshore energy infrastructure construction, repair and replacement services.

Overall, we are optimistic about this segment's operations going forward. The recent decline in oil prices could impact demand for some of our infrastructure services if oil prices remain at lower levels. We believe the oil market will naturally correct the current oversupply situation over time and as a result, oil prices could recover to higher levels. The timing of when that process occurs, however, is uncertain. From a medium and longer term perspective, we believe commodity prices will reach higher levels to encourage the development of North American hydrocarbons, leading to demand for our oil and gas infrastructure services. We continue to believe that mainline pipe opportunities can provide strong profitability, although these projects and the profits they generate are often subject to more cyclical and execution risk than our other service offerings. We have also taken steps to diversify our operations in this segment through other services, such as pipeline integrity, pipeline logistics, and offshore specialty services. We believe these measures, together with the potential for mainline pipe opportunities, will position us for profitable growth in this segment over the long-term.

Fiber Optic Licensing and Other Segment

Our Fiber Optic Licensing and Other segment is experiencing growth primarily through network expansion, with a focus on markets where secure high-speed networks are important, such as markets where enterprise, telecommunications carriers, educational, financial services and healthcare institutions are prevalent. We continue to see opportunities for growth both in the markets we currently serve and new markets. The education market, which comprises a significant portion of this segment's revenue, had been negatively impacted by challenging economic conditions and budgetary constraints. These constraints eased through the end of 2012, and we currently see spending patterns providing renewed opportunities for growth. However, expanding the markets we serve continues to create competitive pressure which may impact this segment's prospects for future growth.

We are also expanding our service offerings to provide lit services. For lit services, we procure and own the electronic equipment necessary to make the fiber optic network operational, and we provide network management services to customers. The addressable market opportunity for lit services is larger than the dark fiber services market and we believe providing lit services should enable us to leverage the fiber optic network capacity in our existing and future fiber networks. We have been investing in the necessary people and equipment needed to expand and grow our lit services, and although 2014 was a transition year as we began deploying our lit services offering, we believe lit services will provide attractive growth opportunities.

Our Fiber Optic Licensing and Other segment typically generates higher margins than our other operations, but we can give no assurance that the Fiber Optic Licensing and Other segment margins will continue at historical levels. Additionally, we anticipate the need for continued capital expenditures to support the build-out of our networks and growth of this business. The Fiber Optic Licensing and Other segment also provides various telecommunications infrastructure services on a limited and ancillary basis, primarily to our customers in the electric power industry. Due to the disposition of our telecommunications subsidiaries, telecommunications services are no longer a strategic

priority for us. We will continue to provide these services to utility customers on an as needed basis. However, we believe that expected increases in this segment's revenues associated with fiber optic licensing services could be offset by decreases in other telecommunications infrastructure service revenues.

Table of Contents***Conclusion***

We continue to see growth opportunities in all of the industry segments we serve, despite continuing challenges from restrictive regulatory requirements and uncertain economic conditions. We are benefiting from utilities' increased spending on projects to upgrade and expand their electric power transmission infrastructure to improve system reliability and to deliver renewable electricity from new generation sources to demand centers. Favorable industry legislation is also creating incentives and a positive environment for utilities to invest in their electrical infrastructure, particularly for transmission infrastructure. Additional environmental regulations concerning fossil fuel power generation emissions create opportunities for transmission lines to be updated, rebuilt or replaced due to coal to gas facility replacements. We also expect utilities to outsource more of their work to companies like us, due in part to the challenges associated with their aging workforce. We believe that we remain the partner of choice for many utilities in need of broad infrastructure expertise, specialty equipment and workforce resources, particularly as capital budgets and infrastructure projects have become larger and more complex.

The recent decline in oil prices creates uncertainty in the near term for our oil and gas infrastructure services, should oil prices remain at lower levels. However, we believe near term and longer term dynamics create growth opportunities going forward for our oil and gas infrastructure services operations. We believe that our overall size and breadth of service offerings provide competitive advantages that allow us to leverage opportunities driven by the development and production of resources from North American unconventional shale formations, the Canadian oil sands and coal seam gas and unconventional shale formations in Australia. Development activity in the shale formations in which we are strategically focused remains active, and North American oil and natural gas production is expected to continue to increase, thereby driving demand for gathering system infrastructure. Further, we are seeing encouraging indications that increases in mainline pipe project activity in 2013 and 2014 could continue through 2015. We also believe that our strategy to pursue midstream gathering system opportunities in certain unconventional shale formations in the United States, as well as the anticipated increase in demand for our pipeline integrity, rehabilitation and replacement services from pipeline integrity initiatives, and other services in adjacent markets that we have gained through recent acquisitions, will create attractive growth potential for us and also further diversify the services provided by our Oil and Gas Infrastructure Services segment in both the near and long term.

Our electric distribution and gas distribution services were both significantly affected by the uncertain economic conditions that existed during the prior recession. Demand for our electric distribution services has increased over the past several years as the economy has stabilized and spending on maintenance to improve reliability has returned. We are optimistic that continued implementation of electric distribution reliability programs and the potential for improvement in the housing market will facilitate continued growth in demand for our electric distribution services. Gas distribution spending has been driven primarily by improving economic conditions and the lower cost of natural gas.

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

Capital expenditures for 2015 are expected to be between \$275 million to \$300 million, of which approximately \$50 million to \$60 million of these expenditures are targeted for fiber optic network expansion, with the majority of the remaining expenditures for operating equipment. We expect 2015 capital expenditures to be funded substantially

through internal cash flows, cash on hand and borrowings under our credit facility.

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

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

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

Uncertainty of Forward-Looking Statements and Information

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

Projected revenues, earnings per share, margins, capital expenditures, and other projections of operating or financial results;

Expectations regarding our business outlook, growth or opportunities in particular markets;

The expected value of contracts or intended contracts with customers;

The scope, services, term and results of any projects awarded or expected to be awarded for services to be provided by us;

The development of oil and natural gas mainline pipeline projects and their impact on our business or demand for our services;

The level of oil, natural gas and natural gas liquids prices and their impact on our business or demand for our services;

The impact of renewable energy initiatives, including mandated state renewable portfolio standards, the economic stimulus package and other existing or potential energy legislation;

Potential opportunities that may be indicated by bidding activity or similar discussions with customers;

The potential benefits from acquisitions;

The expected outcome of pending or threatened litigation;

The business plans or financial condition of our customers;

Our plans and strategies; and

The current economic and regulatory conditions and trends in the industries we serve.

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

The effects of industry, economic or political conditions outside our control;

Quarterly variations in our operating results;

Adverse economic and financial conditions, including weakness in the capital markets;

Trends and growth opportunities in relevant markets;

Delays, reductions in scope or cancellations of anticipated, pending or existing projects, including as a result of weather, regulatory or environmental processes, project performance issues, or our customers capital constraints;

The successful negotiation, execution, performance and completion of anticipated, pending and existing contracts, including the ability to obtain awards of projects on which we bid or are otherwise discussing with customers;

Our ability to attract skilled labor and retain key personnel and qualified employees;

The potential shortage of skilled employees;

Our dependence on fixed price contracts and the potential to incur losses with respect to these contracts;

Estimates relating to our use of percentage-of-completion accounting;

Adverse impacts from weather;

Our ability to generate internal growth;

Competition in our business, including our ability to effectively compete for new projects and market share;

Potential failure of renewable energy initiatives, the economic stimulus package or other existing or potential legislative actions to result in increased demand for our services;

Liabilities associated with multi-employer pension plans, including underfunding of liabilities and termination or withdrawal liabilities;

The possibility of further increases in the liability associated with our withdrawal from a multi-employer pension plan;

Liabilities for claims that are self-insured or not insured;

Unexpected costs or liabilities that may arise from lawsuits or indemnity claims asserted against us;

The outcome of pending or threatened litigation;

Risks relating to the potential unavailability or cancellation of third party insurance, the exclusion of coverage for certain losses, and potential increases in premiums for coverage deemed beneficial to us;

Cancellation provisions within our contracts and the risk that contracts expire and are not renewed or are replaced on less favorable terms;

Loss of customers with whom we have long-standing or significant relationships;

The potential that participation in joint ventures exposes us to liability and/or harm to our reputation for acts or omissions by our partners;

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Our inability or failure to comply with the terms of our contracts, which may result in unexcused delays, warranty claims, failure to meet performance guarantees, damages or contract terminations;

The effect of natural gas, natural gas liquids and oil prices on our customers' capital programs and the resulting impact on demand for our services;

The future development of natural resources in shale formations;

The inability of our customers to pay for services;

The failure to recover on payment claims against project owners or to obtain adequate compensation for customer-requested change orders;

The failure of our customers to comply with regulatory requirements applicable to their projects, including those related to awards of stimulus funds, which may result in project delays and cancellations;

Budgetary or other constraints that may reduce or eliminate tax incentives for or government funding of projects, including stimulus projects, which may result in project delays or cancellations;

Estimates and assumptions in determining our financial results and backlog;

Our ability to realize our backlog;

Risks associated with operating in international markets, including instability of foreign governments, currency fluctuations, tax and investment strategies and compliance with the laws of foreign jurisdictions, as well as the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery and anti-corruption laws;

Our ability to successfully identify, complete, integrate and realize synergies from acquisitions;

The potential adverse impact resulting from uncertainty surrounding acquisitions, including the ability to retain key personnel from the acquired businesses and the potential increase in risks already existing in our operations;

The adverse impact of impairments of goodwill, receivables and other intangible assets or investments;

Our growth outpacing our decentralized management and infrastructure;

Requirements relating to governmental regulation and changes thereto;

Inability to enforce our intellectual property rights or the obsolescence of such rights;

Risks related to the implementation of an information technology solution;

The impact of our unionized workforce on our operations, including labor stoppages or interruptions due to strikes or lockouts;

Potential liabilities relating to occupational health and safety matters;

Our dependence on suppliers, subcontractors and equipment manufacturers;

Risks associated with our fiber optic licensing business, including regulatory and tax changes and the potential inability to realize a return on our capital investments;

Beliefs and assumptions about the collectability of receivables;

The cost of borrowing, availability of credit, fluctuations in the price and volume of our common stock, debt covenant compliance, interest rate fluctuations and other factors affecting our financing and investing activities;

The ability to access sufficient funding to finance desired growth and operations;

Our ability to obtain performance bonds;

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Potential exposure to environmental liabilities;

Our ability to continue to meet the requirements of the Sarbanes-Oxley Act of 2002;

Rapid technological and structural changes that could reduce the demand for our services;

The impact of increased healthcare costs arising from healthcare reform legislation;

The impact of significant fluctuations in foreign currency exchange rates; and

The other risks and uncertainties as are described elsewhere herein and under Item 1A. *Risk Factors* in this report on Form 10-K and as may be detailed from time to time in our other public filings with the SEC.

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

ITEM 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Our primary exposure to market risk relates to unfavorable changes in concentration of credit risk, interest rates and currency exchange rates.

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

Interest Rate Risk. As of December 31, 2014, we had no derivative financial instruments to manage interest rate risk. As such, we were exposed to earnings and fair value risk due to changes in interest rates with respect to our long-term obligations. As of December 31, 2014, the fair value of our variable rate debt of \$68.8 million approximated book value. Our weighted average interest rate for the year ended December 31, 2014 was 2.71%. The

effect on our pretax earnings of a hypothetical 50 basis point increase or decrease in variable interest rates would be negligible.

Foreign Currency Risk. We conduct operations primarily in the United States, Canada and Australia, and our financial performance is subject to fluctuation due to changes in foreign currency exchange rates relative to the U.S. dollar. We are subject to foreign currency risk with respect to sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of our operating units. To minimize the risk from changes in foreign currency exchange rates, we may enter into foreign currency derivative contracts to hedge our currency risk on a cash flow basis. There were no outstanding foreign currency derivative contracts at December 31, 2014.

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ITEM 8. *Financial Statements and Supplementary Data*

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REPORT OF MANAGEMENT

Management's Report on Financial Information and Procedures

The accompanying financial statements of Quanta Services, Inc. and its subsidiaries were prepared by management. These financial statements were prepared in accordance with accounting principles generally accepted in the United States, applying certain estimates and judgments as required.

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

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2014 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurances and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future

periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

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The effectiveness of Quanta Services, Inc.'s internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which appears herein.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014 excluded the nine acquisitions we completed in 2014. Such exclusion was in accordance with SEC guidance that an assessment of recently acquired businesses may be omitted in management's report on internal control over financial reporting, provided the acquisition took place within twelve months of management's evaluation. These acquisitions comprised approximately 9.7% of our consolidated assets at December 31, 2014 and 4.0% of our consolidated revenues for the year ended December 31, 2014.

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Quanta Services, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, cash flows and equity, present fairly, in all material respects, the financial position of Quanta Services, Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management’s Report on Internal Control Over Financial Reporting, management has excluded its 2014 acquisitions from its assessment of internal control over financial reporting as of December 31, 2014 because these acquisitions were made by the Company through purchase business combinations during 2014. We have also excluded the Company’s 2014 acquisitions from our audit of internal control over financial reporting. The 2014 acquisitions of the Company and its related subsidiaries are wholly owned subsidiaries of the Company and have

total assets and revenues which represent approximately 9.7% and 4.0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014.

/s/ PricewaterhouseCoopers LLP

Houston, Texas

March 2, 2015

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2014	2013
	(In thousands, except share information)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 190,515	\$ 488,777
Accounts receivable, net of allowances of \$6,174 and \$5,215	1,812,539	1,439,115
Costs and estimated earnings in excess of billings on uncompleted contracts	290,447	213,478
Inventories	38,921	31,877
Prepaid expenses and other current assets	221,554	140,071
Total current assets	2,553,976	2,313,318
Property and equipment, net of accumulated depreciation of \$739,545 and \$631,939	1,480,128	1,205,608
Other assets, net	85,842	285,725
Other intangible assets, net of accumulated amortization of \$255,858 and \$223,355	260,593	207,877
Goodwill	1,931,485	1,780,717
Total assets	\$ 6,312,024	\$ 5,793,245
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt and short-term borrowings	\$ 8,876	\$ 1,181
Accounts payable and accrued expenses	877,336	802,180
Billings in excess of costs and estimated earnings on uncompleted contracts	251,113	239,106
Total current liabilities	1,137,325	1,042,467
Long-term debt and notes payable, net of current maturities	72,489	1,053
Deferred income taxes	300,516	244,256
Insurance and other non-current liabilities	276,154	264,150
Total liabilities	1,786,484	1,551,926
Commitments and Contingencies		
Equity:		
Common stock, \$.00001 par value, 600,000,000 shares authorized, 226,194,656 and 224,968,797 shares issued, and 210,819,790 and 212,942,767 shares outstanding	2	2
Exchangeable Shares, no par value, 7,325,971 and 3,500,000 shares issued and outstanding		
Series F Preferred Stock, \$.00001 par value, 1 share authorized, issued and outstanding		

Series G Preferred Stock, \$.00001 par value, 1 share and 0 shares authorized, issued and outstanding		
Additional paid-in capital	3,592,906	3,416,585
Retained earnings	1,366,791	1,070,077
Accumulated other comprehensive income (loss)	(123,290)	(37,236)
Treasury stock, 15,374,866 and 12,026,030 common shares, at cost	(321,936)	(215,240)
Total stockholders' equity	4,514,473	4,234,188
Non-controlling interests	11,067	7,131
Total equity	4,525,540	4,241,319
Total liabilities and equity	\$ 6,312,024	\$ 5,793,245

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

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,		
	2014	2013	2012
	(In thousands, except per share information)		
Revenues	\$ 7,851,250	\$ 6,522,842	\$ 5,920,269
Cost of services (including depreciation)	6,617,730	5,467,389	4,982,562
Gross profit	1,233,520	1,055,453	937,707
Selling, general and administrative expenses	722,038	501,010	434,894
Amortization of intangible assets	35,907	27,515	37,691
Operating income	475,575	526,928	465,122
Interest expense	(4,765)	(2,668)	(3,746)
Interest income	3,741	3,380	1,471
Equity in earnings (losses) of unconsolidated affiliates, including gain on sale of investment	(332)	112,744	2,084
Other income (expense), net	(1,102)	(1,135)	(351)
Income from continuing operations before income taxes	473,117	639,249	464,580
Provision for income taxes	157,408	217,940	158,859
Net income from continuing operations	315,709	421,309	305,721
Income (loss) from discontinued operations, net of taxes	(627)		16,935
Net income	315,082	421,309	322,656
Less: Net income attributable to non-controlling interests	18,368	19,388	16,027
Net income attributable to common stock	\$ 296,714	\$ 401,921	\$ 306,629
Amounts attributable to common stock:			
Net income from continuing operations	\$ 297,341	\$ 401,921	\$ 289,694
Net income (loss) from discontinued operations	(627)		16,935
Net income attributable to common stock	\$ 296,714	\$ 401,921	\$ 306,629
Earnings per share attributable to common stock basic and diluted:			
Continuing operations	\$ 1.35	\$ 1.87	\$ 1.36
Discontinued operations			0.08
Net income attributable to common stock	\$ 1.35	\$ 1.87	\$ 1.44

Shares used in computing earnings per share:

Weighted average basic shares outstanding	219,668	214,929	212,777
Weighted average diluted shares outstanding	219,690	214,978	212,835

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

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
Net income	\$ 315,082	\$ 421,309	\$ 322,656
Other comprehensive income (loss), net of tax provision:			
Foreign currency translation adjustment, net of tax of \$0, \$0 and \$0	(84,505)	(54,553)	13,949
Other, net of tax of \$486, \$(934) and \$69	(1,549)	2,864	(206)
Other comprehensive income (loss)	(86,054)	(51,689)	13,743
Comprehensive income	229,028	369,620	336,399
Less: Comprehensive income attributable to non-controlling interests	18,368	19,388	16,027
Total comprehensive income attributable to Quanta stockholders	\$ 210,660	\$ 350,232	\$ 320,372

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

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
Cash Flows from Operating Activities of Continuing Operations:			
Net income	\$ 315,082	\$ 421,309	\$ 322,656
(Income) loss from discontinued operations	627		(16,935)
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations			
Depreciation	158,110	134,110	120,303
Amortization of intangible assets	35,907	27,515	37,691
Equity in (earnings) losses of unconsolidated affiliates, including gain on sale of investment	332	(112,744)	(2,084)
Amortization of debt issuance costs	1,094	1,081	904
Amortization of deferred revenues	(10,087)	(9,025)	(10,149)
Gain on sale of property and equipment	(1,770)	(2,448)	(970)
Foreign currency loss	1,244	2,179	691
Provision for doubtful accounts	1,411	3,236	3,693
Provision for contract receivable	102,460		
Non-cash portion of arbitration expense	10,518		
Deferred income tax provision (benefit)	33,664	(16,470)	22,533
Non-cash stock-based compensation	39,030	35,876	25,990
Tax impact of stock-based equity awards	(1,563)	(3,723)	(297)
Changes in operating assets and liabilities, net of non-cash transactions			
(Increase) decrease in			
Accounts and notes receivable	(231,974)	(74,249)	(341,825)
Costs and estimated earnings in excess of billings on uncompleted contracts	(53,428)	(47,281)	(150,486)
Inventories	(4,025)	5,986	26,435
Prepaid expenses and other current assets	(36,484)	(7,505)	(12,599)
Increase (decrease) in			
Accounts payable and accrued expenses and other non-current liabilities	(49,894)	36,015	123,143
Billings in excess of costs and estimated earnings on uncompleted contracts	5,699	48,849	26,624
Other, net	(5,129)	3,881	(8,479)
Net cash provided by operating activities of continuing operations	310,824	446,592	166,839

