

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

FORM 10-Q

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

Commission File Number 001-08106



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

**Florida**  
(State or other jurisdiction of  
incorporation or organization)

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

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

**33122-1205**  
(Zip Code)

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

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

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

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

As of November 10, 2003, MasTec, Inc. had 48,154,625 shares of common stock, \$0.10 par value, outstanding.

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

(In thousands, except per share amounts)

(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Revenue	\$ 248,373	\$ 231,758	\$ 638,050	\$ 648,581
Costs of revenue, excluding depreciation	212,922	196,604	540,974	544,208
Depreciation	6,684	8,085	22,414	26,282
Amortization	198	128	481	384
General and administrative expenses	14,663	19,196	48,484	60,541
Interest expense	5,035	4,777	14,973	14,413
Interest income	93	264	305	908
Other income , net	1,623	484	1,505	5,198
Income before provision for income taxes, minority interest and cumulative effect of accounting change	10,587	3,716	12,534	8,859
Provision for income taxes	4,412	1,357	5,320	3,480
Minority interest	75	4	213	17
Income before cumulative effect of accounting change	6,250	2,363	7,427	5,396
Cumulative effect of accounting change, net of tax	--	--	--	(25,671)
Net income (loss)	\$ 6,250	\$ 2,363	\$ 7,427	\$ (20,275)
Basic weighted average common shares outstanding	48,102	47,926	48,055	47,916
Basic earnings per share before cumulative effect of accounting change	\$ 0.13	\$ 0.05	\$ 0.15	\$ 0.11
Cumulative effect of accounting change	--	--	--	(0.53)
Basic earnings (loss) per share	\$ 0.13	\$ 0.05	\$ 0.15	\$ (0.42)
Diluted weighted average common shares outstanding	48,919	47,965	48,282	48,063
Diluted earnings per share before cumulative effect of accounting change	\$ 0.13	\$ 0.05	\$ 0.15	\$ 0.11
Cumulative effect of accounting change	--	--	--	(0.53)
Diluted earnings (loss) per share	\$ 0.13	\$ 0.05	\$ 0.15	\$ (0.42)

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

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

(In thousands)

(Unaudited)

	(Audited)	
	September 30, 2003	December 31, 2002
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15,183	\$ 8,730
Accounts receivable, unbilled revenue and retainage, net	231,458	185,235
Inventories	28,492	23,736
Income tax refund receivable	263	24,598
Prepaid expenses and other current assets	36,691	32,873
	<hr/>	<hr/>
Total current assets	312,087	275,172
Property and equipment, net	90,298	118,475
Goodwill	150,987	150,984
Deferred taxes	30,890	40,271
Other assets	43,850	38,890
	<hr/>	<hr/>
Total assets	\$ 628,112	\$ 623,792
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current maturities of debt	\$ 3,514	\$ 1,207
Accounts payable	79,809	63,492
Other current liabilities	41,887	65,696
	<hr/>	<hr/>
Total current liabilities	125,210	130,395
	<hr/>	<hr/>
Other liabilities	20,741	22,214
	<hr/>	<hr/>
Long-term debt	197,003	197,435
	<hr/>	<hr/>
Shareholders' equity:		
Preferred stock, no par value; authorized shares - 5,000,000; issued and outstanding shares - none	--	--
Common stock, \$0.10 par value; authorized shares - 100,000,000; issued and outstanding shares - 48,127,678 and 48,006,234 shares, respectively	4,813	4,801
Capital surplus	348,836	348,319
Retained deficit	(47,383)	(54,810)
Foreign currency translation adjustments	(21,108)	(24,562)
	<hr/>	<hr/>
Total shareholders' equity	285,158	273,748
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 628,112	\$ 623,792

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

**MASTEC, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ 7,427	\$(20,275)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	22,895	26,666
Minority interest	(213)	(17)
Loss on disposal of assets	(2,752)	(5,444)
Cumulative change in accounting principle, net	-	25,671
Changes in assets and liabilities:		