Cash Flows from Investing Activities of Continuing Operations:			
Proceeds from sale of property and equipment	14,428	14,794	12,362
Additions of property and equipment	(301,476)	(263,558)	(209,445)
Cash paid for acquisitions, net of cash acquired	(262,218)	(283,837)	(68,727)
Investments in and return of equity from unconsolidated affiliates	(3,127)	186,185	(53,750)
Cash received from (paid for) other investments	6,214	(10,032)	
Cash withdrawn from restricted cash	3,565	36,482	
Cash paid for other intangibles	(252)		(1,541)
Net cash used in investing activities of continuing operations	(542,866)	(319,966)	(321,101)
Cash Flows from Financing Activities of Continuing Operations:			
Borrowings under credit facility	938,047	341,730	1,052,700
Payments under credit facility	(866,224)	(341,730)	(1,052,700)
Borrowings of other long-term debt	394	23	
Payments on other long-term debt	(30,448)	(556)	(56)
Borrowings of short-term debt	5,056		
Debt issuance and amendment costs		(3,244)	
Distributions to non-controlling interests	(14,432)	(17,625)	(17,970)
Tax impact of stock-based equity awards	1,563	3,723	297
Exercise of stock options	1,179	1,028	2,385
Repurchase of common stock	(93,482)		
Net cash used in financing activities of continuing operations	(58,347)	(16,651)	(15,344)
Discontinued operations:			
Net cash used in operating activities			(60,622)
Net cash provided by investing activities			307,522
Net cash provided by discontinued operations			246,900
Effect of foreign exchange rate changes on cash and cash equivalents	(7,873)	(15,899)	2,058
Net increase (decrease) in cash and cash equivalents	(298,262)	94,076	79,352
Cash and cash equivalents, beginning of year	488,777	394,701	315,349
Cash and cash equivalents, end of year	\$ 190,515	\$ 488,777	\$ 394,701
Supplemental disclosure of cash flow information:			
Cash (paid) received during the year for			
Interest paid	\$ (3,533)	\$ (1,586)	\$ (2,734)
Income taxes paid	(229,187)	(253,175)	(155,494)
Income tax refunds	7,376	1,826	4,106

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

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QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Common Stock		Exchangeable Shares	Series F Preferred Shares	Series G Preferred Shares	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity	Non- controlling Interests
Shares	Amount	Shares	Amount	Shares	Amount					
(In thousands, except share information)										
206,203,005	\$ 2	3,909,110	\$ 1	\$	\$ 3,216,206	\$ 361,527	\$ 710	\$(196,493)	\$ 3,381,952	\$ 7,3
							13,743		13,743	
1,927,113					37,291				37,291	
915,816					31,501			(6,656)	24,845	
224,652					2,385				2,385	
					(297)				(297)	
						306,629			306,629	(17,9
209,270,586	2	3,909,110	1		3,287,086	668,156	14,453	(203,149)	3,766,548	5,3
							(51,689)		(51,689)	
3,547,482					88,896				88,896	
(358,753)					35,876			(12,091)	23,785	
74,342					1,028				1,028	
409,110	(409,110)									

					3,699				3,699	
										(17,6
						401,921			401,921	19,3
212,942,767	2	3,500,000	1		3,416,585	1,070,077	(37,236)	(215,240)	4,234,188	7,1
							(86,054)		(86,054)	
686,382		3,825,971		1	134,538				134,538	
95,475					39,030			(12,340)	26,690	
91,444					1,179				1,179	
					700				700	
(2,996,278)								(93,482)	(93,482)	
								(874)		
										(14,4
						296,714			296,714	18,3
210,819,790	\$ 2	7,325,971	\$	1	\$	1	\$	\$ 3,592,906	\$ 1,366,791	\$ (123,290)
								\$ (321,936)	\$ 4,514,473	\$ 11,0

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

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. BUSINESS AND ORGANIZATION:**

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

Electric Power Infrastructure Services Segment

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

Oil and Gas Infrastructure Services Segment

The Oil and Gas Infrastructure Services segment provides comprehensive network solutions to customers involved in the development and transportation of natural gas, oil and other pipeline products. Services performed by the Oil and Gas Infrastructure Services segment generally include the design, installation, repair and maintenance of pipeline transmission and distribution systems, gathering systems, production systems and compressor and pump stations, as well as related trenching, directional boring and automatic welding services. In addition, this segment's services include pipeline protection, integrity testing, rehabilitation and replacement and fabrication of pipeline support systems and related structures and facilities. Quanta also serves the offshore and inland water energy markets, primarily providing services to oil and gas exploration platforms, including mechanical installation (or hook-ups), electrical and instrumentation, pre-commissioning and commissioning, coatings, fabrication, pipeline construction, integrity services and marine asset repair. To a lesser extent, this segment designs, installs and maintains fueling systems as well as water and sewer infrastructure.

Fiber Optic Licensing and Other Segment

The Fiber Optic Licensing and Other segment designs, procures, constructs, maintains and owns fiber optic telecommunications infrastructure in select markets and licenses the right to use these point-to-point fiber optic telecommunications facilities to its customers pursuant to licensing agreements, typically with terms from five to twenty-five years, inclusive of certain renewal options. Under those agreements, customers are provided the right to

use a portion of the capacity of a fiber optic network, with the network owned and maintained by Quanta. Additionally, the Fiber Optic Licensing and Other segment provides lit services, with Quanta providing network management services to customers, as well as owning the electronic equipment necessary to make the fiber optic network operational. This segment serves customers in multiple institutional sectors, including communications carriers as well as education, financial services, healthcare and other business enterprises with high bandwidth telecommunication needs. The telecommunication services provided through this segment are subject to

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

regulation by the Federal Communications Commission and certain state public utility commissions. The Fiber Optic Licensing and Other segment also provides various telecommunication infrastructure services on a limited and ancillary basis, primarily to Quanta's customers in the electric power industry.

Acquisitions

During 2014, Quanta completed nine acquisitions, which enabled Quanta to further enhance its electric power and oil and gas infrastructure service offerings in the United States and Canada and expand its capabilities in Australia to include electric power infrastructure service offerings. These acquisitions included four electric power infrastructure services companies located in Canada; two oil and gas infrastructure services businesses located in Canada; an electric power infrastructure services company located in Australia; a U.S. based general engineering and construction company specializing in hydrant fueling, waterfront and utility construction for the U.S. Department of Defense that is generally included in Quanta's Oil and Gas Infrastructure Services segment; and a geotechnical and geological engineering services company based in the United States that is generally included in Quanta's Electric Power Infrastructure Services segment. During 2013, Quanta acquired six businesses, which included three electric power infrastructure services companies and three oil and gas infrastructure services companies based throughout the United States, Canada and Australia. During 2012, Quanta acquired four businesses, which included one electric power infrastructure services company based in Canada, two electric power infrastructure services companies based in the United States and one oil and gas infrastructure services company based in the United States.

Dispositions

On December 3, 2012, Quanta sold substantially all of its domestic telecommunications infrastructure services operations and related subsidiaries for net proceeds of approximately \$265.0 million. Accordingly, Quanta has presented the results of operations, financial position and cash flows of such telecommunications subsidiaries as discontinued operations for all applicable periods presented in the accompanying consolidated financial statements. See Note 4 for more information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:***Principles of Consolidation***

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

Use of Estimates and Assumptions

The preparation of financial statements in conformity with US GAAP requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses recognized during the periods presented. Quanta reviews all

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

significant estimates affecting its consolidated financial statements on a recurring basis and records the effect of any necessary adjustments prior to their publication. Judgments and estimates are based on Quanta's beliefs and assumptions derived from information available at the time such judgments and estimates are made. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements. Estimates are primarily used in Quanta's assessment of the allowance for doubtful accounts, valuation of inventory, useful lives of assets, fair value assumptions in analyzing goodwill, other intangibles and long-lived asset impairments, equity and other investments, loan receivables, purchase price allocations, liabilities for self-insured and other claims and guarantees, multi-employer pension plan withdrawal liabilities, revenue recognition for construction contracts inclusive of contractual change orders and claims, revenue recognition for fiber optic licensing, share-based compensation, operating results of reportable segments, as well as the provision for income taxes and the calculation of uncertain tax positions.

Cash and Cash Equivalents

Quanta had cash and cash equivalents of \$190.5 million and \$488.8 million as of December 31, 2014 and 2013. Cash consisting of interest-bearing demand deposits is carried at cost, which approximates fair value. Quanta considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents, which are carried at fair value. At December 31, 2014 and 2013, cash equivalents were \$107.6 million and \$247.8 million and consisted primarily of money market mutual funds and are discussed further in *Fair Value Measurements* below. As of December 31, 2014 and 2013, cash and cash equivalents held in domestic bank accounts were approximately \$127.2 million and \$236.7 million, and cash and cash equivalents held in foreign bank accounts were approximately \$63.3 million and \$252.1 million. As of December 31, 2014 and 2013, cash and cash equivalents held by Quanta's investments in joint ventures, which are either consolidated or proportionately consolidated, were approximately \$19.1 million and \$18.9 million. Quanta has no rights with respect to the joint ventures' cash except as permitted pursuant to their respective partnership agreements.

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

Quanta provides an allowance for doubtful accounts when collection of an account or note receivable is considered doubtful, and receivables are written off against the allowance when deemed uncollectible. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates regarding, among other factors, the customer's access to capital, the customer's willingness or ability to pay, general economic and market conditions, the ongoing relationship with the customer and uncertainties related to the resolution of disputed matters. Quanta considers accounts receivable delinquent after 30 days but does not generally include delinquent accounts in its analysis of the allowance for doubtful accounts unless the accounts receivable have been outstanding for at least 90 days. In addition to balances that have been outstanding for 90 days or more, Quanta also includes accounts receivable balances that relate to customers in bankruptcy or with other known difficulties in its analysis of the allowance for doubtful accounts. Material changes in Quanta's customers' business or cash flows, which may be impacted by negative economic and market conditions, could affect Quanta's ability to collect amounts due from them. As of December 31, 2014 and 2013, Quanta had allowances for doubtful accounts on current receivables of approximately \$6.2 million and \$5.2 million.

Long-term accounts receivable are included within other assets, net on the consolidated balance sheets. Within this balance at December 31, 2013 was a long-term contract receivable previously recorded in the amount of approximately \$165 million attributable to recognized contract price adjustments related to a change order from the Sunrise Powerlink project, an electric power infrastructure services project completed in 2012 by PAR Electrical Contractors, Inc. (PAR), a wholly owned subsidiary of Quanta, for San Diego Gas and Electric Company (SDG&E). This receivable was the subject of a recently settled arbitration proceeding discussed further

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in *Legal Proceedings – Sunrise Powerlink Arbitration* in Note 15. In December 2014, the parties reached an agreement to settle the arbitration under terms providing for a cash payment by SDG&E to PAR in the amount of \$65 million, representing the final amount to compensate PAR for substantially all of the unpaid portion of its costs incurred on the project. Accordingly, a provision of \$102.5 million was recognized in 2014 as a charge to selling, general and administrative expense, and the remaining balance of \$65 million was reclassified to accounts receivable, leaving no balance remaining in other assets, net related to the Sunrise Powerlink project as of December 31, 2014. Payment was received in January 2015, and the arbitration was dismissed shortly thereafter.

Should customers experience financial difficulties or file for bankruptcy, or should anticipated recoveries relating to receivables in existing bankruptcies or other workout situations fail to materialize, Quanta could experience reduced cash flows and losses in excess of current allowances provided.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally due upon completion of the contracts and acceptance by the customer. Based on Quanta's experience with similar contracts in recent years, the majority of the retainage balances at each balance sheet date are expected to be collected within the next twelve months. Current retainage balances as of December 31, 2014 and 2013 were approximately \$307.3 million and \$194.5 million and were included in accounts receivable. Retainage balances with settlement dates beyond the next twelve months were included in other assets, net, and as of December 31, 2014 and 2013 were \$19.6 million and \$50.8 million.

Within accounts receivable, Quanta recognizes unbilled receivables in circumstances such as when revenues have been earned and recorded but the amount cannot be billed under the terms of the contract until a later date; costs have been incurred but are yet to be billed under cost-reimbursement type contracts; or amounts arise from routine lags in billing (for example, work completed one month but not billed until the next month). These balances do not include revenues accrued for work performed under fixed-price contracts as these amounts are recorded as costs and estimated earnings in excess of billings on uncompleted contracts. At December 31, 2014 and 2013, the balances of unbilled receivables included in accounts receivable were approximately \$165.5 million and \$179.2 million.

Inventories

Inventories consist primarily of parts and supplies held for use in the ordinary course of business, which are valued by Quanta at the lower of cost or market as determined by using either the first-in, first-out (FIFO) method or the average costing method. Inventories also include certain job specific materials not yet installed which are valued using the specific identification method.

Property and Equipment

Property and equipment are stated at cost, and depreciation is computed using the straight-line method, net of estimated salvage values, over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset. Depreciation expense related to property and equipment was approximately \$158.1 million, \$134.1 million and \$120.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Quanta capitalizes costs associated with internally developed or constructed assets primarily associated with fiber optic licensing networks. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining internal-use assets, as well as payroll and payroll-related expenses for employees who

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are directly associated with and devote time to placing the assets into service. Capitalization of such costs is recorded to construction work-in-process beginning when the preliminary project stage is complete and ceases no later than the point at which the project is substantially complete and ready for its intended purpose, at which point in time the asset is placed into service. As of December 31, 2014 and 2013, approximately \$30.6 million and \$32.4 million related to fiber optic licensing networks were recorded in construction work-in-process. These capitalized costs are depreciated on a straight-line basis over the economic useful life of the asset, beginning when the asset is ready for its intended use. Accrued capital expenditures were \$11.8 million and \$0.6 million as of December 31, 2014 and 2013, and the impact of these items has been excluded from Quanta's capital expenditures on its consolidated statements of cash flows due to their non-cash nature.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing equipment, are capitalized and depreciated over the adjusted remaining useful lives of the assets. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in selling, general and administrative expenses.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be realizable. Although no such events occurred during the years ended December 31, 2014, 2013 and 2012, if an evaluation is required, management would assess whether the carrying value of the asset group is recoverable by comparing the sum of the undiscounted cash flows to the carrying value of the asset group. If the asset is not recoverable, management compares the estimated fair value of the asset to the asset's carrying amount to determine if an impairment of such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value in the period incurred.

Other Assets, Net

Other assets, net consists primarily of long-term receivables, debt issuance costs, non-current inventory, equity and other investments, refundable security deposits for leased properties and insurance claims in excess of deductibles that are due from Quanta's insurers. Included in the long-term receivables balance at December 31, 2013 was approximately \$165 million related to the Sunrise Powerlink project. In 2014, Quanta recorded \$102.5 million to provision for long-term contract receivable associated with the Sunrise Powerlink project receivable. The remaining balance of \$65 million was reclassified to accounts receivable in the fourth quarter of 2014 as a result of the settlement of the arbitration in December 2014 and collection of the receivable in January 2015. Accordingly, as of December 31, 2014, there was no balance remaining in other assets, net related to the Sunrise Powerlink project. For additional information on this receivable and the associated arbitration proceeding, see *Legal Proceedings – Sunrise Powerlink Arbitration* in Note 15.

Debt Issuance Costs

Capitalized debt issuance costs related to Quanta's credit facility and any other debt outstanding at a given balance sheet date are included in other assets, net and are amortized into interest expense on a straight-line basis over the terms of the respective agreements giving rise to the debt issuance costs, which Quanta believes approximates the

effective interest rate method. During 2013, Quanta incurred \$3.2 million of debt issuance costs related to the amendment and restatement of its credit agreement and recorded \$0.2 million of charges to interest expense for the write-off of a portion of the debt issuance costs related to the prior facilities. As of December 31, 2014 and 2013, capitalized debt issuance costs were \$7.6 million, with accumulated amortization of \$3.5 million

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and \$2.4 million. For the years ended December 31, 2014, 2013 and 2012, amortization expense related to capitalized debt issuance costs was \$1.1 million, \$1.1 million and \$0.9 million, respectively.

Goodwill and Other Intangibles

Quanta has recorded goodwill in connection with its historical acquisitions of companies. Upon acquisition, these companies have been either combined into one of Quanta's existing operating units or managed on a stand-alone basis as an individual operating unit. Goodwill recorded in connection with these acquisitions is subject to an annual assessment for impairment, which Quanta performs at the operating unit level for each operating unit that carries a balance of goodwill. Each of Quanta's operating units is organized into one of three internal divisions: the Electric Power Division, the Oil and Gas Infrastructure Division or the Fiber Optic Licensing Division. As most of the companies acquired by Quanta provide multiple types of services for multiple types of customers, these divisional designations are based on the predominant type of work performed by each operating unit at the point in time the divisional designation is made. Goodwill is required to be measured for impairment at the reporting unit level, which represents the operating segment level or one level below the operating segment level for which discrete financial information is available. Quanta has determined that its individual operating units represent its reporting units for the purpose of assessing goodwill impairments.

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

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

Quanta determines the fair value of its reporting units using a weighted combination of the discounted cash flow, market multiple and market capitalization valuation approaches, with heavier weighting on the discounted cash flow method, as in management's opinion, this method currently results in the most accurate calculation of a reporting unit's

fair value. Determining the fair value of a reporting unit requires judgment and the use of significant estimates and assumptions. Such estimates and assumptions include revenue growth rates, operating margins, discount rates, weighted average costs of capital and future market conditions, among others. Quanta believes the estimates and assumptions used in its impairment assessments are reasonable and based on available market information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

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

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

The projected cash flows and estimated levels of EBITDA by reporting unit were used to determine fair value under the three approaches discussed herein. The following table presents the significant estimates used by management in determining the fair values of Quanta's reporting units at December 31, 2014, 2013 and 2012:

	Operating Units Providing Predominantly Electric Power and Oil and Gas Infrastructure Services			Operating Unit Providing Fiber Optic Licensing		
	2014	2013	2012	2014	2013	2012
Years of cash flows before terminal value	5	5	5	15	15	15
Discount rates	12% to 14%	12% to 14%	12% to 13%	12%	12%	12%
EBITDA multiples	5.0 to 6.0	5.0 to 8.0	4.5 to 8.0	9.5	9.5	9.5
Weighting of three approaches:						
Discounted cash flows	70%	70%	70%	90%	90%	90%
Market multiple	15%	15%	15%	5%	5%	5%
Market capitalization	15%	15%	15%	5%	5%	5%

For recently acquired reporting units, a step one impairment test may indicate an implied fair value that is substantially similar to the reporting unit's carrying value. Such similarities in value are generally an indication that management's estimates of future cash flows associated with the recently acquired reporting unit remain relatively consistent with the assumptions that were used to derive its initial fair value.

During the fourth quarter of 2014, a two-step fair-value based goodwill impairment analysis was performed for each of Quanta's reporting units, and no reporting units were evaluated solely on a qualitative basis. The analysis indicated that the implied fair value of each of Quanta's reporting units, other than recently acquired reporting units, was substantially in excess of its carrying value. Following the analysis, management concluded that no impairment was

indicated at any reporting unit. As discussed generally above, when evaluating the 2014 step one impairment test results, management considered many factors in determining whether or not an impairment of goodwill for any reporting unit was reasonably likely to occur in future periods, including future market conditions and the economic environment in which Quanta's reporting units were operating. Additionally, management considered the sensitivity of its fair value estimates to changes in certain valuation assumptions and, after giving consideration to at least a 10% decrease in the fair value of each of Quanta's reporting units, the

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results of the assessment at December 31, 2014 did not change. However, circumstances such as market declines, unfavorable economic conditions, the loss of a major customer or other factors could impact the valuation of goodwill in future periods.

The goodwill analysis performed for each reporting unit was based on estimates and industry comparables obtained from the electric power, oil and gas and fiber optic licensing industries, and no impairment was indicated. The 15-year discounted cash flow model used for fiber optic licensing is based on the long-term nature of the underlying fiber optic network licensing agreements.

Quanta assigned a higher weighting to the discounted cash flow approach in all periods to reflect increased expectations of market value being determined from a held and used model. As stated previously, cash flows are derived from budgeted amounts and operating forecasts that have been evaluated by management. In connection with the 2014 assessment, projected annual growth rates by reporting unit varied widely with ranges from 0% to 71% for reporting units in the Electric Power and the Oil and Gas Divisions and 4% to 12% for the reporting unit in the Fiber Optic Licensing Division.

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

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

Investments in Affiliates and Other Entities

In the normal course of business, Quanta enters into various types of investment arrangements, each having unique terms and conditions. These investments may include equity interests held by Quanta in business entities, including general or limited partnerships, contractual joint ventures, or other forms of equity participation. These investments

may also include Quanta's participation in different financing structures such as the extension of loans to project specific entities, the acquisition of convertible notes issued by project specific entities, or other strategic financing arrangements. Quanta determines whether such investments involve a variable interest entity (VIE) based on the characteristics of the subject entity. If the entity is determined to be a VIE, then management determines if Quanta is the primary beneficiary of the entity and whether or not consolidation of the VIE is

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required. The primary beneficiary consolidating the VIE must normally have both (i) the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, in either case that could potentially be significant to the VIE. When Quanta is deemed to be the primary beneficiary, the VIE is consolidated and the other party's equity interest in the VIE is accounted for as a non-controlling interest. In cases where Quanta determines that it has an undivided interest in the assets, liabilities, revenues and profits of an unincorporated VIE (e.g., a general partnership interest), such amounts are consolidated on a basis proportional to Quanta's ownership interest in the unincorporated entity.

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

On December 6, 2013, Quanta sold all of its equity ownership interest in Howard Midstream Energy Partners, LLC (HEP) for proceeds of approximately \$220.9 million, which resulted in a pre-tax gain of approximately \$112.7 million. HEP is engaged in the business of owning, operating and constructing midstream plant and pipeline assets in the oil and gas industry. Quanta held an equity ownership interest of approximately 31% in HEP.

Revenue Recognition

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

Revenues from fixed price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. These contracts provide for a fixed amount of revenues for the entire project. Such contracts provide that the customer accept completion of progress to date and compensate Quanta for services rendered, which may be measured in terms of units installed, hours

expended or some other measure of progress. Contract costs include all direct materials, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Much of the material associated with Quanta's work is owner-furnished and

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is therefore not included in contract revenues and costs. The cost estimation process is based on professional knowledge and experience of Quanta's engineers, project managers and financial professionals. Changes in job performance, job conditions and final contract settlements are factors that influence management's assessment of total contract value and the total estimated costs to complete those contracts and therefore Quanta's profit recognition. Changes in these factors may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. These factors are routinely evaluated on a project by project basis throughout the project term, and the impact of corresponding revisions in management's estimates of contract value, contract cost and contract profit are recorded as necessary in the period in which the revisions are determined. Provisions for losses on uncompleted contracts are made in the period in which such losses are determined to be probable and the amount can be reasonably estimated. Quanta's operating results for the year ended December 31, 2014 and 2013 were impacted by less than 5% as a result of changes in contract estimates related to projects that were in progress at December 31, 2013 and 2012.

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

Quanta may incur costs subject to change orders, whether approved or unapproved by the customer, and/or claims related to certain contracts. Quanta determines the probability that such costs will be recovered based upon evidence such as past practices with the customer, specific discussions or preliminary negotiations with the customer or verbal approvals. Quanta treats items as a cost of contract performance in the period incurred if it is not probable that the costs will be recovered or will recognize revenue if it is probable that the contract price will be adjusted and can be reliably estimated.

As of December 31, 2014 and 2013, Quanta had approximately \$106.8 million and \$75.5 million of change orders and/or claims that had been included as contract price adjustments on certain contracts which were in the process of being negotiated in the normal course of business.

As of December 31, 2013 and throughout most of 2014, Quanta also had previously recognized contract price adjustments related to a change order from the Sunrise Powerlink project of approximately \$165 million. In October 2013, PAR initiated arbitration proceedings against SDG&E pursuant to a contractually agreed upon dispute resolution process to collect amounts due for this project. In December 2014, Quanta and SDG&E reached an agreement to settle the arbitration under terms providing for a cash payment by SDG&E in the amount of \$65 million, representing the final amount to compensate Quanta/PAR for substantially all of the unpaid portion of costs incurred by Quanta/PAR on the project. As a result, during the third and fourth quarters of 2014, Quanta recorded a provision in the aggregate amount of \$102.5 million against the recorded value of this asset. See *Legal Proceedings Sunrise Powerlink Arbitration* in Note 15 for additional information.

These aggregate contract price adjustments represent management's best estimate of additional contract revenues which have been earned and which management believes are probable of collection. The amounts ultimately realized by Quanta upon final acceptance by its customers could be higher or lower than such estimated amounts.

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Fiber Optic Licensing The fiber optic licensing business constructs and licenses the right to use fiber optic telecommunications facilities to its customers pursuant to licensing agreements, typically with terms from five to twenty-five years, inclusive of certain renewal options. Under those agreements, customers are provided the right to use a portion of the capacity of a fiber optic facility, with the facility owned and maintained by Quanta. Revenues, including any initial fees or advance billings, are recognized ratably over the expected length of the agreements, including probable renewal periods. As of December 31, 2014 and 2013, initial fees and advance billings on these licensing agreements not yet recorded in revenue were \$56.5 million and \$48.8 million and were recognized as deferred revenue, with \$48.2 million and \$40.2 million considered to be long-term and included in other non-current liabilities. Minimum future licensing revenues expected to be recognized by Quanta pursuant to these agreements at December 31, 2014 were as follows (in thousands):

	Minimum Future Licensing Revenues
Year Ending December 31	
2015	\$ 90,549
2016	74,933
2017	62,348
2018	48,950
2019	32,775
Thereafter	124,739
Fixed non-cancelable minimum licensing revenues	\$ 434,294

Income Taxes

Quanta follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the underlying assets or liabilities are recovered or settled.

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

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

As of December 31, 2014, the total amount of unrecognized tax benefits relating to uncertain tax positions was \$51.1 million, an increase from December 31, 2013 of \$2.2 million. This increase in unrecognized tax benefits resulted from a \$9.2 million increase due to tax positions expected to be taken for 2014 and a \$2.4 million increase due to tax positions taken in prior years, partially offset by a \$9.4 million decrease due to the

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expiration of certain statute of limitations periods associated with the 2010 tax year. Quanta is currently under examination by the Internal Revenue Service (IRS) for calendar years 2011 and 2012 and remains open to examination by the IRS for tax years 2013 through 2014 as these statute of limitations periods have not yet expired. Additionally, certain subsidiaries are under examination by various U.S. state, Canadian and other foreign tax authorities for multiple periods. Quanta believes it is reasonably possible that within the next 12 months unrecognized tax benefits may decrease by up to \$10.3 million as a result of settlement of these examinations or as a result of the expiration of certain statute of limitations periods.

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

Earnings Per Share

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

Self-Insurance

Quanta is insured for employer's liability, general liability, auto liability and workers' compensation claims. Under these programs, the deductibles for general liability and auto liability were \$10.0 million per occurrence, the deductible for workers' compensation was \$5.0 million per occurrence, and the deductible for employer's liability was \$1.0 million per occurrence for the 2014-2015 and the 2013-2014 policy years. For the 2012-2013 policy year, deductibles for general liability, auto liability and workers' compensation were \$5.0 million per occurrence, and the deductible for employer's liability was \$1.0 million per occurrence. Quanta is generally self-insured for all claims that do not exceed the amount of the applicable deductible. Quanta also has employee health care benefit plans for most employees not subject to collective bargaining agreements, of which the primary plan is subject to a deductible of \$375,000 per claimant per year.

Losses under all of these insurance programs are accrued based upon Quanta's estimate of the ultimate liability for claims reported and an estimate of claims incurred but not reported, with assistance from third-party actuaries. These insurance liabilities are difficult to assess and estimate due to unknown factors, including the severity of an injury, the extent of damage, the determination of Quanta's liability in proportion to other parties and the number of incidents not reported. The accruals are based upon known facts and historical trends, and management believes such accruals are adequate.

Collective Bargaining Agreements

Some of Quanta's operating units are parties to various collective bargaining agreements with unions that represent certain of their employees. The collective bargaining agreements expire at various times and have typically been

renegotiated and renewed on terms similar to those in the expiring agreements. The agreements require the operating units to pay specified wages, provide certain benefits to their union employees and contribute certain amounts to multi-employer pension plans and employee benefit trusts. Quanta's multi-employer pension plan contribution rates generally are specified in the collective bargaining agreements (usually on an annual basis), and contributions are made to the plans on a pay-as-you-go basis based on its union

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

employee payrolls. The location and number of union employees that Quanta employs at any given time and the plans in which they may participate vary depending on the projects Quanta has ongoing at that time and the need for union resources in connection with those projects. Therefore, Quanta is unable to accurately predict the union employee payroll and the amount of the resulting multi-employer pension plan contribution obligation for future periods.

Stock-Based Compensation

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

Compensation expense associated with liability based awards, such as RSUs that are expected to be settled in cash, is recognized based on a remeasurement of the fair value of the award at the end of each reporting period. RSUs to be settled in cash are intended to provide the holders with cash performance incentives that are substantially equivalent to the risks and rewards of equity ownership in Quanta. RSUs to be settled in cash typically vest in equal installments over a two-year or three-year period following the date of grant and are subject to forfeiture under certain conditions, primarily termination of service. Upon vesting of RSUs to be settled in cash, the holders receive for each vested RSU an amount in cash equal to the fair market value on the vesting date of one share of Quanta common stock, as specified in the applicable award agreement.

Functional Currency and Translation of Financial Statements

The U.S. dollar is the functional currency for the majority of Quanta's operations, which are primarily located within the United States. The functional currency for Quanta's foreign operations, which are primarily located in Canada and Australia, is typically the currency of the country in which the foreign operating unit is located. Generally, the currency in which the operating unit transacts the majority of its activities, including billings, financing, payroll and other expenditures, would be considered the functional currency. The treatment of foreign currency translation gains or losses is dependent upon management's determination of the functional currency of each operating unit, which involves consideration of all relevant economic facts and circumstances affecting the operating unit. In preparing the

consolidated financial statements, Quanta translates the financial statements of its foreign operating units from their functional currency into U.S. dollars. Statements of operations, comprehensive income (loss) and cash flows are translated at average monthly rates, while balance sheets are translated at month-end exchange rates. This results in translation gains or losses, which are included as a separate component of equity under the caption Accumulated other comprehensive income (loss). Gains and losses arising from transactions which are not denominated in the operating units functional currencies are included within other income (expense) in the statements of operations.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Derivatives***

From time to time, Quanta enters into forward currency contracts that qualify as derivatives in order to hedge the risks associated with fluctuations in foreign currency exchange rates related to certain forecasted foreign currency denominated transactions. Quanta does not enter into derivative transactions for speculative purposes; however, for accounting purposes, certain transactions may not meet the criteria for cash flow hedge accounting. For a hedge to qualify for cash flow hedge accounting treatment, a hedge must be documented at the inception of the contract, with the objective and strategy stated, along with an explicit description of the methodology used to assess hedge effectiveness. The dates (or periods) for the expected forecasted events and the nature of the exposure involved (including quantitative measures of the size of the exposure) must also be documented. At the inception of the hedge and on an ongoing basis, the hedge must be deemed to be highly effective at minimizing the risk of the identified exposure. Effectiveness measures relate the gains or losses of the derivative to changes in the cash flows associated with the hedged item, and the forecasted transaction must be probable of occurring.

For forward contracts that qualify as cash flow hedges, Quanta accounts for the change in fair value of the forward contracts directly in equity as part of accumulated other comprehensive income (loss). Any ineffective portion of cash flow hedges is recognized in earnings in the period in which ineffectiveness occurs. For instance, if a forward contract is discontinued as a cash flow hedge because it is probable that the original forecasted transaction will not occur by the end of the originally specified time period, the related amounts in accumulated other comprehensive income (loss) would be reclassified to other income (expense) in the consolidated statement of operations in the period such determination is made. When a forecasted transaction occurs, the portion of the accumulated gain or loss applicable to the forecasted transaction is reclassified from equity to earnings. Changes in fair value related to transactions that do not meet the criteria for cash flow hedge accounting are recorded in the consolidated statements of operations and are included in other income (expense).

Comprehensive Income

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

Litigation Costs and Reserves

Quanta records reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Costs incurred for litigation are expensed as incurred. Further details are presented in Note 15.

Fair Value Measurements

The carrying values of cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of these instruments. The carrying value of variable rate debt also approximates fair value. For disclosure purposes, qualifying assets and liabilities are categorized into three broad

levels based on the priority of the inputs used to determine their fair values. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). All of Quanta's cash equivalents were categorized as Level 1 assets at December 31, 2014 and 2013, as all values were based on unadjusted quoted prices for identical assets in an active market that Quanta has the ability to access.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Quanta uses fair value measurements on a routine basis in its assessment of assets classified as goodwill, other intangible assets and long-lived assets held and used. In accordance with its annual impairment test during the quarter ended December 31, 2014, the carrying amounts of such assets, including goodwill, were compared to their fair values. The inputs used for fair value measurements for goodwill, other intangible assets and long-lived assets held and used are the lowest level (Level 3) inputs, and Quanta uses the assistance of third party specialists to develop valuation assumptions.

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

3. NEW ACCOUNTING PRONOUNCEMENTS:

Adoption of New Accounting Pronouncements

On January 1, 2014, Quanta adopted an update that provides guidance on the balance sheet presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard did not have a material effect on Quanta's consolidated financial statements.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Accounting Standards Not Yet Adopted***

In April 2014, the FASB issued an update that changes the requirement for reporting discontinued operations. A disposal of a component of an entity or a group of components of an entity will be required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the entity or group of components of an entity meets the criteria to be classified as held for sale or when it is disposed of by sale or other than by sale. The update also requires additional disclosures about discontinued operations, a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements, and an entity's significant continuing involvement with a discontinued operation. The update is effective prospectively for fiscal years beginning on or after December 15, 2014, including interim periods within that year. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in previously issued financial statements. Quanta adopted this guidance effective January 1, 2015. This guidance will impact the disclosure and presentation of how Quanta reports any future disposals of components or groups of components of its business.

In May 2014, the FASB issued an update that supersedes most current revenue recognition guidance as well as some cost recognition guidance. The update requires that an entity recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update also requires new qualitative and quantitative disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, information about contract balances and performance obligations, and assets recognized from costs incurred to obtain or fulfill a contract. For public entities, the update is effective for fiscal years beginning on or after December 15, 2016, including interim periods within that year. The guidance can be applied on a full retrospective or modified retrospective basis whereby the entity records a cumulative effect of initially applying this update at the date of initial application, and early adoption is not permitted. Quanta is currently evaluating the potential impact of this authoritative guidance on its consolidated financial statements and is planning to adopt this guidance effective January 1, 2017.

In August 2014, the FASB issued guidance to address the diversity in practice in determining when there is substantial doubt about an entity's ability to continue as a going concern and when and how an entity must disclose certain relevant conditions and events. This update requires an entity to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year after the date that the financial statements are issued (or available to be issued). If such conditions or events exist, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern for a period of one year after the date that the financial statements are issued (or available to be issued), along with the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations and management's plans that are intended to mitigate those conditions or events. The guidance is effective for annual and interim periods ending after December 15, 2016. This guidance will impact the disclosure and presentation of how Quanta reports any substantial doubt about its ability to continue as a going concern, if such substantial doubt were to exist. Quanta will adopt this guidance effective January 1, 2017.

In February 2015, the FASB issued an update which amends existing consolidation guidance, including amending the guidance related to determining whether an entity is a variable interest entity. The update is effective for interim and annual periods beginning after December 15, 2015, although early adoption is permitted. The guidance may be applied using a modified retrospective approach whereby the entity records a cumulative effect of adoption at the beginning of the fiscal year of initial application. A reporting entity may also

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

apply the amendments on a full retrospective basis. Quanta is currently evaluating the potential impact of this authoritative guidance on its consolidated financial statements.

4. DISCONTINUED OPERATIONS:

On December 3, 2012, Quanta sold substantially all of its domestic telecommunications infrastructure services operations and related subsidiaries for net proceeds of approximately \$265.0 million. Quanta recognized a pre-tax gain of approximately \$18.0 million and a corresponding tax expense of approximately \$32.2 million, which resulted in a loss on the sale, net of tax, of \$14.2 million in the fourth quarter of 2012. Quanta has presented the results of operations, financial position and cash flows of such telecommunications subsidiaries as discontinued operations in the accompanying consolidated financial statements. The results of operations of these telecommunications subsidiaries were previously included primarily in the Telecommunications Infrastructure Services segment.

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

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Revenues	\$	\$	\$ 493,233
Income (loss) from discontinued operations before taxes	\$ (1,014)	\$	\$ 46,576
Gain on disposal of discontinued operations before taxes			17,962
(Provision) benefit for income taxes	387		(47,603)
Income (loss) from discontinued operations, net of taxes	\$ (627)	\$	\$ 16,935

In connection with the sale of the telecommunications operations, Quanta remained liable for all income related taxes and insured claims against the subsidiaries outstanding or arising as of December 3, 2012. Additionally, Quanta accelerated the vesting of unvested shares of restricted stock held by certain employees of the disposed telecommunications subsidiaries on December 3, 2012, the closing date of the sale. Accordingly, Quanta recorded incremental expense related to this accelerated vesting of \$3.7 million during the fourth quarter of 2012. This incremental expense is included in income from discontinued operations, net of taxes in the accompanying consolidated statement of operations for the year ended December 31, 2012.

During the year ended December 31, 2014, legal fees of \$1.0 million were accrued related to an ongoing legal matter. See *Legal Proceedings – Lorenzo Benton v. Telecom Network Specialists, Inc., et al.* in Note 15 for additional information.