Accounts receivable, unbilled revenue and retainage, net	(44,714)	9,218
Inventories	(4,514)	(7,114)
Income tax refund received	27,914	50,784
Other assets, current and non-current portion	(1,127)	(10,383)
Accounts payable	15,422	1,017
Other liabilities, current and non-current portion	(24,822)	(14,436)
	<u>          </u>	<u>          </u>
Net cash (used in) provided by operating activities	(4,484)	55,687
	<u>          </u>	<u>          </u>
Cash flows from investing activities:		
Capital expenditures	(6,161)	(14,579)
Cash paid for acquisitions and contingent consideration, net of cash acquired	(1,861)	(16,005)
Payments received from sub-leases	2,676	-
Investment in life insurance policy	(168)	(1,230)
Proceeds from sale of assets and investments	15,986	11,534
	<u>          </u>	<u>          </u>
Net cash provided by (used in) investing activities	10,472	(20,280)
	<u>          </u>	<u>          </u>
Cash flows from financing activities:		
Proceeds (repayments) on revolving credit facilities, net	1,876	(70,165)
Payment on capital lease obligations	(2,600)	-
Net proceeds from common stock issued	529	259
	<u>          </u>	<u>          </u>
Net cash used in financing activities	(195)	(69,906)
	<u>          </u>	<u>          </u>
Net increase (decrease) in cash and cash equivalents	5,793	(34,499)
Net effect of currency translation on cash	660	(2,463)
Cash and cash equivalents - beginning of period	8,730	48,478
	<u>          </u>	<u>          </u>
Cash and cash equivalents - end of period	\$ 15,183	\$ 11,516
	<u>          </u>	<u>          </u>

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

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

During the nine months ended September 30, 2002, we paid approximately \$16.0 million related to contingent consideration from earlier acquisitions which was reflected as a reduction in other current liabilities.

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

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

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

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

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

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

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

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

(loss) for the three months ended September 30, 2003 and 2002 was \$5.8 and \$(0.5) million, respectively. Our comprehensive income (loss) for the nine months ended September 30, 2003 and 2002 was \$10.8 and \$(25.7) million, respectively.

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

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

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

*Allowance for doubtful accounts.* We maintain allowances for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. We analyze historical bad debt experience, client concentrations, client credit-worthiness, the availability of mechanics and other liens, the existence of payment bonds and other sources of payment, and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

*Earnings per share.* Basic earnings per common share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share include the dilutive effect of stock options using the treasury stock method. Differences between the weighted average common shares outstanding used to calculate basic and diluted earnings per share relates to stock options assumed exercised under the treasury method of accounting. For the three and nine months ended September 30, 2003 the difference is approximately 817,000 and 227,000 shares, respectively. For the three and nine months ended September 30, 2002, this difference between the weighted average common shares outstanding used to calculate basic and diluted earnings is approximately 39,000 and 147,000 shares, respectively.

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

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

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

*Deferred Financing Costs.* Deferred financing costs related to our revolving credit facility and the senior subordinated notes whose short and long-term portions are included in other current and non-current assets in the consolidated balance sheets. These deferred financing costs are amortized over the related terms of the debt using the effective interest method. The net deferred financing costs were \$5.5 million at September 30, 2003 and \$6.2 million at December 31, 2002.

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

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

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

We review our long-lived assets, including property and equipment that are held and used in operations, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable as required by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". If such an event or change in circumstances is present, we estimate the undiscounted future cash flows, less the future outflows necessary to obtain those inflows, expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the related assets, an impairment loss will be recognized or a review of depreciation policies may be appropriate. Impairment losses resulting from such abandonment are recognized in operating income. Assets to be disposed of are reclassified as assets held for sale at the lower of their carrying amount or fair value less costs to sell. Write-downs to fair value less costs to sell are reported above the operating income line as "Other income (expense), net". We adopted SFAS No. 144 effective January 1, 2002.

*Accrued insurance.* We carry insurance for worker's compensation, employer's liability, auto liability, and general liability claims subject to a \$2.0 million deductible per claim beginning in August of 2003. Losses up to the deductible amounts are accrued based upon estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. The accruals are based upon known facts and historical trends and we believe such accruals to be accurate. Because we retain those risks, up to certain limits, a change in experience or actuarial assumptions that did not affect the rate of claims payments could nonetheless materially affect our financial condition and results of operations in a particular period.

*Income taxes.* We record income taxes using the liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequence of temporary differences between the financial statement and income tax bases of our assets and liabilities. We make estimates of our income taxes in each of the jurisdictions in which we operate. This process involves estimating our tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. While we consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event that we determine that we will not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination is made.