5. ACQUISITIONS:

2014 Acquisitions

During 2014, Quanta completed nine acquisitions, which enabled Quanta to further enhance its electric power and oil and gas infrastructure service offerings in the United States and Canada and expand its capabilities in Australia to include electric power infrastructure service offerings. These acquisitions included four electric power infrastructure services companies located in Canada; two oil and gas infrastructure services businesses located in Canada; an electric power infrastructure services company located in Australia; a U.S. based general engineering and construction company specializing in hydrant fueling, waterfront and utility construction for the U.S. Department of Defense that is generally included in Quanta's Oil and Gas Infrastructure Services segment;

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and a geotechnical and geological engineering services company based in the United States that is generally included in Quanta's Electric Power Infrastructure Services segment. The aggregate consideration paid for these acquisitions consisted of approximately \$284.3 million in cash, 686,382 shares of Quanta common stock and 3,825,971 exchangeable shares of Canadian subsidiaries of Quanta that are exchangeable on a one-for-one basis for Quanta common stock. The exchangeable shares provide holders with rights equivalent to Quanta common stockholders with respect to dividends and other economic rights. In addition, Quanta issued one share of Series G preferred stock associated with 899,858 of the exchangeable shares, which generally votes on the same matters as Quanta common stock and is entitled to a number of votes equal to the number of such exchangeable shares outstanding at that time. The exchangeable shares not associated with preferred stock do not have voting rights. The aggregate value of the securities issued related to 2014 acquisitions on the respective closing or settlement dates of the acquisitions, totaled approximately \$134.5 million. As these transactions were effective during 2014, the results of each acquired company have been included in Quanta's consolidated financial statements beginning on the respective dates of acquisition.

Quanta is in the process of finalizing its assessments of the fair values of acquired assets and assumed liabilities related to the third and fourth quarter 2014 acquisitions, and further adjustments to the purchase price allocations may occur. Quanta expects to complete the purchase accounting process as soon as practicable but no later than one year from the respective acquisition dates. The aggregate purchase consideration related to the third and fourth quarter 2014 acquisitions was preliminarily allocated to acquired assets and assumed liabilities, which resulted in a preliminary allocation of approximately \$106.9 million of net tangible assets, \$116.1 million of goodwill and \$73.9 million of other intangible assets.

2013 Acquisitions

During 2013, Quanta acquired six businesses, which enabled Quanta to further enhance its electric power infrastructure and oil and gas infrastructure service offerings in the United States, Canada and Australia. The aggregate consideration paid for these acquisitions consisted of approximately \$341.1 million in cash and 3,547,482 shares of Quanta common stock valued, as of the respective dates of issuance, at approximately \$88.9 million. The results for each company have been included in Quanta's consolidated financial statements beginning on the respective dates of acquisition.

2012 Acquisitions

During 2012, Quanta acquired four businesses, which enabled Quanta to expand its electric power infrastructure services in Canada and its electric power infrastructure services and oil and gas infrastructure service offerings in the U.S. The aggregate consideration for these acquisitions consisted of approximately \$57.5 million in cash, 1,927,113 shares of Quanta common stock valued at approximately \$37.3 million, as of the respective dates of acquisition, and the repayment of \$11.0 million in debt. The results for each company have been included in Quanta's consolidated financial statements beginning on the respective dates of acquisition.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***2014, 2013 and 2012 Acquisitions*

The following table summarizes the aggregate consideration paid or payable as of December 31, 2014 for the 2014 and 2013 acquisitions and presents the allocation of these amounts to the net tangible and identifiable intangible assets based on their estimated fair values as of the respective acquisition dates. This allocation requires a significant use of estimates and is based on information that was available to management at the time these consolidated financial statements were prepared (in thousands).

	2014	2013
Consideration:		
Value of Quanta common stock and exchangeable shares issued	\$ 134,538	\$ 88,895
Cash paid or payable	284,312	341,064
Fair value of total consideration transferred	\$ 418,850	\$ 429,959
Current assets	\$ 172,298	\$ 193,895
Property and equipment	159,186	60,988
Other assets	3,500	1,009
Identifiable intangible assets	96,302	55,124
Current liabilities	(144,252)	(127,430)
Deferred tax liabilities, net	(37,743)	(4,083)
Other long-term liabilities	(4,926)	(5,350)
Total identifiable net assets	244,365	174,153
Goodwill	174,485	255,806
	\$ 418,850	\$ 429,959

The fair value of current assets acquired in 2014 included accounts receivable with a fair value of \$117.0 million. The fair value of current assets acquired in 2013 included accounts receivable with a fair value of \$83.9 million.

Goodwill represents the excess of the purchase price over the net amount of the fair values assigned to assets acquired and liabilities assumed. The 2014, 2013 and 2012 acquisitions strategically expanded Quanta's Canadian, Australian and domestic electric power and oil and gas service offerings, which Quanta believes contributes to the recognition of the goodwill. In connection with the 2014 acquisitions, goodwill of \$71.5 million was recorded for reporting units included within Quanta's Electric Power Division and \$103.0 million was recorded for reporting units included within Quanta's Oil and Gas Infrastructure Division on the dates of acquisition. In connection with the 2013 acquisitions, goodwill of \$112.5 million was recorded for reporting units included within Quanta's Electric Power Division and \$143.3 million was recorded for reporting units included within Quanta's Oil and Gas Infrastructure Division on the dates of acquisition. In connection with the 2012 acquisitions, goodwill of \$57.5 million was

recorded for reporting units included within Quanta's Electric Power Division and \$7.3 million was recorded for the reporting unit included within Quanta's Oil and Gas Infrastructure Division on the dates of acquisition. Goodwill of approximately \$30.1 million and \$213.6 million is expected to be deductible for income tax purposes related to the businesses acquired in 2014 and 2013.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the estimated fair values of identifiable intangible assets and the related weighted average amortization periods by type as of the respective acquisition dates for the 2014 acquisitions (in thousands, except for weighted average amortization periods, which are in years).

	Estimated Fair Value at Acquisition Date	Weighted Average Amortization Period at Acquisition Date
Customer relationships	\$ 65,243	12.2
Backlog	17,059	1.1
Trade names	10,436	9.7
Non-compete agreements	3,160	5.0
Patented rights and developed technology	404	10.0
Total intangible assets subject to amortization acquired in 2014 acquisitions	\$ 96,302	9.7

The unaudited supplemental pro forma results of operations have been provided for illustrative purposes only and do not purport to be indicative of the actual results that would have been achieved by the combined companies for the periods presented or that may be achieved by the combined companies in the future. Future results may vary significantly from the results reflected in the following pro forma financial information because of future events and transactions, as well as other factors (in thousands, except per share amounts):

	Year Ended December 31,		
	2014	2013	2012
Revenues	\$ 8,391,061	\$ 7,740,575	\$ 6,477,648
Gross profit	\$ 1,267,778	\$ 1,254,211	\$ 1,060,370
Selling, general and administrative expenses	\$ 737,488	\$ 579,818	\$ 478,184
Amortization of intangible assets	\$ 43,658	\$ 52,405	\$ 52,339
Net income from continuing operations	\$ 322,358	\$ 481,263	\$ 344,925
Net income from continuing operations attributable to common stock	\$ 303,990	\$ 461,875	\$ 328,898
Earnings per share from continuing operations attributable to common stock basic and diluted	\$ 1.37	\$ 2.08	\$ 1.52

The pro forma combined results of operations for the years ended December 31, 2014 and 2013 have been prepared by adjusting the historical results of Quanta to include the historical results of the 2014 acquisitions as if they occurred January 1, 2013. The pro forma combined results of operations for the year ended December 31, 2013 have also been prepared by adjusting the historical results of Quanta to include the historical results of the 2013

acquisitions as if they occurred January 1, 2012. The pro forma combined results of operations for the year ended December 31, 2012 have been prepared by adjusting the historical results of Quanta to include the historical results of the 2013 acquisitions as if they occurred January 1, 2012 and the historical results of the 2012 acquisitions as if it occurred January 1, 2011. These pro forma combined historical results were then adjusted for the following: a reduction of interest expense as a result of the repayment of outstanding indebtedness, a reduction of interest income as a result of the cash consideration paid net of cash received, an increase in amortization expense due to the incremental intangible assets recorded related to the 2014, 2013 and 2012 acquisitions, an increase or decrease in depreciation expense within cost of services related to the net impact of adjusting acquired property and equipment to the acquisition date fair value and conforming depreciable lives with Quanta's accounting policies, an increase in the number of outstanding shares of Quanta common stock and certain reclassifications to conform the acquired companies' presentation to Quanta's accounting policies. The pro forma results of operations do not include any adjustments to eliminate the impact of acquisition related costs or any cost savings or other synergies that may result from the 2014, 2013 and 2012 acquisitions. As noted

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

above, the pro forma results of operations do not purport to be indicative of the actual results that would have been achieved by the combined company for the periods presented or that may be achieved by the combined company in the future.

Revenues of approximately \$314.1 million and income from continuing operations before income taxes of approximately \$3.4 million, which included \$11.6 million of acquisition costs, were included in Quanta's consolidated results of operations for the year ended December 31, 2014 related to the nine 2014 acquisitions following their respective dates of acquisition. Additionally, revenues of approximately \$251.3 million and income from continuing operations before income taxes of approximately \$18.2 million are included in Quanta's consolidated results of operations for the year ended December 31, 2013 related to the six 2013 acquisitions following their respective dates of acquisition. Additionally, revenues of approximately \$125.7 million and income from continuing operations before income taxes of approximately \$6.2 million are included in Quanta's consolidated results of operations for the year ended December 31, 2012 related to the four 2012 acquisitions following their respective dates of acquisition.

6. GOODWILL AND OTHER INTANGIBLE ASSETS:

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

	Electric Power Division	Oil and Gas Infrastructure Division	Fiber Optic Licensing Division	Total
Goodwill balance at December 31, 2012	\$ 1,065,152	\$ 137,703	\$ 334,790	\$ 1,537,645
Goodwill acquired during 2013	112,549	143,257		255,806
Foreign currency translation adjustment related to goodwill	(9,617)	(3,117)		(12,734)
Goodwill balance at December 31, 2013	1,168,084	277,843	334,790	1,780,717
Goodwill acquired during 2014	71,517	102,968		174,485
Foreign currency translation adjustment related to goodwill	(16,377)	(7,340)		(23,717)
Goodwill balance at December 31, 2014	\$ 1,223,224	\$ 373,471	\$ 334,790	\$ 1,931,485

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

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Quanta's intangible assets subject to amortization and the remaining weighted average amortization periods related to such assets were as follows (in thousands except for weighted average amortization periods, which are in years):

	As of December 31, 2014			As of December 31, 2013			As of December 31, 2014
	Intangible Assets	Accumulated Amortization	Intangible Assets, Net	Intangible Assets	Accumulated Amortization	Intangible Assets, Net	Remaining Weighted Average Amortization Period in Years
Customer relationships	\$ 257,380	\$ (74,289)	\$ 183,091	\$ 199,224	\$ (59,417)	\$ 139,807	10.2
Backlog	151,404	(138,460)	12,944	136,831	(127,233)	9,598	1.3
Trade names	49,664	(6,278)	43,386	40,342	(4,228)	36,114	20.0
Non-compete agreements	31,430	(25,136)	6,294	28,895	(22,860)	6,035	3.4
Patented rights and developed technology	22,073	(11,695)	10,378	21,440	(9,617)	11,823	4.6
Total intangible assets subject to amortization	\$ 511,951	\$ (255,858)	\$ 256,093	\$ 426,732	\$ (223,355)	\$ 203,377	11.0

Additionally, Quanta had \$4.5 million of intangible assets not subject to amortization at December 31, 2014 and 2013.

Amortization expense for intangible assets was \$35.9 million, \$27.5 million and \$37.7 million for the years ended December 31, 2014, 2013 and 2012, respectively. The estimated future aggregate amortization expense of intangible assets as of December 31, 2014 is set forth below (in thousands):

<u>For the Fiscal Year Ending December 31,</u>	
2015	\$ 34,823
2016	28,430
2017	24,553
2018	24,277
2019	23,508
Thereafter	120,502

Total

\$ 256,093

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Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. PER SHARE INFORMATION:**

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period, and diluted earnings per share is computed using the weighted average number of common shares outstanding during the period adjusted for all potentially dilutive common stock equivalents, except in cases where the effect of the common stock equivalent would be antidilutive. The amounts used to compute the basic and diluted earnings per share for the years ended December 31, 2014, 2013 and 2012 are illustrated below (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Amounts Attributable to Common Stock:			
Net income from continuing operations	\$ 297,341	\$ 401,921	\$ 289,694
Net income (loss) from discontinued operations	(627)		16,935
Net income attributable to common stock	\$ 296,714	\$ 401,921	\$ 306,629
Weighted Average Shares:			
Weighted average shares outstanding for basic earnings per share	219,668	214,929	212,777
Effect of dilutive stock options	22	49	58
Weighted average shares outstanding for diluted earnings per share	219,690	214,978	212,835

For purposes of calculating diluted earnings per share, there were no adjustments required to derive Quanta's net income attributable to common stock. Outstanding exchangeable shares that were issued pursuant to certain of Quanta's historical acquisitions (as further discussed in Note 11), which are exchangeable on a one-for-one basis with shares of Quanta common stock, have been included in weighted average shares outstanding for basic and diluted earnings per share for the years ended December 31, 2014, 2013 and 2012 for the portion of the respective periods that they were outstanding.

8. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Activity in Quanta's current and long-term allowance for doubtful accounts consisted of the following (in thousands):

	December 31,	
	2014	2013
Balance at beginning of year	\$ 5,215	\$ 5,447
Charged to bad debt expense and provision for long-term contract receivable	103,871	3,236

Deductions for uncollectible receivables written off, net of recoveries	(102,912)	(3,468)
Balance at end of year	\$ 6,174	\$ 5,215

Included in the 2014 amounts charged and written off was the \$102.5 million charge to long-term contract receivable and subsequent write-off related to the Sunrise Powerlink project. See *Current and Long-Term Accounts and Notes Receivable and Allowance for Doubtful Accounts* in Note 2 for more information.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Contracts in progress were as follows (in thousands):

	December 31,	
	2014	2013
Costs incurred on contracts in progress	\$ 6,603,351	\$ 6,152,507
Estimated earnings, net of estimated losses	1,111,657	943,090
	7,715,008	7,095,597
Less Billings to date	(7,675,674)	(7,121,225)
	\$ 39,334	\$ (25,628)
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 290,447	\$ 213,478
Less Billings in excess of costs and estimated earnings on uncompleted contracts	(251,113)	(239,106)
	\$ 39,334	\$ (25,628)

Property and equipment consisted of the following (in thousands):

	Estimated Useful Lives in Years	December 31,	
		2014	2013
Land	N/A	\$ 40,657	\$ 30,743
Buildings and leasehold improvements	5-30	95,058	77,939
Operating equipment and vehicles	5-25	1,460,121	1,199,807
Fiber optic and related assets	5-20	431,690	377,551
Office equipment, furniture and fixtures and information technology systems	3-15	122,914	107,477
Construction work in progress	N/A	69,233	44,030
		2,219,673	1,837,547
Less Accumulated depreciation and amortization		(739,545)	(631,939)
Property and equipment, net		\$ 1,480,128	\$ 1,205,608

Accounts payable and accrued expenses consisted of the following (in thousands):

	December 31,	
	2014	2013
Accounts payable, trade	\$ 487,790	\$ 412,601
Accrued compensation and related expenses	166,331	163,000
Accrued insurance, current portion	49,309	44,608
Current deferred taxes	31,014	16,424
Deferred revenues, current portion	21,309	22,764
Income and franchise taxes payable	20,946	74,499
Other accrued expenses	100,637	68,284
	\$ 877,336	\$ 802,180

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. DEBT OBLIGATIONS:**

Quanta's long-term debt obligations consisted of the following (in thousands):

	December 31,	
	2014	2013
Borrowings under credit facility	\$ 68,793	\$
Other long-term debt, interest rates ranging from 1.4% to 4.3%	6,370	
Capital leases, interest rates ranging from 6.0% to 7.3%	1,146	2,234
Total long-term debt obligations	76,309	2,234
Less Current maturities of long-term debt	3,820	1,181
Total long-term debt obligations, net of current maturities	\$ 72,489	\$ 1,053

Quanta's current maturities of long-term debt and short-term borrowings consisted of the following (in thousands):

	December 31,	
	2014	2013
Short-term borrowings	\$ 5,056	\$
Current maturities of long-term debt	3,820	1,181
Current maturities of long-term debt and short-term borrowings	\$ 8,876	\$ 1,181

Credit Facility

On October 30, 2013, Quanta entered into an amended and restated credit agreement with various lenders that provides for a \$1.325 billion senior secured revolving credit facility maturing October 30, 2018. The entire amount available may be used for revolving loans and letters of credit in U.S. dollars. Up to \$400.0 million may be used for revolving loans and letters of credit in certain currencies other than U.S. dollars. Swing line loans are limited to \$50.0 million in U.S. dollars, \$30.0 million in Canadian dollars and \$20.0 million in Australian dollars. In addition, subject to the conditions specified in the credit agreement, Quanta has the option to increase the revolving commitments by up to \$300.0 million from time to time upon receipt of additional commitments from new or existing lenders. Borrowings under the credit agreement are to be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes.

As of December 31, 2014, Quanta had approximately \$336.7 million of outstanding letters of credit and bank guarantees, \$225.1 million of which was denominated in U.S. dollars and \$111.6 million of which was denominated in Australian or Canadian dollars, and \$68.8 million of outstanding borrowings under the credit facility, all of which

was denominated in Canadian dollars. The remaining \$919.5 million was available for borrowings or issuing new letters of credit or bank guarantees. Information on borrowings under Quanta's current and prior credit facility and the applicable interest rates during the years ended December 31, 2014 and 2013 is as follows (dollars in thousands):

	Year Ended	
	December 31,	
	2014	2013
Maximum amount outstanding during the period	\$ 130,856	\$ 161,920
Average daily amount outstanding under the credit facility	\$ 29,814	\$ 14,482
Weighted-average interest rate	2.71%	2.12%

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Effective April 1, 2014, amounts borrowed under the credit agreement in U.S. dollars bear interest, at Quanta's option, at a rate equal to either (i) the Eurocurrency Rate (as defined in the credit agreement) plus 1.125% to 2.125%, as determined based on Quanta's Consolidated Leverage Ratio (as described below), or (ii) the Base Rate (as described below) plus 0.125% to 1.125%, as determined based on Quanta's Consolidated Leverage Ratio. Amounts borrowed as revolving loans under the credit agreement in any currency other than U.S. dollars bear interest at a rate equal to the Eurocurrency Rate plus 1.125% to 2.125%, as determined based on Quanta's Consolidated Leverage Ratio. Standby letters of credit issued under the credit agreement are subject to a letter of credit fee of 1.125% to 2.125%, based on Quanta's Consolidated Leverage Ratio, and Performance Letters of Credit (as defined in the credit agreement) issued under the credit agreement in support of certain contractual obligations are subject to a letter of credit fee of 0.675% to 1.275%, based on Quanta's Consolidated Leverage Ratio. Quanta is also subject to a commitment fee of 0.20% to 0.40%, based on its Consolidated Leverage Ratio, on any unused availability under the credit agreement.