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

*Fair value of financial instruments.* We estimate the fair market value of financial instruments through the use of public market prices, quotes from financial institutions and other available information. Judgment is required in interpreting data to develop estimates of market value and, accordingly, amounts are not necessarily indicative of the amounts that could be realized in a current market exchange. Short-term financial instruments, including cash and cash equivalents, accounts and notes receivable, accounts payable and other liabilities, consist primarily of instruments without extended maturities, the fair value of which, based on our estimates, equaled their carrying values. At September 30, 2003 and December 31, 2002, the fair value of senior subordinated notes was \$195.9 and \$170.5 million, respectively, based on quoted market values. Letters of credit are used to back certain insurance policies. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined in the marketplace.

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

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

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

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which amends SFAS No. 123, "Accounting for Stock-Based Compensation". The provisions of SFAS No. 148 provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The provisions also amend the disclosure requirements of SFAS No. 123 for both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reporting results. The transitional provisions of SFAS No. 148 are effective for financial statements for fiscal years ending after December 15, 2002 and the disclosure provisions are effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002, with early adoption encouraged. The Company adopted the disclosure requirements of SFAS No. 148 in the last quarter of fiscal 2002. The adoption of this statement did not have an impact on historical financial position or results of operation of the company.

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

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting guidance for certain financial instruments that, under previous guidance, could have been classified as either a liability or equity. These financial instruments include mandatory redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. SFAS No. 150 now requires those instruments to be classified as liabilities (or as assets under some circumstances) in the statement of financial position. SFAS No. 150 also requires the terms of those instruments and any settlement alternatives to be disclosed. Equity securities of consolidated entities that meet the definition of a mandatory redeemable security by virtue of having a finite life ("mandatory redeemable minority interests") are included in the scope of SFAS No. 150. SFAS No. 150 became effective on June 15, 2003. The FASB deferred the provisions of SFAS No. 150 as they relate to mandatory redeemable minority interests and is expected to issue interpretive guidance with respect to such provisions. The adoption of the other provisions of SFAS No. 150 at the beginning of the third quarter of 2003 did not have a material impact on our financial position and results of operations.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus regarding EITF Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables". The EITF addresses not only when and how an arrangement involving multiple deliverables should be divided into separate units of accounting but also how the arrangement's consideration should be allocated among separate units. The EITF was effective for agreements entered into in fiscal periods beginning after June 15, 2003 with early adoption permitted. The adoption of EITF Issue 00-21 did not have an impact on our financial position and results of operations.

## Note 2 – Goodwill and Other Intangible Assets

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

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

Impairment adjustments recognized after adoption are required to be recognized as operating expense. Impairment reviews are performed annually during the fourth quarter of each year.

## Note 3 — Other Assets and Liabilities

Prepaid expenses and other current assets on the consolidated balance sheets as of September 30, 2003 and December 31, 2002 were \$36.7 and \$32.9 million, respectively, primarily consisting of miscellaneous short-term receivables, refundable taxes, assets held for sale, security deposits, and prepaid expenses.

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

	2003	2002
Long-term receivables, including retainage	\$ 10,175	\$ 9,340
Non-core investments	8,030	12,122
Real estate held for sale	1,683	1,683
Deferred financing costs	4,014	4,834
Life insurance policies	5,472	5,374
Non-compete agreements	1,709	810
Other	12,767	4,727
Total	<u>\$ 43,850</u>	<u>\$ 38,890</u>

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

	2003	2002
<u>Current liabilities</u>		
Obligations related to prior acquisitions	\$ 771	\$ 3,549
Accrued compensation	14,187	21,302
Accrued insurance	9,757	11,354
Accrued interest	2,583	6,480
Restructuring accruals	1,029	2,735
Other	13,560	20,276
Total	<u>\$ 41,887</u>	<u>\$ 65,696</u>
	2003	2002
<u>Non-current liabilities</u>		
Accrued insurance	\$ 15,957	\$ 18,521
Minority interest	1,919	1,797
Other	2,865	1,896
Total	<u>\$ 20,741</u>	<u>\$ 22,214</u>

## Note 4 – Debt

Debt is comprised of the following (in thousands):

	September 30, 2003	December 31, 2002
Notes payable for equipment, at interest rates from 7.5% to 8.5% due in installments through the year 2004	\$ 1,525	\$ 1,955
Other lines of credit	3,112	827
7.75% senior subordinated notes due February 2008	195,880	195,860
	<hr/>	<hr/>
Total debt	200,517	198,642
Less current maturities	(3,514)	(1,207)
	<hr/>	<hr/>
Long-term debt	\$ 197,003	\$ 197,435
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#### *Revolving Credit Facility*

We have a revolving credit facility for U.S. operations that provides for borrowings up to an aggregate of \$125.0 million, based on a percentage of eligible accounts receivable and unbilled receivables as well as a fixed amount of equipment that decreases quarterly. Although the credit facility provides for borrowings of up to \$125.0 million, the amount that we can borrow at any given time is based upon a formula that takes into account, among other things, our eligible billed and unbilled accounts receivable, which can result in borrowing availability of less than the full amount of the facility. As of September 30, 2003 and December 31, 2002, net availability under the credit facility totaled \$49.6 and \$39.2 million net of outstanding standby letters of credit aggregating \$39.2 and \$46.7 million, respectively. Substantially all of the outstanding letters of credit are issued to insurance providers as part of our insurance program. We had no outstanding draws under the credit facility as of September 30, 2003 and December 31, 2002. Amounts outstanding under the revolving credit facility mature on January 22, 2007.

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

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

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

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

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

#### *Senior Subordinated Notes*

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

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

#### **Note 5 – Restructuring Charges**

During the second quarter of 2002, we initiated a study to determine the proper balance of downsizing and cost cutting in relation to our ability to respond to current and future work opportunities in each of our service offerings. The review evaluated current operations, the growth and opportunity potential of each service offering and the consolidation of back-office processes. As a result of this review, a restructuring program was implemented that included four categories to accomplish:

- o Elimination of service offerings that no longer fit into our core business strategy. This process includes reducing or eliminating service offerings that do not fit our long-term business plan.
- o Reduction or elimination of services that do not produce adequate revenue or margins to support our targeted levels of profitability and return on investment, or justify the required investments in capital resources. This includes exiting contracts that do not meet our minimum rate of return requirements, and aggressively seeking to improve margins and reduce costs.
- o Analyses of businesses that provide adequate profit contributions but still need margin improvements that include aggressive cost reductions and efficiencies.
- o Review new business opportunities in similar business lines that can utilize existing human and physical resources.

The elements of the restructuring program included involuntary terminations of employees in affected service offerings and the consolidation of facilities. The involuntary terminations impacted both the salaried and hourly employee groups. Approximately 1,025 employees were impacted during 2002.



Approximately 25 facilities were closed during 2002 as part of the program. As of September 30, 2003 and December 31, 2002, we had remaining obligations under existing lease agreements for closed facilities of approximately \$1.0 and \$2.2 million, respectively.

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

Accrued costs at December 31, 2002	
Severance costs	\$ 571
Lease cancellation costs	2,164
	<hr/>
	2,735
Cash payments	(1,706)
	<hr/>
Accrued costs at September 30, 2003	\$ 1,029
	<hr/>

## Note 6 – Stock Option Plans

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income (loss):				
As reported	\$ 6,250	\$ 2,363	\$ 7,427	\$ (20,275)
	<hr/>	<hr/>	<hr/>	<hr/>
Pro forma	\$ 5,699	\$ 36	\$ 5,063	\$ (26,480)
	<hr/>	<hr/>	<hr/>	<hr/>
Basic income (loss) per share:				
As reported	\$ 0.13	\$ 0.05	\$ 0.15	\$ (0.42)
Pro forma	\$ 0.12	\$ -	\$ 0.11	\$ (0.55)
Diluted income (loss) per share:				
As reported	\$ 0.13	\$ 0.05	\$ 0.15	\$ (0.42)
Pro forma	\$ 0.12	\$ -	\$ 0.10	\$ (0.55)

## Note 7 – Operations by Segments and Geographic Areas

We operate in one reportable segment as a specialty contractor. We provide engineering, placement and maintenance of aerial and underground: fiber-optic, coaxial and copper cable systems owned by local and long distance communications carriers and cable television multiple system operators. We also provide construction services for various state departments of transportation including engineering, placement and maintenance of intelligent traffic systems (“ITS”). Additionally, we provide similar services related to the installation of integrated voice, data and video local and wide area networks within office buildings and similar structures and also provide construction and maintenance services to electrical and other utilities. All operating units have been aggregated into one reporting segment due to their similar customer bases, products and production and distribution methods. We also operate in Brazil through an 87.5% joint venture which consolidates net of a 12.5% minority interest after tax. The Brazilian operations perform similar services and for the three months ended September 30, 2003 and 2002 had revenue of \$5.6 and \$10.1 million, respectively. For the nine months ended September 30, 2003 and 2002 it had revenue of \$17.2 and \$36.5 million, respectively. Total assets for Brazil aggregated \$37.4 and \$35.2 million as of September 30, 2003 and December 31, 2002, respectively.