Prior to April 1, 2014, amounts borrowed under the credit agreement in U.S. dollars bore interest, at Quanta's option, at a rate equal to either (i) the Eurocurrency Rate plus 1.25%, or (ii) the Base Rate plus 0.25%. Amounts borrowed as revolving loans under the credit agreement in any currency other than U.S. dollars bore interest at a rate equal to the Eurocurrency Rate plus 1.25%. Standby letters of credit issued under the credit agreement were subject to a letter of credit fee of 1.25%, and Performance Letters of Credit issued under the credit agreement in support of certain contractual obligations were subject to a letter of credit fee of 0.75%. Quanta was also subject to a commitment fee of 0.20% on any unused availability under the credit agreement.

The Consolidated Leverage Ratio is the ratio of Quanta's Consolidated Funded Indebtedness to Consolidated EBITDA (as those terms are defined in the credit agreement). For purposes of calculating Quanta's Consolidated Leverage Ratio, Consolidated Funded Indebtedness is reduced by available cash and Cash Equivalents (as defined in the credit agreement) in excess of \$25.0 million. The Base Rate equals the highest of (i) the Federal Funds Rate (as defined in the credit agreement) plus 0.5%, (ii) the prime rate publicly announced by Bank of America, N.A. and (iii) the Eurocurrency Rate plus 1.00%.

Subject to certain exceptions, the credit agreement is secured by substantially all the assets of Quanta and Quanta's wholly owned U.S. subsidiaries and by a pledge of all of the capital stock of Quanta's wholly owned U.S. subsidiaries and 65% of the capital stock of direct foreign subsidiaries of Quanta's wholly owned U.S. subsidiaries. Quanta's wholly owned U.S. subsidiaries also guarantee the repayment of all amounts due under the credit agreement. Subject to certain conditions, all collateral will automatically be released from the liens at any time Quanta maintains an Investment Grade Rating (defined in the credit agreement as two of the following three conditions being met: (i) a corporate credit rating that is BBB- or higher by Standard & Poor's Rating Services, (ii) a corporate family rating that is Baa3 or higher by Moody's Investors Services, Inc. or (iii) a corporate credit rating that is BBB- or higher by Fitch Ratings, Inc.).

The credit agreement contains certain covenants, including a maximum Consolidated Leverage Ratio and a minimum Consolidated Interest Coverage Ratio (as such terms are defined in the credit agreement). The credit agreement also limits certain acquisitions, mergers and consolidations, indebtedness, asset sales and prepayments of indebtedness and, subject to certain exceptions, prohibits liens on Quanta's assets. The credit agreement allows cash payments for dividends and stock repurchases subject to compliance with the following requirements (after giving effect to the

dividend or stock repurchase): (i) no default or event of default under the credit agreement; (ii) continued compliance with the financial covenants in the credit agreement; and (iii) at least \$100 million of availability under the credit agreement and/or cash and cash equivalents on hand. As of December 31, 2014, Quanta was in compliance with all of the covenants in the credit agreement.

The credit agreement provides for customary events of default and contains cross-default provisions with Quanta's underwriting, continuing indemnity and security agreement with its sureties and all other debt

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

instruments exceeding \$75.0 million in borrowings or availability. If an Event of Default (as defined in the credit agreement) occurs and is continuing, on the terms and subject to the conditions set forth in the credit agreement, the lenders may declare all amounts outstanding and accrued and unpaid interest immediately due and payable, require that Quanta provide cash collateral for all outstanding letter of credit obligations, terminate the commitments under the credit agreement, and foreclose on the collateral.

Prior to amendment and restatement of the credit agreement on October 30, 2013, Quanta's credit agreement provided for a \$700.0 million senior secured revolving credit facility. Borrowings were used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes. Amounts borrowed in U.S. dollars bore interest, at Quanta's option, at a rate equal to either (a) the Eurocurrency Rate (as defined in the credit agreement) plus 1.25% to 2.50%, as determined based on Quanta's Consolidated Leverage Ratio (as described below), plus, if applicable, any Mandatory Cost (as defined in the credit agreement) required to compensate lenders for the cost of compliance with certain European regulatory requirements, or (b) the Base Rate (as described below) plus 0.25% to 1.50%, as determined based on Quanta's Consolidated Leverage Ratio. Amounts borrowed in any currency other than U.S. dollars bore interest at a rate equal to the Eurocurrency Rate plus 1.25% to 2.50%, as determined based on Quanta's Consolidated Leverage Ratio, plus, if applicable, any Mandatory Cost. Standby letters of credit issued under the credit agreement were subject to a letter of credit fee of 1.25% to 2.50%, based on Quanta's Consolidated Leverage Ratio, and Performance Letters of Credit (as defined in the credit agreement) issued under the credit agreement in support of certain contractual obligations were subject to a letter of credit fee of 0.75% to 1.50%, based on Quanta's Consolidated Leverage Ratio. Quanta was also subject to a commitment fee of 0.20% to 0.45%, based on Quanta's Consolidated Leverage Ratio, on any unused availability under the credit agreement. The Consolidated Leverage Ratio was the ratio of Quanta's total funded debt to Consolidated EBITDA (as those terms are defined in the credit agreement). For purposes of calculating both the Consolidated Leverage Ratio and the maximum senior debt to Consolidated EBITDA ratio discussed above, total funded debt and total senior debt were reduced by all unrestricted cash and Cash Equivalents (as defined in the credit agreement) held by Quanta in excess of \$25.0 million. The Base Rate equaled the highest of (i) the Federal Funds Rate (as defined in the credit agreement) plus 0.5%, (ii) the prime rate publicly announced by Bank of America, N.A. and (iii) the Eurocurrency Rate plus 1.00%.

10. INCOME TAXES:

The components of income from continuing operations before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Income from continuing operations before income taxes:			
Domestic	\$ 309,875	\$ 523,745	\$ 390,734
Foreign	163,242	115,504	73,846
Total	\$ 473,117	\$ 639,249	\$ 464,580

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The components of the provision for income taxes for continuing operations were as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Current:			
Federal	\$ 74,224	\$ 173,930	\$ 109,272
State	9,542	23,287	12,397
Foreign	39,978	37,193	14,657
Total current tax provision	123,744	234,410	136,326
Deferred:			
Federal	20,799	(15,457)	16,134
State	3,698	(451)	1,627
Foreign	9,167	(562)	4,772
Total deferred tax provision (benefit)	33,664	(16,470)	22,533
Total provision for income taxes from continuing operations	\$ 157,408	\$ 217,940	\$ 158,859

The actual income tax provision differed from the income tax provision computed by applying the U.S. federal statutory corporate rate to income from continuing operations before provision for income taxes as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Provision at the statutory rate	\$ 165,591	\$ 223,737	\$ 162,603
Increases (decreases) resulting from			
State taxes	9,948	14,788	10,980
Foreign taxes	(13,059)	(9,994)	(5,841)
Contingency reserves, net	(696)	(3,422)	(3,880)
Production activity deduction	(6,033)	(10,247)	(7,081)
Employee per diems, meals and entertainment	9,906	7,960	6,441
Taxes on unincorporated joint ventures	(6,429)	(6,786)	(5,609)
Other	(1,820)	1,904	1,246
Total provision for income taxes from continuing operations	\$ 157,408	\$ 217,940	\$ 158,859

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Deferred income taxes result from temporary differences in the recognition of income and expenses for financial reporting purposes and tax purposes. The tax effects of these temporary differences, representing deferred tax assets and liabilities, result principally from the following (in thousands):

	December 31,	
	2014	2013
Deferred income tax liabilities:		
Property and equipment	\$ (255,084)	\$ (218,739)
Goodwill	(72,030)	(58,643)
Other intangibles	(53,599)	(42,604)
Book/tax accounting method difference	(63,989)	(50,764)
Total deferred income tax liabilities	(444,702)	(370,750)
Deferred income tax assets:		
Accruals and reserves	22,885	22,642
Accrued insurance	64,773	59,640
Deferred revenue	16,575	15,336
Stock and incentive compensation and pension withdrawal liabilities	53,610	57,674
Net operating loss carryforwards	21,511	20,828
Other	10,678	10,857
Subtotal	190,032	186,977
Valuation allowance	(15,186)	(15,644)
Total deferred income tax assets	174,846	171,333
Total net deferred income tax liabilities	\$ (269,856)	\$ (199,417)

The net deferred income tax assets and liabilities were comprised of the following (in thousands):

	December 31,	
	2014	2013
Current deferred income taxes:		
Assets	\$ 58,272	\$ 61,263
Liabilities	(31,014)	(16,424)

	27,258	44,839
Non-current deferred income taxes:		
Assets	3,402	
Liabilities	(300,516)	(244,256)
	(297,114)	(244,256)
Total net deferred income tax liabilities	\$ (269,856)	\$ (199,417)

The valuation allowance for deferred income tax assets at December 31, 2014, 2013 and 2012 was \$15.2 million, \$15.6 million and \$9.3 million, respectively. These valuation allowances relate to foreign net operating loss carryforwards, state net operating loss carryforwards and foreign tax credit carryforwards. The net change in the total valuation allowance for each of the years ended December 31, 2014, 2013 and 2012 was a decrease of \$0.4 million, an increase of \$6.3 million and an increase of \$0.5 million, respectively. The valuation allowance was established primarily as a result of uncertainty in Quanta's outlook as to future taxable income in particular tax jurisdictions. Quanta believes it is more likely than not that it will realize the benefit of its deferred tax assets, net of existing valuation allowances.

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At December 31, 2014, Quanta had state and foreign net operating loss carryforwards, the tax effect of which was approximately \$25.3 million. These carryforwards will expire as follows: 2015, \$0.1 million; 2016, \$0.0 million; 2017, \$0.7 million; 2018, \$0.1 million; 2019, \$0.0 million and \$24.4 million thereafter. A valuation allowance of \$13.9 million has been recorded against certain foreign and state net operating loss carryforwards.

Through December 31, 2014, Quanta has not provided U.S. income taxes on approximately \$344.5 million of unremitted foreign earnings. If we were to repatriate cash that is indefinitely reinvested outside the U.S., we could be subject to additional U.S. income and foreign withholding taxes. Because of the number and variability of assumptions required, it is not practicable to determine the amount of any additional U.S. tax liability that may result if Quanta decides to no longer indefinitely reinvest foreign earnings outside the U.S. If Quanta's intentions or U.S. tax laws change in the future, there may be a significant negative impact on the provision for income taxes and cash flows as a result of recording an incremental tax liability, in the period such change occurs.

A reconciliation of unrecognized tax benefit balances is as follows (in thousands):

	December 31,		
	2014	2013	2012
Balance at beginning of year	\$ 48,838	\$ 51,244	\$ 47,379
Additions based on tax positions related to the current year	9,179	9,073	15,411
Additions for tax positions of prior years	2,438		1,607
Reductions for tax positions of prior years			(293)
Reductions for audit settlements			(895)
Reductions resulting from a lapse of the applicable statute of limitations periods	(9,376)	(11,479)	(11,965)
Balance at end of year	\$ 51,079	\$ 48,838	\$ 51,244

For the year ended December 31, 2014, the \$9.4 million reduction was primarily due to the expiration of certain federal and state statute of limitations periods for the 2010 tax year. For the year ended December 31, 2013, the \$11.5 million reduction was primarily due to the expiration of certain federal and state statute of limitations periods for the 2009 tax year. For the year ended December 31, 2012, the \$12.0 million reduction was primarily due to the expiration of certain federal and state statute of limitations periods for the 2008 tax year.

The balances of unrecognized tax benefits, the amount of related interest and penalties and what Quanta believes to be the range of reasonably possible changes in the next 12 months are as follows (in thousands):

	December 31,		
	2014	2013	2012

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Unrecognized tax benefits	\$ 51,079	\$ 48,838	\$ 51,244
Portion that, if recognized, would reduce tax expense and effective tax rate	43,363	40,562	43,910
Accrued interest on unrecognized tax benefits	6,360	5,837	6,088
Accrued penalties on unrecognized tax benefits	697	99	127
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	\$ 0 to \$10,331	\$0 to \$6,722	\$ 0 to \$11,479
Portion that, if recognized, would reduce tax expense and effective tax rate	\$0 to \$8,593	\$0 to \$4,984	\$0 to \$9,645

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Quanta classifies interest and penalties within the provision for income taxes. Quanta recognized interest expense of \$0.5 million, interest income of \$0.3 million and interest income of \$1.1 million in the provision for income taxes for the years ended December 31, 2014, 2013 and 2012, respectively.

Quanta is currently under examination by the IRS for calendar years 2011 and 2012 and remains open to examination by the IRS for tax years 2013 through 2014 as these statute of limitations periods have not yet expired. Additionally, certain subsidiaries are under examination by various U.S. state, Canadian and other foreign tax authorities for multiple periods. Quanta's Canadian subsidiaries remain open to examination by the Canada Revenue Agency for tax years 2010 through 2014 as these statute of limitations periods have not yet expired. Quanta does not consider any state in which it does business to be a major tax jurisdiction.

11. EQUITY:***Exchangeable Shares and Series F and Series G Preferred Stock***

In connection with certain Canadian acquisitions, the former owners of the acquired companies received exchangeable shares of certain Canadian subsidiaries of Quanta, which may be exchanged at the option of the holders for Quanta common stock on a one-for-one basis. The holders of exchangeable shares can make an exchange only once in any calendar quarter and must exchange a minimum of either 50,000 shares or, if less, the total number of remaining exchangeable shares registered in the name of the holder making the request. Additionally, in connection with two of such acquisitions, Quanta issued one share of Quanta Series F preferred stock and one share of Quanta Series G preferred stock (the Preferred Stock) to voting trusts on behalf of the respective holders of the exchangeable shares issued in such acquisitions. Each share of Preferred Stock provides the holders of such exchangeable shares voting rights in Quanta common stock equivalent to the number of exchangeable shares outstanding at that time.

The combination of the exchangeable shares and Preferred Stock gives the holders of such exchangeable shares rights equivalent to Quanta common stockholders with respect to voting, dividends and other economic rights. The holders of exchangeable shares not associated with the Preferred Stock have rights equivalent to Quanta common stockholders with respect to dividends and other economic rights but do not have voting rights. On March 26, 2013, 409,110 exchangeable shares associated with the Preferred Stock were exchanged for Quanta common stock. As of December 31, 2014, both shares of the Preferred Stock remained outstanding and 7,325,971 exchangeable shares remained outstanding, of which 4,399,858 were associated with the Preferred Stock.

Treasury Stock

Under the stock incentive plans described in Note 12, the tax withholding obligations of employees upon vesting of restricted stock awards and RSUs settled in common stock are typically satisfied by Quanta making such tax payments and withholding a number of vested shares having a value on the date of vesting equal to the tax withholding obligation. For the settlement of these employee tax liabilities, Quanta withheld 352,558 shares of Quanta common stock during the year ended December 31, 2014, with a total market value of \$12.3 million, 379,566 shares of Quanta common stock during the year ended December 31, 2013 with a total market value of \$12.1

million, and 370,007 shares of Quanta common stock during the year ended December 31, 2012 with a total market value of \$6.7 million. These shares and the related costs to acquire them were accounted for as adjustments to the balance of treasury stock. Under Delaware corporate law, treasury stock is not counted for quorum purposes or entitled to vote.

During the fourth quarter of 2013, Quanta's board of directors approved a stock repurchase program authorizing Quanta to purchase, from time to time through December 31, 2016, up to \$500.0 million of its

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outstanding common stock. During the year ended December 31, 2013, Quanta did not purchase any of its common stock under this program. During the year ended December 31, 2014, Quanta purchased approximately 3.0 million shares of its common stock under this program at a cost of \$93.5 million. The shares and the related cost to acquire them have been accounted for as an adjustment to the balance of treasury stock.

Non-controlling Interests

Quanta holds investments in several joint ventures that provide infrastructure services under specific customer contracts. Typically, each joint venture is owned equally by its members. Quanta has determined that certain of these joint ventures are variable interest entities, with Quanta providing the majority of the infrastructure services to the joint venture, which management believes most significantly influences the economic performance of the joint venture. Management has concluded that Quanta is the primary beneficiary of each of these joint ventures and has accounted for each on a consolidated basis. The other parties' equity interests in these joint ventures have been accounted for as non-controlling interests in the consolidated financial statements. Income attributable to the other joint venture members in the amounts of \$18.4 million, \$19.4 million and \$16.0 million for the years ended December 31, 2014, 2013 and 2012, respectively, has been accounted for as a reduction of net income in deriving net income attributable to common stock. Equity in the consolidated assets and liabilities of these joint ventures that is attributable to the other joint venture members has been accounted for as non-controlling interests within total equity in the accompanying balance sheets.

The carrying value of the investments held by Quanta in all of its variable interest entities was approximately \$11.1 million and \$7.1 million at December 31, 2014 and 2013. The carrying value of investments held by the non-controlling interests in these variable interest entities at December 31, 2014 and 2013 was \$11.1 million and \$7.1 million. During the years ended December 31, 2014, 2013 and 2012, distributions to non-controlling interests were \$14.4 million, \$17.6 million and \$18.0 million. There were no other changes in equity as a result of transfers to/from the non-controlling interests during the years ended December 31, 2014, 2013 and 2012. See Note 15 for further disclosures related to Quanta's joint venture arrangements.

12. EQUITY-BASED COMPENSATION:***Stock Incentive Plans***

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

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

The 2011 Plan, the 2007 Plan and the RSU Plan, together with certain plans assumed by Quanta in acquisitions, are referred to as the Plans.

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The Plans are administered by the Compensation Committee of the Board of Directors of Quanta. The Compensation Committee has, subject to applicable regulation and the terms of the Plans, the authority to grant awards under the Plans, to construe and interpret the Plans and to make all other determinations and take any and all actions necessary or advisable for the administration of the Plans. The Board also delegated to the Equity Grant Committee, a committee of the Board consisting of one or more directors, the authority to grant limited awards to eligible persons who are not executive officers or non-employee directors.

Restricted Stock and RSUs to be Settled in Common Stock

During the years ended December 31, 2014, 2013 and 2012, Quanta granted 1.4 million, 1.5 million and 1.3 million shares of restricted stock and RSUs to be settled in common stock under the Plans with weighted average grant date fair values of \$35.09, \$29.37 and \$21.84 per share, respectively. The grant date fair value for awards of restricted stock and RSUs to be settled in common stock is based on the market value of Quanta common stock on the date of grant. Restricted stock and RSU awards to be settled in common stock are subject to forfeiture, restrictions on transfer and certain other conditions until vesting, which generally occurs in equal installments over a two-year or three-year period following the date of grant. During the restriction period, holders of restricted stock are entitled to vote and receive dividends on such shares.

During the years ended December 31, 2014, 2013 and 2012, vesting activity consisted of 1.1 million, 1.2 million and 0.9 million shares of restricted stock and RSUs settled in common stock with an approximate fair value at the time of vesting of \$33.5 million, \$32.8 million and \$22.3 million, respectively. Vesting activity during the year ended December 31, 2013 included compensation cost of approximately \$4.3 million associated with the accelerated vesting of restricted stock and RSUs settled in common stock held by the former Executive Chairman of Quanta's board of directors upon his retirement in May 2013.

A summary of the activity for restricted stock and RSUs to be settled in common stock for the year ended December 31, 2014 is as follows (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value (Per share)
Unvested at January 1, 2014	2,358	\$ 25.96
Granted	1,432	\$ 35.09
Vested	(1,138)	\$ 34.93
Forfeited	(111)	\$ 29.58
Unvested at December 31, 2014	2,541	\$ 31.25

As of December 31, 2014, there was approximately \$34.5 million of total unrecognized compensation cost related to unvested restricted stock and RSUs to be settled in common stock granted to both employees and non-employees. This cost is expected to be recognized over a weighted average period of 1.56 years.

Performance Units to be Settled in Common Stock

Performance units awarded pursuant to the Plans provide for the issuance of shares of common stock upon vesting. These performance units cliff-vest at the end of a three-year performance period based on achievement of three-year financial targets and strategic goals on a 0% to 200% performance scale as determined by the Compensation Committee.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the year ended December 31, 2014, Quanta granted 0.1 million performance units to be settled in common stock under the Plans with a weighted average grant date fair value of \$35.20 per share. No performance units were granted under the Plans during the years ended December 31, 2013 or 2012. The grant date fair value for awards of performance units to be settled in common stock is based on the market value of Quanta common stock on the date of grant applied to the total number of shares that Quanta anticipates will fully vest. This fair value is expensed ratably over the vesting term. During the year ended December 31, 2014, Quanta recognized \$2.4 million in compensation expense associated with performance units to be settled in common stock. No performance units vested, and no shares of common stock were distributed in connection with performance units during the year ended December 31, 2014, as applicable performance periods had not yet concluded.

RSUs to be Settled in Cash

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

Compensation expense related to RSUs to be settled in cash was \$3.9 million, \$3.1 million and \$2.0 million for the years ended December 31, 2014, 2013 and 2012. Such expense is recorded in selling, general and administrative expenses. RSUs that may be settled only in cash are not included in the calculation of earnings per share, and the estimated earned value of such RSUs is classified as a liability. Quanta paid \$3.1 million, \$1.8 million and \$1.7 million to settle liabilities related to cash-settled RSUs in the years ended December 31, 2014, 2013 and 2012, respectively. Accrued liabilities for the estimated earned value of outstanding RSUs to be settled in cash were \$2.9 million and \$2.1 million at December 31, 2014 and 2013.

13. EMPLOYEE BENEFIT PLANS:***Unions Multi-Employer Pension Plans***

Quanta contributes to a number of multi-employer defined benefit pension plans under the terms of collective bargaining agreements with various unions that represent certain of Quanta's employees. Quanta's multi-employer pension plan contribution rates generally are specified in the collective bargaining agreements (usually on an annual basis), and contributions are made to the plans on a pay-as-you-go basis based on its union employee payrolls. Quanta may also have additional liabilities imposed by law as a result of its participation in multi-employer defined benefit pension plans. The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon an employer who is a contributor to a multi-employer pension plan if the employer withdraws from the plan or the plan is terminated or experiences a mass withdrawal. In the fourth quarter of 2011, Quanta recorded a partial withdrawal liability related to the withdrawal by certain Quanta subsidiaries from the Central States, Southeast and Southwest Areas Pension Plan (Central States

Plan) following an amendment to the applicable collective bargaining agreement which eliminated their obligations to contribute to the Central States Plan. During the first quarter of 2014, Quanta recorded an adjustment to cost of services to increase the recognized withdrawal liability. Additional information regarding this withdrawal, as well as the withdrawal from the Central States Plan of a company acquired by Quanta in the fourth quarter of 2013, is provided in *Collective Bargaining Agreements* in Note 15.

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QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes plan information relating to Quanta's participation in multi-employer defined benefit pension plans, including company contributions for the last three years, the status under the PPA of the plans and whether the plans are subject to a funding improvement or rehabilitation plan or contribution surcharges. The most recent PPA zone status available in 2014 and 2013 relates to the plan's fiscal year-end in 2013 and 2012. Forms 5500 were not yet available for the plan years ending in 2014. The PPA zone status is based on information that Quanta received from the respective plans, as well as publicly available information on the U.S. Department of Labor website, and is certified by the plan's actuary. Although multiple factors or tests may result in red zone or yellow zone status, plans in the red zone generally are less than 65 percent funded, plans in the yellow zone generally are less than 80 percent funded, and plans in the green zone generally are at least 80 percent funded. Under the PPA, red zone plans are classified as "critical" status, yellow zone plans are classified as "endangered" status and green zone plans are classified as neither "endangered" nor "critical" status. The "Subject to Financial Improvement/ Rehabilitation Plan" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of Quanta's collective-bargaining agreements to which the plans are subject. Total contributions to these plans correspond to the number of union employees employed at any given time and the plans in which they participate and varies depending upon the location and number of ongoing projects at a given time and the need for union resources in connection with such projects. Information has been presented separately for individually significant plans and in the aggregate for all other plans.

Fund	Employee Identification Number/ Pension Plan Number	PPA Zone Status		Subject to Financial Improvement/ Rehabilitation Plan	Contributions (in thousands)			Sur-charge Imposed	Expiration Date of Collective Bargaining Agreement
		2014	2013		2014	2013	2012		
National Electrical Benefit Fund	53-0181657-001	Green	Green	No	\$ 20,758	\$ 17,268	\$ 18,509	No	Varies through August 2018
Central Pension Fund of the IUOE & Participating Employers	36-6052390-001	Green	Green	No	7,847	4,259	6,843	No	Varies through June 2017
Pipeline Industry Pension Fund	73-6146433-001	Green	Green	No	6,280	4,511	7,434	No	Varies through June 2017
Laborers National	75-1280827-001	Green	Green	No	4,227	4,681	1,906	No	April 2015

Pension Fund									
Eighth District Electrical Pension Fund	84-6100393-001	Green	Green	No	2,192	1,790	4,415	No	Varies through February 2018
Joint Pension Local Union 164 IBEW Laborers Pension Trust Fund for Northern California Michigan Upper Peninsula Intrl Brotherhood of Elec Workers Pension Plan	22-6031199-001	Yellow	Yellow	Yes	1,816	222	515	No	May 2017
Operating Engineers Local 324 Pension Fund	36-3020872-001	Yellow	Yellow	Yes	1,307	299	518	No	May 2017
OE Pension Trust Fund	38-1900637-001	Red	Red	Yes	1,086	818	135	Yes	Varies through April 2018
Alaska Teamster Employer Pension Plan	94-6090764-001	Red	Yellow	Yes	991	902	768	Yes	July 2016
Central States, Southeast, and Southwest Areas Pension Plan	92-6003463-024	Red	Red	Yes	516	241		Yes	October 2017
All other plans	36-6044243-001	Red	Red	Yes			22	Yes	(1)
					22,827	19,076	22,486		
Total					\$ 71,204	\$ 55,054	\$ 63,572		

(1) Quanta believes that it effected a complete withdrawal from the Central States, Southeast, and Southwest Areas Pension Plan as of December 31, 2012. See *Legal Proceedings - Collective Bargaining Agreements* for additional information.

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Quanta's contributions to the following plans were five percent or more of the total contributions to these plans for the periods indicated based on the Forms 5500 for these plans for the years ended December 31, 2013 and 2012. Forms 5500 were not yet available for these plans for the year ended December 31, 2014.

Pension Fund	Plan Years in which Quanta Contributions Were Five Percent or More of Total Plan Contributions
Pipeline Industry Pension Fund	2013 and 2012
Michigan Upper Peninsula Intrl Brotherhood of Elec Workers Pension Plan	2013 and 2012
Eighth District Electrical Pension Fund	2013 and 2012
Laborers National Pension Fund	2013
Joint Pension Local Union 164 IBEW	2013

In addition to the contributions made to multi-employer defined benefit pension plans noted above, Quanta also contributed to multi-employer defined contribution or other benefit plans on behalf of certain union employees. Contributions to union multi-employer defined contribution or other benefit plans by Quanta were approximately \$129.0 million, \$104.4 million and \$87.0 million for the years ended December 31, 2014, 2013 and 2012. Total contributions made to these plans for the years ended December 31, 2014, 2013 and 2012 correspond to the number of union employees employed at any given time and the plans in which they participate and varies depending upon the location and number of ongoing projects at a given time and the need for union resources in connection with such projects.

Quanta 401(k) Plan

Quanta maintains a 401(k) plan pursuant to which employees who are not provided retirement benefits through a collective bargaining agreement may make contributions through a payroll deduction. Quanta makes matching cash contributions of 100% of each employee's contribution up to 3% of that employee's salary and 50% of each employee's contribution between 3% and 6% of such employee's salary, up to the maximum amount permitted by law. Contributions to non-union defined contribution plans by Quanta were approximately \$14.3 million, \$11.8 million and \$11.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Deferred Compensation Plan

Quanta maintains a nonqualified deferred compensation plan pursuant to which non-employee directors and certain key employees, independent contractors and consultants may defer receipt of some or all of their cash compensation and/or settlement of their equity-based awards, subject to certain limitations. The plan provides for employer matching contributions for certain officers and employees whose benefits under the 401(k) plan are limited by federal tax law. Quanta may also make discretionary employer contributions to the plan. Matching contributions and

discretionary employer contributions are subject to a vesting schedule, provided that vesting accelerates upon a change in control and the participant's death or retirement. All matching and discretionary employer contributions, whether vested or not, are forfeited upon a participant's termination of employment for cause or upon the participant engaging in competition with Quanta or any of its affiliates.

Contributions to the deferred compensation plan by Quanta were approximately \$0.3 million during the year ended December 31, 2014. There were no contributions to the plan during the years ended December 31, 2013 or 2012. At December 31, 2014, \$2.3 million was included in other long-term liabilities and \$2.0 million was included in other long-term assets related to obligations under this plan and related company-owned life

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

insurance policies. Individuals participating in this plan receive distributions of their respective balances based on predetermined payout schedules or other events, as defined by the plan and are also able to direct investments made on their behalf among investment alternatives permitted from time to time under the plan.

14. RELATED PARTY TRANSACTIONS:

Certain of Quanta's operating units have entered into related party lease arrangements for operational facilities, typically with prior owners of certain acquired businesses. These lease agreements generally have terms of up to five years and include renewal options. Related party lease expense for the years ended December 31, 2014, 2013 and 2012 was approximately \$8.7 million, \$4.6 million and \$4.2 million, respectively.

15. COMMITMENTS AND CONTINGENCIES:***Investments in Affiliates and Other Entities***

As described in Note 11, Quanta holds investments in certain joint ventures with third parties for the purpose of providing infrastructure services under certain customer contracts. Losses incurred by these joint ventures are generally shared equally by the joint venture members. However, each member of the joint venture typically is jointly and severally liable for all of the obligations of the joint venture under the contract with the customer and therefore can be liable for full performance of the contract with the customer. In circumstances where Quanta's participation in a joint venture qualifies as a general partnership, the joint venture partners are jointly and severally liable for all of the obligations of the joint venture including obligations owed to the customer or any other person or entity. Quanta is not aware of circumstances that would lead to future claims against it for material amounts in connection with these joint and several liabilities.

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

During the fourth quarter of 2014, a limited partnership in which Quanta is a partner, was selected for an engineering, procurement and construction (EPC) electric transmission project to construct a 500 kV transmission project consisting of approximately 500 kilometers of transmission line and two 500 kV substations. Additionally, Quanta will provide turnkey EPC services for the entire project. As of December 31, 2014, Quanta had outstanding capital commitments associated with investments in unconsolidated affiliates related to this project as follows (in thousands)

:

	Capital Commitments	
Year Ending December 31:		
2015	\$	5,164
2016		9,168
2017 ⁽¹⁾		36,891
2018		
2019		27,242
Thereafter		
 Total capital commitments associated with investments in unconsolidated affiliated related to an EPC electrical transmission project	 \$	 78,465

(1) A return of capital from unconsolidated affiliates of approximately \$48.7 million is anticipated in August 2017.

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Additionally, as of December 31, 2014, Quanta had outstanding capital commitments associated with investments in unconsolidated affiliates related to planned midstream infrastructure projects of approximately \$10.1 million. Except for \$0.8 million which was paid in the first quarter of 2015, Quanta is unable to determine the exact timing of these capital commitments but anticipates them to be paid by June 1, 2017.

Leases

Quanta leases certain land, buildings and equipment under non-cancelable lease agreements, including related party leases as discussed in Note 14. The terms of these agreements vary from lease to lease, including some with renewal options and escalation clauses. The following schedule shows the future minimum lease payments under these leases as of December 31, 2014 (in thousands):

	Operating Leases
Year Ending December 31:	
2015	\$ 79,441
2016	49,455
2017	39,462
2018	29,043
2019	14,716
Thereafter	23,470
Total minimum lease payments	\$ 235,587

Rent expense related to operating leases was approximately \$162.5 million, \$112.8 million and \$92.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Quanta has guaranteed the residual value on certain of its equipment operating leases. Quanta has agreed to pay any difference between this residual value and the fair market value of the underlying asset at the date of termination of the leases. At December 31, 2014, the maximum guaranteed residual value was approximately \$434.2 million. Quanta believes that no significant payments will be made as a result of the difference between the fair market value of the leased equipment and the guaranteed residual value. However, there can be no assurance that significant payments will not be required in the future.

Committed Capital Expenditures

Quanta has committed capital for the expansion of its fiber optic network, although Quanta typically does not commit capital to new network expansions until it has a committed licensing arrangement in place with at least one customer. The amounts of committed capital expenditures are estimates of costs required to build the networks under contract. The actual capital expenditures related to building the networks could vary materially from these estimates. As of

December 31, 2014, Quanta estimates these committed capital expenditures to be approximately \$16.8 million for the year ended December 31, 2015. Quanta also committed capital for the expansion of its vehicle fleet in order to accommodate manufacturer lead times on certain types of vehicles. As of December 31, 2014, production orders for approximately \$5.6 million had been issued with delivery dates expected to occur throughout 2015. Although Quanta has committed to purchase these vehicles at the time of their delivery, Quanta intends that these orders will be assigned to third party leasing companies and made available to Quanta under certain of its master equipment lease agreements, thereby releasing Quanta from its capital commitments.

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Legal Proceedings***

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

Sunrise Powerlink Arbitration. On April 21, 2010, PAR entered into a contract with SDG&E to construct a 117-mile electrical transmission line in Imperial and San Diego Counties, California, known as the Sunrise Powerlink project. Construction commenced on November 17, 2010, with commercial operations beginning on June 17, 2012. PAR alleged that during the construction phase, SDG&E directed multiple changes to the construction schedule that required us to significantly increase our resources to the project in order to meet SDG&E's required completion date. Further, PAR contended that the project experienced numerous impacts beyond our control such as access delays and restrictions, as well as problems with customer supplied materials to the project. Following completion of the project, PAR had multiple meetings with SDG&E to review project scope, costs and performance criteria in an attempt to resolve the amount owed to PAR. SDG&E also conducted an audit of PAR's records, which resulted in confirmation of PAR's direct costs incurred in completing the project, but not a resolution of the final amount owed to PAR. PAR previously recorded a long-term contract receivable in the amount of approximately \$165 million in connection with contract price adjustments related to the Sunrise Powerlink project.

In October 2013, PAR initiated arbitration proceedings against SDG&E alleging breach of contract and seeking compensation for additional costs incurred at SDG&E's direction to complete the project. SDG&E filed a counterclaim for breach of contract seeking approximately \$32 million for PAR's alleged untimely performance. During the third quarter of 2014, Quanta evaluated the legal theories and strategies most advantageous to pursue relative to its position in the arbitration at the time, which resulted in a change in expected strategy for collecting the receivable. This change in approach caused Quanta to revise its estimate of expected outcomes and to record an adjustment to the net realizable value of this long-term contract receivable. A provision of \$52.5 million was recognized in the three months ended September 30, 2014 as a charge to selling, general and administrative expense to reflect the impact of these changes in our assessment of the collectability of this long-term contract receivable. PAR subsequently amended its arbitration demand in October 2014 and asserted a claim for damages in excess of \$113 million including interest and other relief to which it was entitled. In December 2014, the parties reached an agreement to dismiss the arbitration. The settlement terms provided for a cash payment by SDG&E to PAR in the amount of \$65 million, representing the final amount to compensate PAR for substantially all of the unpaid portion of PAR's costs incurred on the project. As a result, an additional provision of \$49.9 million was recognized in the three

months ended December 31, 2014 as a charge to selling, general and administrative expense to reflect the impact of this settlement. Payment was received in January 2015, and the arbitration was dismissed shortly thereafter.

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Lorenzo Benton v. Telecom Network Specialists, Inc., et al. In June 2006, Plaintiff Lorenzo Benton filed a class action complaint in the Superior Court of California, County of Los Angeles, alleging various wage and hour violations against Telecom Network Specialists (TNS), a former subsidiary of Quanta. Benton seeks to represent a class of workers that includes all persons who worked on TNS projects between June 2002 and the present, including individuals that TNS retained through 29 staffing agencies. An amended complaint was filed in August 2007, naming two additional class representatives, one of whom has since settled directly with his employer. Plaintiffs' motion for class certification was heard and denied in May 2012. Plaintiffs appealed the denial of class certification, and in October 2013, the California Court of Appeal reversed the denial and remanded the case to the trial court for reconsideration. In November 2013, TNS filed a petition for review with the Supreme Court of California, which was denied. The parties attended mediation in December 2014, however, there was no resolution. Accordingly, the deadline for Plaintiffs to file their motion for class certification in the remanded proceeding is March 19, 2015. Plaintiffs seek approximately \$16 million for class damages and \$5 million in attorneys' fees. Quanta retained any liability associated with this matter following its sale of TNS in December 2012.

Additionally, in November 2007, TNS filed cross complaints for indemnity against the staffing agencies, which employed many of the individuals in the putative class. In December 2012, the trial court heard cross-motions for summary judgment filed by TNS and the staffing agencies pertaining to TNS's demand for indemnity. The court denied TNS's motion and granted the motions filed by the staffing agencies. TNS appealed the court's ruling. The appeal is fully briefed, but a date for oral argument has not been set. At this time, Quanta does not believe this matter will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

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

Mears alleged breach of contract, among other things, and sought recovery for works performed, standby costs, demobilization costs, and other expenses, totaling approximately \$16.5 million, plus pre-judgment interest and attorneys' fees and expenses. In addition, Mears argued that NGC failed to provide a contractually required builders all-risk insurance policy naming Mears as an additional insured, which would have covered losses associated with a pullback failure. NGC counterclaimed in the arbitration, asserting that Mears breached the contract and performed negligently, and sought recovery for the costs of the salvage operations, the cost of the reworks, as well as other costs, totaling approximately \$79.5 million, plus pre-judgment interest and attorneys' fees and expenses.

The arbitration hearings were completed during the third quarter of 2012. On March 20, 2014, the arbitration panel issued a decision awarding NGC \$17.3 million in damages plus interest and NGC attorneys' fees of approximately \$11.0 million. As a result, Mears was unsuccessful in recovering any amounts sought in its claim against NGC and wrote off approximately \$10.5 million of accounts receivable associated with the NGC contract, resulting in an aggregate \$38.8 million charge to selling, general and administrative expenses in the three months ended March 31,

2014 and in the year ended December 31, 2014. Quanta paid the \$28.3 million in damages plus interest and NGC attorneys' fees in April 2014.