## Note 8 – Commitments and Contingencies

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

The labor union representing the workers of Sistemas e Instalaciones de Telecomunicacion S.A. (“Sintel”), a former MasTec subsidiary, has instigated an investigative action with a Spanish federal court that commenced in July 2001 alleging that five former members of the board of directors of Sintel, including Jorge Mas, the Chairman of the Board of MasTec, and his brother Juan Carlos Mas, approved a series of allegedly unlawful transactions that led to the bankruptcy of Sintel. We are also named as a potentially liable party. The union alleges Sintel and its creditors were damaged in the approximate amount of 13 billion pesetas (\$90.6 million and \$81.9 million at September 30, 2003 and December 31, 2002 exchange rates, respectively). As discussed in prior filings, the Spanish judge has taken no action to enforce a bond order pending since July 2001 for the amount of alleged damages. A Spanish judge has met with certain of our executives, but neither the executives nor MasTec have been served in the action.

On January 9, 2002, Harry Schipper, one of our shareholders, filed a shareholder derivative lawsuit in the U.S. District Court for the Southern District of Florida against us as nominal defendant and against certain current and former members of the Board of Directors and senior management, including Jorge Mas, Chairman of the Board, and Austin J. Shanfelter, President and Chief Executive Officer. The lawsuit alleges mismanagement, misrepresentation and breach of

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

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

We have commitments to pay life insurance premiums on policies on the life of the Chairman of the Board and the Chief Executive Officer totaling \$22.7 million over the next nineteen years, obligations related to prior year acquisitions of \$.8 million, capital leases totaling \$3.8 million, operating lease commitments of \$45.1 million and lines of credit (excluding our \$125.0 revolving credit facility) of \$3.1 million as of September 30, 2003.

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

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

From time to time, we enter into agreements with certain vendors under which we commit to lease a fixed number of vehicles or equipment at a predetermined price. During the first quarter of 2003, we entered into one such agreement with a vendor to lease up to \$7.5 million of machinery and equipment. As of September 30, 2003, we have utilized \$6.0 million of this commitment. The leases for such machinery and equipment are recorded as operating leases.

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

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

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

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. We analyze historical bad debt experience, client concentrations, client credit-worthiness, the availability of mechanics and other liens, the existence of payment bonds and other sources of payment, and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If judgments regarding the collectibility of accounts receivables were incorrect, adjustments to the allowance may be required, which would reduce profitability. Prior to 2001, the allowance for doubtful accounts averaged approximately \$3.0 to \$6.0 million annually, as we had not incurred significant bad debts or experienced significant client bankruptcies. However, during 2002 and 2001, we recorded bad debt provisions of \$15.4 million and \$185.5 million, respectively, primarily due to the unprecedented number of clients that filed for bankruptcy protection during 2001 and general economic climate of 2002. As of September 30, 2003 and December 31, 2002, we had remaining receivables from clients undergoing bankruptcy reorganization totaling \$17.2 and \$10.6 million net of \$10.6 and \$7.0 million, respectively, in specific reserves. These receivables are included in accounts receivable on the consolidated balance sheets. Based on the analytical process described above, we believe that we will recover the net amounts recorded. We maintain an allowance for doubtful accounts of \$22.9 and \$25.8 million as of September 30, 2003 and December 31, 2002, including the bankruptcy reserves discussed above, for both specific customers and as a general reserve. There can be no assurance that we will collect the amounts reflected on our records for these clients as well as other clients. Should additional clients file for bankruptcy or experience difficulties, or should anticipated recoveries in existing bankruptcies and other workout situations fail to materialize, we could experience reduced cash flows and losses in excess of the current allowance.