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SEC Notice. On March 10, 2014, the SEC notified Quanta of an inquiry into certain aspects of Quanta's activities in certain foreign jurisdictions, including South Africa and the United Arab Emirates. The SEC also requested that Quanta take necessary steps to preserve and retain categories of relevant documents, including those pertaining to Quanta's U.S. Foreign Corrupt Practices Act compliance program. The SEC has not alleged any violations of law by Quanta or its employees. Quanta has complied with the preservation request and is cooperating with the SEC.

For additional information regarding other pending legal proceedings, see *Collective Bargaining Agreements* in this Note 15.

Concentrations of Credit Risk

Quanta is subject to concentrations of credit risk related primarily to its cash and cash equivalents and accounts receivable, including amounts related to unbilled accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts. Substantially all of Quanta's cash investments are managed by what it believes to be high credit quality financial institutions. In accordance with Quanta's investment policies, these institutions are authorized to invest this cash in a diversified portfolio of what Quanta believes to be high quality investments, which consist primarily of interest-bearing demand deposits, money market mutual funds and investment grade commercial paper with original maturities of three months or less. Although Quanta does not currently believe the principal amount of these investments is subject to any material risk of loss, changes in economic conditions could impact the interest income Quanta receives from these investments. In addition, Quanta grants credit under normal payment terms, generally without collateral, to its customers, which include electric power, oil and gas companies, governmental entities, general contractors, and builders, owners and managers of commercial and industrial properties located primarily in the United States, Canada and Australia. Consequently, Quanta is subject to potential credit risk related to changes in business and economic factors throughout the United States, Canada and Australia, which may be heightened as a result of uncertain economic and financial market conditions that have existed in recent years. However, Quanta generally has certain statutory lien rights with respect to services provided. Historically, some of Quanta's customers have experienced significant financial difficulties, and others may experience financial difficulties in the future. These difficulties expose Quanta to increased risk related to collectability of billed and unbilled receivables and costs and estimated earnings in excess of billings on uncompleted contracts for services Quanta has performed.

As of December 31, 2013, two customers accounted for approximately 15% and 11% of consolidated net position. The services provided to these customers related primarily to Quanta's Electric Power Infrastructure Services segment. Substantially all of the balance for the customer accounting for 11% of Quanta's consolidated net position at December 31, 2013 related to the Sunrise Powerlink project, which had a long-term receivable balance related to a significant change order. This receivable was the subject of an arbitration proceeding that was dismissed in January 2015 pursuant to a December 2014 settlement agreement. For additional information, see *Current and Long-Term Accounts and Notes Receivable and Allowance for Doubtful Accounts* and *Revenue Recognition* in Note 2 and *Legal Proceedings - Sunrise Powerlink Arbitration* within this Note 15. No other customers represented 10% or more of Quanta's consolidated net position as of December 31, 2013. No customers represented 10% or more of Quanta's revenues for the years ended December 31, 2014, 2013 and 2012 or 10% or more of Quanta's consolidated net position as of December 31, 2014.

Self-Insurance

As discussed in Note 2, Quanta is insured for employer's liability, general liability, auto liability and workers compensation claims. As of December 31, 2014 and 2013, the gross amount accrued for insurance claims totaled \$170.2 million and \$161.8 million, with \$130.8 million and \$122.6 million considered to be long-

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term and included in other non-current liabilities. Related insurance recoveries/receivables as of December 31, 2014 and 2013 were \$9.1 million and \$9.1 million, of which \$0.8 million and \$0.7 million were included in prepaid expenses and other current assets and \$8.3 million and \$8.4 million were included in other assets, net.

Letters of Credit

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

As of December 31, 2014, Quanta had \$336.7 million in outstanding letters of credit and bank guarantees under its credit facility to secure its casualty insurance program and various contractual commitments. These are irrevocable stand-by letters of credit with maturities generally expiring at various times throughout 2015. Upon maturity, it is expected that the majority of the letters of credit related to the casualty insurance program will be renewed for subsequent one-year periods.

Performance Bonds and Parent Guarantees

In certain circumstances, Quanta is required to provide performance bonds in connection with its contractual commitments. Quanta has indemnified its sureties for any expenses paid out under these performance bonds. These performance bonds expire at various times ranging from mechanical completion of the related projects to a period extending beyond contract completion in certain circumstances, and as such, a determination of maximum potential amounts outstanding requires the use of certain estimates and assumptions. Such amounts can also fluctuate from period to period based upon the mix and level of Quanta's bonded operating activity. As of December 31, 2014, the total amount of the outstanding performance bonds was estimated to be approximately \$2.8 billion. Quanta's estimated maximum exposure as it relates to the value of the bonds outstanding is lowered on each bonded project as the cost to complete is reduced, and each of its commitments under the performance bonds generally extinguishes concurrently with the expiration of its related contractual obligation. The estimated cost to complete these bonded projects was approximately \$701 million as of December 31, 2014.

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

Employment Agreements

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

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Collective Bargaining Agreements***

Some of Quanta's operating units are parties to various collective bargaining agreements with unions that represent certain of their employees. The collective bargaining agreements expire at various times and have typically been renegotiated and renewed on terms similar to those in the expiring agreements. From time to time, Quanta is a party to grievance actions based on claims arising out of the collective bargaining agreements. The agreements require the operating units to pay specified wages, provide certain benefits to their union employees and contribute certain amounts to multi-employer pension plans and employee benefit trusts. Quanta's multi-employer pension plan contribution rates generally are specified in the collective bargaining agreements (usually on an annual basis), and contributions are made to the plans on a pay-as-you-go basis based on its union employee payrolls. The location and number of union employees that Quanta employs at any given time and the plans in which they may participate vary depending on the projects Quanta has ongoing at any time and the need for union resources in connection with those projects. Therefore, Quanta is unable to accurately predict its union employee payroll and the amount of the resulting multi-employer pension plan contribution obligation for future periods.

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

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

In the fourth quarter of 2011, Quanta recorded a partial withdrawal liability of approximately \$32.6 million related to the withdrawal by certain Quanta subsidiaries from the Central States, Southeast and Southwest Areas Pension Plan (the Central States Plan). The partial withdrawal liability recognized by Quanta was based on estimates received from

the Central States Plan during 2011 for a complete withdrawal by all Quanta companies participating in the Central States Plan. The withdrawal followed an amendment to a collective bargaining agreement with the International Brotherhood of Teamsters (Teamsters) that eliminated obligations to contribute to the Central States Plan, which is in critical status and is significantly underfunded as to its vested benefit obligations. The amendment was negotiated by the Pipe Line Contractors Association (PLCA) on behalf of its members, which include the Quanta subsidiaries that withdrew from the Central States Plan. Quanta believed that

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

withdrawing from the Central States Plan in the fourth quarter of 2011 was advantageous because it limited Quanta's exposure to increased liabilities from a future withdrawal if the underfunded status of the Central States Plan deteriorates further. Quanta and other PLCA members now contribute to a different multi-employer pension plan on behalf of Teamsters employees.

The Central States Plan asserted that the withdrawal of the PLCA members was not effective in 2011, although Quanta believed at that time that a legally effective withdrawal had occurred during the fourth quarter of 2011. Although the federal district court for the Northern District of Illinois, Eastern Division, ruled that the withdrawal of the PLCA members was not effective in 2011, the PLCA appealed the decision, and the outcome of that appeal remains uncertain. Certain other Quanta subsidiaries continued participation in the Central States Plan, and Quanta believes that it subsequently effected a complete withdrawal as of December 30, 2012.

In December 2013, the Central States Plan filed separate lawsuits against two of Quanta's subsidiaries. In the first lawsuit, the Central States Plan alleged that a Quanta subsidiary elected to participate in the Central States Plan pursuant to the collective bargaining agreement under which it participates. The subsidiary argued that no such election was made and that any payments made by the subsidiary to the Central States Plan were made in error. The parties recently reached an agreement in principle to settle this lawsuit, pursuant to which, among other things, the Central States Plan agreed to return the payments made by the subsidiary. In the second lawsuit, the Central States Plan alleges that contributions made by another Quanta subsidiary to a new industry fund that was created after Quanta withdrew from the Central States Plan should have been made to the Central States Plan. This arguably would extend the date of withdrawal for this subsidiary to 2014. Quanta has disputed these allegations on the basis that it has properly paid contributions to the new industry fund based on the terms of the collective bargaining agreement under which it participates.

In March 2014, one of the Quanta subsidiaries was notified of a joint grievance committee decision relating to a separate grievance matter concluding that the Quanta subsidiary should have hired Teamsters under a specific collective bargaining agreement to perform certain jobs. This matter was subsequently resolved with the Teamsters, effectively resulting in an award of wages and benefits (including pension contributions) to the two Teamsters employees under an alternate collective bargaining agreement that is not related to the Central States Plan. In addition, in March 2014, the Central States Plan provided revised estimates indicating that the withdrawal liability based on certain withdrawal scenarios from 2011 through 2014 could range between \$40.1 million and \$55.4 million. In July 2014, the Central States Plan provided Quanta with a Notice and Demand of partial withdrawal liability for certain Quanta entities in the amount of \$39.6 million. Quanta continues to dispute the total withdrawal liability owed to the Central States Plan. However, Quanta began to make monthly payments associated with this Notice and Demand in the third quarter of 2014 while the parties continue the related process to determine the final withdrawal liability. The amount owed upon resolution of this matter will be reduced by these monthly payments made.

The ultimate liability associated with the complete withdrawal of Quanta's subsidiaries from the Central States Plan will depend on various factors, including interpretations of the terms of the collective bargaining agreements under which the subsidiaries participated and whether exemptions from withdrawal liability applicable to construction industry employers will be available. Based on the previous estimates of liability associated with a complete withdrawal from the Central States Plan, and allowing for the exclusion of amounts believed by management to have

been improperly included in such estimate, Quanta will seek to challenge and further negotiate the amount owed in connection with this matter. However, Quanta recorded an adjustment to cost of services during the three months ended March 31, 2014 to increase the recognized withdrawal liability to an amount within the range communicated to Quanta by the Central States Plan. Quanta believes that the range of reasonable possible loss associated with the Central States Plan is up to \$55.4 million. Given the unknown nature

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

of some of the factors mentioned above, the final withdrawal liability cannot yet be determined with certainty. Accordingly, it is reasonably possible that the amount owed upon final resolution of these matters could be materially higher than the liability Quanta has recognized through December 31, 2014.

On October 9, 2013, Quanta acquired a company that experienced a complete withdrawal from the Central States Plan prior to the date of acquisition. The Central States Plan issued a Notice and Demand dated March 13, 2013 to the acquired company for a withdrawal liability in the total amount of \$6.9 million payable in installments. Based on legal arguments, the acquired company took the position that the amount of withdrawal liability payable to the Central States Plan as a result of its complete withdrawal was \$4.8 million, of which approximately \$3.1 million remained outstanding as of December 31, 2014. The acquired company and Quanta have taken steps to challenge the amount of the assessment by the Central States Plan; however, payments in accordance with the terms of the Central States Plan's demand letter are required to be made while the dispute is ongoing. Approximately \$2.1 million of the purchase price was deposited into an escrow account on October 9, 2013 to fund any withdrawal obligation in excess of the \$4.8 million initially demanded. Accordingly, the acquired company's withdrawal from the Central States Plan is not expected to have a material impact on Quanta's financial condition, results of operations or cash flows.

Indemnities

Quanta generally indemnifies its customers for the services it provides under its contracts, as well as other specified liabilities, which may subject Quanta to indemnity claims and liabilities and related litigation. Quanta has also indemnified various parties against specified liabilities that those parties might incur in the future in connection with Quanta's previous acquisition or disposition of certain companies. The indemnities under acquisition or disposition agreements are usually contingent upon the other party incurring liabilities that reach specified thresholds. As of December 31, 2014, except as otherwise set forth above in *Legal Proceedings*, Quanta does not believe any material liabilities for claims exist against it in connection with any of these indemnity obligations.

In the normal course of Quanta's acquisition transactions, Quanta obtains rights to indemnification from the sellers or former owners of acquired companies for certain risks, liabilities and obligations arising from their prior operations, such as performance, operational, safety, workforce or tax issues, some of which Quanta may not have discovered during due diligence. Quanta is in the process of identifying certain pre-acquisition obligations associated with non-U.S. payroll taxes that may be due from a business acquired by Quanta in 2013. Quanta may seek recovery from the indemnity counterparties for any amounts that Quanta may be required to pay in connection with such pre-acquisition matters. However, the indemnities may not cover all of Quanta's exposure for such pre-acquisition matters, as the indemnities under acquisition agreements are usually contingent upon Quanta incurring liabilities that reach specified thresholds, and the indemnitors may be unwilling or unable to pay the amounts owed to Quanta.

16. SEGMENT INFORMATION:

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

Quanta's segment results are derived from the types of services provided across its operating units in each of the end user markets described above. Quanta's entrepreneurial business model allows each of its operating units to serve the same or similar customers and to provide a range of services across end user markets. Quanta's operating units are organized into one of three internal divisions, namely, the Electric Power Division, the Oil

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and Gas Infrastructure Division and the Fiber Optic Licensing Division. These internal divisions are closely aligned with the reportable segments described above based on their operating units' predominant type of work.

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

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

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

	Year Ended December 31,		
	2014	2013	2012
Revenues:			
Electric Power Infrastructure	\$ 5,238,627	\$ 4,480,647	\$ 4,206,509
Oil and Gas Infrastructure	2,444,558	1,869,615	1,534,713
Fiber Optic Licensing and Other	168,065	172,580	179,047
Consolidated	\$ 7,851,250	\$ 6,522,842	\$ 5,920,269
Operating income (loss):			
Electric Power Infrastructure	\$ 458,332	\$ 521,855	\$ 520,834
Oil and Gas Infrastructure	162,797	138,543	55,410
Fiber Optic Licensing and Other	54,386	55,415	61,299
Corporate and non-allocated costs	(199,940)	(188,885)	(172,421)
Consolidated	\$ 475,575	\$ 526,928	\$ 465,122
Depreciation:			
Electric Power Infrastructure	\$ 74,723	\$ 63,407	\$ 55,205
Oil and Gas Infrastructure	57,414	47,050	43,285
Fiber Optic Licensing and Other	18,495	16,786	15,173

Corporate and non-allocated costs	7,478	6,867	6,640
Consolidated	\$ 158,110	\$ 134,110	\$ 120,303

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

Table of Contents**QUANTA SERVICES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Foreign Operations**

During 2014, 2013, and 2012, Quanta derived \$1.89 billion, \$1.31 billion and \$861.5 million, respectively, of its revenues from foreign operations. Of Quanta's foreign revenues, approximately 82%, 86% and 96% was earned in Canada during the years ended December 31, 2014, 2013 and 2012, respectively. In addition, Quanta held property and equipment of \$372.9 million and \$196.8 million in foreign countries, primarily Canada, as of December 31, 2014 and 2013. The increases in foreign revenues and assets were partially due to the timing of the non-U.S. acquisitions described in Note 5.

17. QUARTERLY FINANCIAL DATA (UNAUDITED):

The table below sets forth the unaudited consolidated operating results by quarter for the years ended December 31, 2014 and 2013 (in thousands, except per share information).

	March 31,	For the Three Months Ended		
	June 30,	September 30,	December 31,	
2014:				
Revenues	\$ 1,762,574	\$ 1,864,550	\$ 2,171,144	\$ 2,052,982
Gross profit	272,071	281,448	352,971	327,030
Net income	58,648	85,444	100,015	70,975
Net income attributable to common stock	54,408	81,082	94,648	66,576
Net income from continuing operations attributable to common stock	54,408	81,082	94,648	67,203
Earnings per share from continuing operations attributable to common stock basic and diluted	\$ 0.25	\$ 0.37	\$ 0.43	\$ 0.30
2013:				
Revenues	\$ 1,585,710	\$ 1,474,377	\$ 1,645,132	\$ 1,817,623
Gross profit	238,273	241,284	273,053	302,843
Net income	76,857	74,726	98,409	171,317
Net income attributable to common stock	72,081	70,237	92,906	166,697
Net income from continuing operations attributable to common stock	72,081	70,237	92,906	166,697
Earnings per share from continuing operations attributable to common stock basic and diluted	\$ 0.34	\$ 0.33	\$ 0.43	\$ 0.77

During the third and fourth quarters of 2014, Quanta recorded charges of \$52.5 million (\$32.3 million net of tax) and \$49.9 million (\$30.3 million net of tax) associated with an electric power infrastructure services project completed in 2012. See *Current and Long-Term Accounts and Notes Receivable and Allowance for Doubtful Accounts* and *Revenue Recognition* in Note 2 and *Legal Proceedings - Sunrise Powerlink Arbitration* in Note 15. During the first quarter of 2014, Quanta recorded a charge of \$38.8 million (\$25.8 million net of tax) as a result of an arbitration

decision related to a contract dispute on a 2010 directional drilling project. See *Legal Proceedings – National Gas Company of Trinidad and Tobago Arbitration* in Note 15. Additionally, during the fourth quarter of 2013, Quanta recorded a gain of \$112.7 million (\$70.5 million net of tax) on the sale of its equity ownership interest in HEP. See *Investments in Affiliates and Other Entities* in Note 2.

The sum of the individual quarterly earnings per share amounts may not equal year-to-date earnings per share as each period's computation is based on the weighted average number of shares outstanding during the period.

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QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. SUBSEQUENT EVENTS:

Acquisitions

During the first quarter of 2015, Quanta has completed the acquisition of three companies. These acquisitions included an underground utility distribution contractor that provides services to gas and electric utilities in Canada, a supplier and material procurement specialist for the power and utility industry in Canada and a company that specializes in the engineering, procurement, construction, and commissioning of compression and surface facilities for the Australian high pressure gas industry. The aggregate consideration paid for these acquisitions was approximately \$36.3 million in cash, subject to net working capital adjustments. As these transactions were effective during the first quarter of 2015, the results will be included in Quanta's consolidated financial statements beginning on the respective dates of acquisition. These acquisitions should enable Quanta to further enhance its electric power and oil and gas infrastructure service offerings in Canada and Australia.

Stock Repurchases

During the first quarter of 2015, Quanta repurchased approximately 6.7 million shares of its common stock under its stock repurchase program at a cost of \$182.0 million.

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ITEM 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

There have been no changes in or disagreements with accountants on accounting and financial disclosure within the parameters of Item 304(b) of Regulation S-K.

ITEM 9A. *Controls and Procedures*

Attached as exhibits to this Annual Report on Form 10-K are certifications of Quanta's Chief Executive Officer and Chief Financial Officer that are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the Exchange Act). This Item 9A. section includes information concerning the controls and controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

Our management has established and maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. The disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Annual Report, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, these officers have concluded that, as of December 31, 2014, our disclosure controls and procedures were effective to provide reasonable assurance of achieving their objectives.

Evaluation of Internal Control over Financial Reporting

Management's report on internal control over financial reporting can be found in Item 8. *Financial Statements and Supplementary Data* under the heading *Report of Management* and is incorporated herein by reference. The report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, on the financial statements, and its opinion on the effectiveness of internal control over financial reporting, can also be found in Item 8. *Financial Statements and Supplementary Data* under the heading *Report of Independent Registered Public Accounting Firm* and is incorporated herein by reference.

There has been no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Design and Operation of Control Systems

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute,

assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances

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of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and breakdowns can occur because of simple errors or mistakes. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. *Other Information*

None.

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PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance*

The information required by this Item 10 is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Exchange Act within 120 days following the end of our 2014 fiscal year.

ITEM 11. *Executive Compensation*

The information required by this Item 11 is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Exchange Act within 120 days following the end of our 2014 fiscal year.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item 12 is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Exchange Act within 120 days following the end of our 2014 fiscal year.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item 13 is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Exchange Act within 120 days following the end of our 2014 fiscal year.

ITEM 14. *Principal Accounting Fees and Services*

The information required by this Item 14 is incorporated by reference to our definitive proxy statement, which is to be filed with the SEC pursuant to the Exchange Act within 120 days following the end of our 2014 fiscal year.

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PART IV

ITEM 15. *Exhibits and Financial Statement Schedules*

The following financial statements, schedules and exhibits are filed as part of this Annual Report on Form 10-K:

(1) *Financial Statements*. Reference is made to the Index to Consolidated Financial Statements on page 81 of this Annual Report on Form 10-K.

(2) All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or the notes to the consolidated financial statements in Item 8. *Financial Statements and Supplementary Data* of this Annual Report on Form 10-K.

(3) *Exhibits*.

Table of Contents**EXHIBIT INDEX****Exhibit**

No.	Description
2.1	Stock Purchase Agreement dated as of November 19, 2012, among Quanta Services, Inc., Infracore FI LLC, Dycom Industries, Inc. and PBG Acquisition III, LLC (previously filed as Exhibit 2.1 to the Company's Form 8-K (No. 001-13831) filed November 21, 2012 and incorporated herein by reference)
3.1	Restated Certificate of Incorporation of Quanta Services, Inc. (previously filed as Exhibit 3.3 to the Company's Form 8-K (No. 001-13831) filed May 25, 2011 and incorporated herein by reference)
3.2	Certificate of Designation of Series G Preferred Stock (previously filed as Exhibit 3.1 to the Company's Form 8-K (No. 001-13831) filed January 17, 2014 and incorporated herein by reference)
3.3	Bylaws of Quanta Services, Inc., as amended and restated March 27, 2014 (previously filed as Exhibit 3.1 to the Company's Form 8-K (No. 001-13831) filed March 31, 2014 and incorporated herein by reference)
4.1	Form of Common Stock Certificate (previously filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1/Amendment No. 2 (No. 333-42957) filed February 9, 1998 and incorporated herein by reference)
10.1*	Quanta Services, Inc. 2007 Stock Incentive Plan (previously filed as Exhibit 99.1 to the Company's Form 8-K (No. 001-13831) filed May 29, 2007 and incorporated herein by reference)
10.2*	Amendment No. 1 to the Quanta Services, Inc. 2007 Stock Incentive Plan (previously filed as Exhibit 99.2 to the Company's Form 8-K (No. 001-13831) filed November 21, 2012 and incorporated herein by reference)
10.3*	Form of Restricted Stock Agreement for awards to employees/consultants pursuant to the 2007 Stock Incentive Plan (previously filed as Exhibit 99.2 to the Company's Form 8-K (No. 001-13831) filed May 29, 2007 and incorporated herein by reference)
10.4*	Form of Restricted Stock Agreement for awards to non-employee directors pursuant to the 2007 Stock Incentive Plan (previously filed as Exhibit 99.3 to the Company's Form 8-K (No. 001-13831) filed May 29, 2007 and incorporated herein by reference)
10.5*	InfraSource Services, Inc. 2003 Omnibus Stock Incentive Plan, as amended (previously filed as Exhibit 10.5 to InfraSource Services' Registration Statement on Form S-1 (Registration No. 333-112375) filed January 30, 2004 and incorporated herein by reference)
10.6*	InfraSource Services, Inc. 2004 Omnibus Stock Incentive Plan, as amended (previously filed as Exhibit 10.1 to InfraSource Services' Form 8-K (Registration No. 001-32164) filed November 14, 2006 and incorporated herein by reference)
10.7*	Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 4.5 to the Company's Form S-8 (No. 333-174374) filed May 20, 2011 and incorporated herein by reference)
10.8*	Amendment No. 1 to the Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended June 30, 2013 (No. 001-13831)

filed August 9, 2013 and incorporated herein by reference)

10.9*

Form of Restricted Stock Agreement for awards to employees/consultants pursuant to the 2011 Omnibus Equity Incentive Plan accommodating electronic acceptance (previously filed as Exhibit 10.12 to the Company's Form 10-K (No. 001-13831) filed February 29, 2012 and incorporated herein by reference)

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No.	Description
10.10*	Form of Restricted Stock Agreement for awards to non-employee directors pursuant to the 2011 Omnibus Equity Incentive Plan accommodating electronic acceptance (previously filed as Exhibit 10.13 to the Company's Form 10-K (No. 001-13831) filed February 29, 2012 and incorporated herein by reference)
10.11*	Form of Restricted Stock Unit Agreement for awards to employees/consultants pursuant to the 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed March 8, 2013 and incorporated herein by reference)
10.12*	Form of Restricted Stock Unit Agreement for awards to non-employee directors pursuant to the 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 2013 (No. 001-13831) filed May 8, 2013 and incorporated herein by reference)
10.13*	Form of Performance Unit Award Agreement for awards to employees/consultants pursuant to the 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed March 7, 2014 and incorporated herein by reference)
10.14*	Employment Agreement dated March 24, 2011, effective as of May 19, 2011, by and between Quanta Services, Inc. and James F. O'Neil III (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed March 25, 2011 and incorporated herein by reference)
10.15*	Employment Agreement dated March 29, 2012, effective as of May 17, 2012, by and between Quanta Services, Inc. and Derrick A. Jensen (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed April 2, 2012 and incorporated herein by reference)
10.16*	Employment Agreement dated December 20, 2012, effective as of January 1, 2013, by and between Quanta Services, Inc. and Earl C. Austin, Jr. (previously filed as Exhibit 10.1 to the Company's Form 8-K (No. 001-13831) filed December 21, 2012 and incorporated herein by reference)
10.17*	Employment Agreement dated March 4, 2014, effective as of January 6, 2014, by and between Quanta Services, Inc. and Jesse E. Morris (previously filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2014 (No. 001-13831) filed May 8, 2014 and incorporated herein by reference)
10.18 *	Employment Agreement dated and effective as of September 19, 2014 by and between Quanta Services, Inc. and Steven J. Kemps (previously filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2014 (No. 001-13831) filed November 5, 2014 and incorporated herein by reference)
10.19*	Employment Agreement dated March 8, 2000 by and between Quanta Services, Inc. and Nicholas M. Grindstaff, as amended by Amendment No. 1 to Employment Agreement dated November 6, 2008 (previously filed as Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 2014 (No. 001-13831) filed May 8, 2014 and incorporated herein by reference)
10.20*	Employment Agreement dated March 4, 2014, effective as of February 20, 2014, by and between Quanta Services, Inc. and Eric B. Brown (previously filed as Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 2014 (No. 001-13831) filed May 8, 2014 and incorporated herein by reference)

- 10.21*^ Severance Agreement and General Release of All Claims dated September 10, 2014 by and between Quanta Services, Inc. and Eric B. Brown
- 10.22* Quanta Services, Inc. 2014 Incentive Plan for Senior Leadership (previously filed as Exhibit 10.1 to the Company's Form 8-K (No. 001-13831) filed March 7, 2014 and incorporated herein by reference)

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No.	Description
10.23*	Director Compensation Summary effective as of the 2013 Annual Meeting of the Board of Directors (previously filed as Exhibit 10.5 to the Company's Form 10-Q for the quarter ended June 30, 2013 (No. 001-13831) filed August 9, 2013 and incorporated herein by reference)
10.24*	Quanta Services, Inc. Non-Employee Director Deferred Compensation Plan dated effective April 30, 2013, including the Cash Deferral Election Form (previously filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended March 31, 2013 (No. 001-13831) filed May 8, 2013 and incorporated herein by reference)
10.25*	Amendment No. 1 to the Quanta Services, Inc. Non-Employee Director Deferred Compensation Plan effective as of April 30, 2013 (previously filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended March 31, 2014 (No. 001-13831) filed May 8, 2014 and incorporated herein by reference)
10.26*	Restricted Stock Unit Deferral Election Form, pursuant to the Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.5 to the Company's Form 10-Q for the quarter ended March 31, 2013 (No. 001-13831) filed May 8, 2013 and incorporated herein by reference)
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10.28	Form of Amended and Restated Indemnity Agreement (previously filed as Exhibit 10.1 to the Company's Form 8-K (No. 001-13831) filed January 31, 2012 and incorporated herein by reference)
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10.30	Third Amended and Restated Security Agreement dated as of October 30, 2013, among Quanta Services, Inc., the other Debtors identified therein, and Bank of America, N.A., as Administrative Agent for the ratable benefit of the Secured Parties (previously filed as Exhibit 99.2 to the Company's Form 8-K (No. 001-13831) filed November 5, 2013 and incorporated herein by reference)
10.31	Third Amended and Restated Pledge Agreement dated as of October 30, 2013, among Quanta Services, Inc., the other Pledgors identified therein, and Bank of America, N.A., as Administrative Agent for the ratable benefit of the Secured Parties (previously filed as Exhibit 99.3 to the Company's Form 8-K (No. 001-13831) filed November 5, 2013 and incorporated herein by reference)
10.32	Assignment and Assumption Agreement dated as of August 30, 2007, by and between InfraSource Services, Inc. and Quanta Services, Inc. (previously filed as Exhibit 10.3 to Quanta's Form 8-K (001-13831) filed September 6, 2007 and incorporated herein by reference)
10.33	Underwriting, Continuing Indemnity and Security Agreement dated as of March 14, 2005 by Quanta Services, Inc. and the subsidiaries and affiliates of Quanta Services, Inc. identified therein, in favor of Federal Insurance Company (previously filed as Exhibit 10.1 to the Company's Form 8-K

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No.	Description
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10.40	Joinder Agreement and Fifth Amendment to Underwriting, Continuing Indemnity and Security Agreement dated as of May 17, 2012, among Federal Insurance Company, Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, Safeco Insurance Company of America, American Home Assurance Company, National Union Fire Insurance Company of Pittsburgh, PA, The Insurance Company of the State of Pennsylvania, Quanta Services, Inc., and the other

Indemnitors identified therein (previously filed as Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 2012 (No. 001-13831) filed August 8, 2012 and incorporated herein by reference)

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21.1 [^]	Subsidiaries
23.1 [^]	Consent of PricewaterhouseCoopers LLP
31.1 [^]	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 [^]	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS [^]	XBRL Instance Document
101.SCH [^]	XBRL Taxonomy Extension Schema Document
101.CAL [^]	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB [^]	XBRL Taxonomy Extension Label Linkbase Document
101.PRE [^]	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF [^]	XBRL Taxonomy Extension Definition Linkbase Document

* Management contracts or compensatory plans or arrangements

[^] Filed with this Annual Report on Form 10-K
Furnished with this Annual Report on Form 10-K

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Quanta Services, Inc. has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on March 2, 2015.

QUANTA SERVICES, INC.

By: /s/ JAMES F. O NEIL III
James F. O Neil III

President and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James F. O Neil III and Derrick A. Jensen, each of whom may act without joinder of the other, as their true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for such person and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons in the capacities indicated on March 2, 2015.

Signature	Title
/s/ JAMES F. O NEIL III James F. O Neil III	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ DERRICK A. JENSEN Derrick A. Jensen	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ JAMES R. BALL James R. Ball	Director
/s/ J. MICHAL CONAWAY J. Michal Conaway	Director

/s/ VINCENT D. FOSTER

Director

Vincent D. Foster

/s/ BERNARD FRIED

Director

Bernard Fried

/s/ LOUIS C. GOLM

Director

Louis C. Golm

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Signature	Title
/s/ WORTHING F. JACKMAN Worthing F. Jackman	Director
/s/ BRUCE RANCK Bruce Ranck	Chairman of the Board of Directors
/s/ MARGARET B. SHANNON Margaret B. Shannon	Director
/s/ PAT WOOD, III Pat Wood, III	Director

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No.	Description
2.1	Stock Purchase Agreement dated as of November 19, 2012, among Quanta Services, Inc., Infrasource FI LLC, Dycom Industries, Inc. and PBG Acquisition III, LLC (previously filed as Exhibit 2.1 to the Company's Form 8-K (No. 001-13831) filed November 21, 2012 and incorporated herein by reference)
3.1	Restated Certificate of Incorporation of Quanta Services, Inc. (previously filed as Exhibit 3.3 to the Company's Form 8-K (No. 001-13831) filed May 25, 2011 and incorporated herein by reference)
3.2	Certificate of Designation of Series G Preferred Stock (previously filed as Exhibit 3.1 to the Company's Form 8-K (No. 001-13831) filed January 17, 2014 and incorporated herein by reference)
3.3	Bylaws of Quanta Services, Inc., as amended and restated March 27, 2014 (previously filed as Exhibit 3.1 to the Company's Form 8-K (No. 001-13831) filed March 31, 2014 and incorporated herein by reference)
4.1	Form of Common Stock Certificate (previously filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1/Amendment No. 2 (No. 333-42957) filed February 9, 1998 and incorporated herein by reference)
10.1*	Quanta Services, Inc. 2007 Stock Incentive Plan (previously filed as Exhibit 99.1 to the Company's Form 8-K (No. 001-13831) filed May 29, 2007 and incorporated herein by reference)
10.2*	Amendment No. 1 to the Quanta Services, Inc. 2007 Stock Incentive Plan (previously filed as Exhibit 99.2 to the Company's Form 8-K (No. 001-13831) filed November 21, 2012 and incorporated herein by reference)
10.3*	Form of Restricted Stock Agreement for awards to employees/consultants pursuant to the 2007 Stock Incentive Plan (previously filed as Exhibit 99.2 to the Company's Form 8-K (No. 001-13831) filed May 29, 2007 and incorporated herein by reference)
10.4*	Form of Restricted Stock Agreement for awards to non-employee directors pursuant to the 2007 Stock Incentive Plan (previously filed as Exhibit 99.3 to the Company's Form 8-K (No. 001-13831) filed May 29, 2007 and incorporated herein by reference)
10.5*	InfraSource Services, Inc. 2003 Omnibus Stock Incentive Plan, as amended (previously filed as Exhibit 10.5 to InfraSource Services' Registration Statement on Form S-1 (Registration No. 333-112375) filed January 30, 2004 and incorporated herein by reference)
10.6*	InfraSource Services, Inc. 2004 Omnibus Stock Incentive Plan, as amended (previously filed as Exhibit 10.1 to InfraSource Services' Form 8-K (Registration No. 001-32164) filed November 14, 2006 and incorporated herein by reference)
10.7*	Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 4.5 to the Company's Form S-8 (No. 333-174374) filed May 20, 2011 and incorporated herein by reference)
10.8*	

Amendment No. 1 to the Quanta Services, Inc. 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended June 30, 2013 (No. 001-13831) filed August 9, 2013 and incorporated herein by reference)

10.9*

Form of Restricted Stock Agreement for awards to employees/consultants pursuant to the 2011 Omnibus Equity Incentive Plan accommodating electronic acceptance (previously filed as Exhibit 10.12 to the Company's Form 10-K (No. 001-13831) filed February 29, 2012 and incorporated herein by reference)

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No.	Description
10.10*	Form of Restricted Stock Agreement for awards to non-employee directors pursuant to the 2011 Omnibus Equity Incentive Plan accommodating electronic acceptance (previously filed as Exhibit 10.13 to the Company's Form 10-K (No. 001-13831) filed February 29, 2012 and incorporated herein by reference)
10.11*	Form of Restricted Stock Unit Agreement for awards to employees/consultants pursuant to the 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed March 8, 2013 and incorporated herein by reference)
10.12*	Form of Restricted Stock Unit Agreement for awards to non-employee directors pursuant to the 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 2013 (No. 001-13831) filed May 8, 2013 and incorporated herein by reference)
10.13*	Form of Performance Unit Award Agreement for awards to employees/consultants pursuant to the 2011 Omnibus Equity Incentive Plan (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed March 7, 2014 and incorporated herein by reference)
10.14*	Employment Agreement dated March 24, 2011, effective as of May 19, 2011, by and between Quanta Services, Inc. and James F. O'Neil III (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed March 25, 2011 and incorporated herein by reference)
10.15*	Employment Agreement dated March 29, 2012, effective as of May 17, 2012, by and between Quanta Services, Inc. and Derrick A. Jensen (previously filed as Exhibit 10.2 to the Company's Form 8-K (No. 001-13831) filed April 2, 2012 and incorporated herein by reference)
10.16*	Employment Agreement dated December 20, 2012, effective as of January 1, 2013, by and between Quanta Services, Inc. and Earl C. Austin, Jr. (previously filed as Exhibit 10.1 to the Company's Form 8-K (No. 001-13831) filed December 21, 2012 and incorporated herein by reference)
10.17*	Employment Agreement dated March 4, 2014, effective as of January 6, 2014, by and between Quanta Services, Inc. and Jesse E. Morris (previously filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2014 (No. 001-13831) filed May 8, 2014 and incorporated herein by reference)
10.18*	Employment Agreement dated and effective as of September 19, 2014 by and between Quanta Services, Inc. and Steven J. Kemps (previously filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2014 (No. 001-13831) filed November 5, 2014 and incorporated herein by reference)
10.19*	Employment Agreement dated March 8, 2000 by and between Quanta Services, Inc. and Nicholas M. Grindstaff, as amended by Amendment No. 1 to Employment Agreement dated November 6, 2008 (previously filed as Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 2014 (No. 001-13831) filed May 8, 2014 and incorporated herein by reference)
10.20*	Employment Agreement dated March 4, 2014, effective as of February 20, 2014, by and between Quanta Services, Inc. and Eric B. Brown (previously filed as Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 2014 (No. 001-13831) filed May 8, 2014 and incorporated herein by reference)

10.21*^ Severance Agreement and General Release of All Claims dated September 10, 2014 by and between Quanta Services, Inc. and Eric B. Brown

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No.	Description
10.22*	Quanta Services, Inc. 2014 Incentive Plan for Senior Leadership (previously filed as Exhibit 10.1 to the Company's Form 8-K (No. 001-13831) filed March 7, 2014 and incorporated herein by reference)
10.23*	Director Compensation Summary effective as of the 2013 Annual Meeting of the Board of Directors (previously filed as Exhibit 10.5 to the Company's Form 10-Q for the quarter ended June 30, 2013 (No. 001-13831) filed August 9, 2013 and incorporated herein by reference)
10.24*	Quanta Services, Inc. Non-Employee Director Deferred Compensation Plan dated effective April 30, 2013, including the Cash Deferral Election Form (previously filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended March 31, 2013 (No. 001-13831) filed May 8, 2013 and incorporated herein by reference)
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* Management contracts or compensatory plans or arrangements

^ Filed with this Annual Report on Form 10-K
Furnished with this Annual Report on Form 10-K