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

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

## **General**

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

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

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

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

## **Critical Accounting Policies and Estimates**

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

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

### **Revenue Recognition**

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

### **Allowance for Doubtful Accounts**

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. We analyze historical bad debt experience, client concentrations, client credit-worthiness, analysis of client financial condition and credit reports, the availability of mechanic's and other liens, the existence of payment bonds and other sources of payment, and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. We review the adequacy of reserves on a monthly basis. If our estimates of the collectibility of accounts receivable are incorrect, adjustments to the allowance for doubtful accounts may be required, which could reduce our profitability.

### **Depreciation**

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

### **Valuation of Long-Lived Assets**

We review long-lived assets, consisting primarily of property and equipment and intangible assets with finite lives, for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". In analyzing potential impairment, we use projections of future cash flows from the assets. These projections are based on our views of growth rates for the related business and anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value. If changes in growth rates, future economic conditions or discount rates and estimates of terminal values were to occur, long-lived assets may become impaired.

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

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

## Insurance Reserves

We maintain insurance policies subject to a \$2.0 million deductible per claim beginning in August 2003 for certain auto, property and casualty and workers' compensation claims. We are required to post letters of credit to secure our obligation to reimburse the insurance carrier for amounts that could potentially be advanced by the carrier that are not covered by insurance. Our estimated liability for claims and the associated expenses is reflected in other current and non-current liabilities. The determination of such claims and expenses and the appropriateness of the related liability is reviewed and updated semi-annually. If we do not accurately estimate the losses resulting from these claims, we may experience losses in excess of our estimated liability, which may reduce our profitability. We also may be required to post additional collateral with the insurance carrier, which may affect our liquidity.

## Income Taxes

We record income taxes using the liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequence of temporary differences between the financial statement and income tax bases of our assets and liabilities. We estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event that we determine that we will not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination is made.

## Litigation and Contingencies

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

## Results of Operations

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2003		2002		2003		2002	
Revenue	\$ 248,373	100.0 %	\$ 231,758	100.0 %	\$ 638,050	100.0 %	\$ 648,581	100.0 %
Costs of revenue	212,922	85.7 %	196,604	84.8 %	540,974	84.8 %	544,208	83.9 %
Depreciation	6,684	2.7 %	8,085	3.5 %	22,414	3.5 %	26,282	4.1 %
Amortization	198	0.1 %	128	0.1 %	481	0.1 %	384	0.1 %
General and administrative expenses	14,663	5.9 %	19,196	8.3 %	48,484	7.6 %	60,541	9.3 %
Interest expense, net of interest income	4,942	2.0 %	4,513	1.9 %	14,668	2.3 %	13,505	2.1 %
Other income, net	1,623	0.6 %	484	0.2 %	1,505	0.2 %	5,198	0.8 %
Income before provision for income taxes, minority interest and cumulative effect of accounting change	10,587	4.2 %	3,716	1.6 %	12,534	1.9 %	8,859	1.4 %
Provision for income taxes	4,412	1.7 %	1,357	0.6 %	5,320	0.8 %	3,480	0.5 %
Minority interest	75	-	4	-	213	0.1 %	17	-
Income before cumulative effect of accounting change	\$ 6,250	2.5 %	\$ 2,363	1.0 %	\$ 7,427	1.2 %	\$ 5,396	0.8 %
Cumulative effect of accounting change, net of tax	-	-	-	-	-	-	(25,671)	(4.0) %
Net income (loss)	\$ 6,250	2.5 %	\$ 2,363	1.0 %	\$ 7,427	1.2 %	\$ (20,275)	(3.1) %

**Three Months Ended September 30, 2003  
Compared to Three Months Ended September 30, 2002**

Our revenue was \$248.4 million for the three months ended September 30, 2003, compared to \$231.8 million for the same period in 2002, representing an increase of \$16.6 million or 7.2%. The increase was principally due to increases in revenue as we continue to expand upgrade construction and residential installation activities in our broadband service offering.

Our costs of revenue were \$212.9 million or 85.7% of revenue for the three months ended September 30, 2003, compared to \$196.6 million or 84.8% of revenue for the same period in 2002. The dollar increase is a result of revenue growth, however our margins were negatively impacted by project delays in certain of our Intelligent Traffic Systems ("ITS") projects. In addition, we exited certain regions within our Brazilian operations and continued to incur certain fixed costs and non-reimbursable demobilization costs. Our Brazilian operations recently negotiated a large power contract in partnership with the Brazilian government which we anticipate will result in significant margin improvement.

Depreciation was \$6.7 million or 2.7% of revenue for the three months ended September 30, 2003, compared to \$8.1 million or 3.5% of revenue for the same period in 2002. We reduced depreciation expense in the three months ended September 30, 2003 by continuing to reduce capital expenditures and disposing of excess equipment.

Amortization of intangibles of \$0.2 million or 0.1% of revenue for the three months ended September 30, 2003, remained relatively constant compared to \$0.1 million or 0.1% of revenue for the same period in 2002. In accordance with SFAS No. 142 (see Note 2 to the Consolidated Financial Statements), goodwill is no longer amortized.

General and administrative expenses were \$14.7 million or 5.9% of revenue for the three months ended September 30, 2003, compared to \$19.2 million or 8.3% of revenue for the same period in 2002. The decrease is due to our restructuring plan implemented in late 2002. The plan resulted in the termination of employees, the consolidation of facilities and office closures. We continue to implement additional measures to streamline our cost structure.

Interest expense, net of interest income remained relatively constant at \$4.9 million or 2.0% of revenue for the three months ended September 30, 2003 compared to \$4.5 million or 1.9% of revenue for the same period in 2002. We incur interest expense primarily from our long-term subordinated debt which carries a fixed rate and to a lesser extent on periodic credit line borrowings to meet working capital needs and support various letters of credit.

Other income increased to \$1.6 million for the three months ended September 30, 2003 from \$0.5 million for the three months ended September 30, 2002. Other income for the three months ended September 30, 2003 reflects a net gain on disposals and other reserves related to international investments of \$2.0 million. Other income for the three months ended September 30, 2002 reflects the gain on disposal of certain non-core assets, investments and excess equipment.

For the three months ended September 30, 2003, our effective tax rate was approximately 41.4%, compared to 36.5 % in 2002. The 4.9% increase is due to proportionately higher income before taxes in 2003. Due to net operating loss carryforwards, we do not anticipate cash payment of this tax provision.

#### **Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002**

Our revenue was \$638.1 million for the nine months ended September 30, 2003, compared to \$648.6 million for the same period in 2002, representing a decrease of \$10.5 million or 1.6%. This decrease was due primarily to the reduction or elimination of certain unprofitable service offerings and severe weather conditions during the first half of 2003. The decrease was also due to a continued reduction in capital expenditures by incumbent communications and certain broadband clients and our decision to reduce services to certain competitive telecommunications carriers.

Our costs of revenue were \$541.0 million or 84.8% of revenue for the nine months ended September 30, 2003, compared to \$544.2 million or 83.9% of revenue for the same period in 2002. In the nine months ended September 30, 2003, margins were negatively impacted in part by severe weather in the first six months of the period and the under-utilization of personnel and equipment and demobilization and redeployment costs, partially offset by the benefits associated with the continued implementation of our restructuring plan. For the nine months ended September 30, 2003, we also experienced lower margins due to underutilization of personnel related to project delays in certain of our ITS projects.

Depreciation was \$22.4 million or 3.5% of revenue for the nine months ended September 30, 2003, compared to \$26.3 million or 4.1% of revenue for the same period in 2002. We reduced depreciation expense in the nine months ended September 30, 2003 by continuing to reduce capital expenditures and disposing of excess equipment.

Amortization of intangibles of \$0.5 million or 0.1% of revenue for the nine months ended September 30, 2003, remained consistent compared to \$0.4 million or 0.1% of revenue for the same period in 2002. In accordance with SFAS No. 142 (see Note 2 to the Consolidated Financial Statements), goodwill is no longer amortized.

General and administrative expenses were \$48.5 million or 7.6% of revenue for the nine months ended September 30, 2003, compared to \$60.5 million or 9.3% of revenue for the same period in 2002. The decrease in general and administrative expenses is related to the overall decline in revenues experienced during the nine months ended September 30, 2003 as we closed or consolidated certain back office functions and locations. The decrease is also due to our restructuring plan which resulted in the termination of employees and further consolidation of facilities and office closures. We continue to implement additional measures to streamline our cost structure consistent with our reduced revenue.

Interest expense, net of interest income, was \$14.7 million or 2.3% of revenue for the nine months ended September 30, 2003, compared to \$13.5 million or 2.1% of revenue for the same period in 2002, increased as we incurred borrowings to support working capital needs. We incur interest expense primarily from our long-term subordinated debt which carries a fixed rate and to a lesser extent on periodic credit line borrowings to meet working capital needs and support various letters of credit.

Other income decreased to \$1.5 million for the nine months ended September 30, 2003 from \$5.2 million during the nine months ended September 30, 2002. Other income for the nine months ended September 30, 2003 and 2002 reflects the gain on disposal of certain non-core assets and investments.

For the nine months ended September 30, 2003 and 2002 respectively our effective tax rate was approximately 39.8% and 39.3%. Due to net operating loss carryforwards, we do not anticipate cash payment of this tax provision.

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

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

Our primary liquidity needs are for working capital, capital expenditures, letters of credit and debt service. Our primary sources of liquidity are cash flows from operations, borrowings under revolving lines of credit, tax refunds and sale of investments, property and excess assets. During the fourth quarter of 2002, we recorded certain restructuring charges aggregating \$8.2 million, including consulting fees, of which \$1.0 million remains outstanding as of September 30, 2003. We anticipate payment of the remaining amounts through 2004.

Net cash used in operating activities was \$4.5 million for the nine months ended September 30, 2003. The net cash used in operating activities in 2003, in part resulted from seasonal increases in revenue and related receivables, changes in other working capital components, net of a \$27.9 million receipt of income tax refunds resulting from losses incurred in 2002. In February 2003, we also made an interest payment on our Senior Subordinated Debentures of approximately \$7.8 million. A portion of the proceeds from the income tax refund were used to repay all borrowings under our revolving credit facility at the time of receipt.

Included in our results of operations is a non-cash provision for income taxes of \$4.4 million and \$5.3 million for the three and nine months ended September 30, 2003 respectively. We do not anticipate payment of these taxes due to net operating loss carryforwards generated in 2001 and 2002. During the three and nine months ended September 30, 2002, we recorded non-cash provisions for income taxes of \$1.4 million and \$3.5 million respectively.

During the nine months ended September 30, 2003, we paid approximately \$1.9 million related to contingent consideration from earlier acquisitions that was reflected as a reduction in other current liabilities. We also invested \$2.9 million in our domestic fleet and \$0.2 million in our international fleet to replace or upgrade equipment, along with \$3.1 million in technology enhancements. Also during the nine months ended September 30, 2003, we received proceeds and notes receivable of approximately \$16.0 million on the sale of assets and investments and for disposal of assets held for sale.

During the nine months ended September 30, 2003, our financing activities primarily consisted of borrowings under our revolving debt to support international operations. Additionally, \$2.7 million of payments were made during that period on our capital leases.

We have a credit facility for U.S. operations that provides for borrowings up to an aggregate of \$125.0 million, based on a percentage of eligible accounts receivable and unbilled receivables as well as a fixed amount of equipment that decreases quarterly. Although the credit facility provides for borrowings of up to \$125.0 million, the amount that we can borrow at any given time is based upon a formula that takes into account, among other things, our eligible billed and unbilled accounts receivable, which can result in borrowing availability of less than the full amount of the facility. As of September 30, 2003 and December 31, 2002, availability under the credit facility totaled \$49.6 and \$39.2 million net of outstanding standby letters of credit aggregating \$39.2 and \$46.7 million, respectively. Substantially all of the outstanding letters of credit are issued to our insurance providers as part of our insurance program. We had no outstanding draws under the credit facility as of September 30, 2003 and December 31, 2002. Amounts outstanding under the revolving credit facility mature on January 22, 2007. The credit facility is collateralized by a first priority security interest in substantially all of our U.S. assets and a pledge of the stock of certain of our operating subsidiaries. Interest under the facility accrues at rates based, at our option, on the agent bank's base rate plus a margin of between 0.75% and 1.75% or its LIBOR rate (as defined in the credit facility) plus a margin of between 2.25% and 3.25% each depending on certain financial thresholds. The facility includes an unused facility fee of 0.50%, which may be adjusted to as low as 0.375% or as high as 0.625% depending on the achievement of certain financial thresholds.

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

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

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

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

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

#### Contractual Obligations

Contractual Obligations	October 1, 2003 to						
	As of September 30, 2003	December 31, 2003	2004	2005	2006	2007	Thereafter
Senior subordinated notes (1)	\$ 195,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,880
Notes payable for							

equipment (1)	1,525	402	1,123	-	-	-	-
Other lines of credit (1)	3,112	3,112	-	-	-	-	-
Obligations related to acquisitions (2)	771	771	-	-	-	-	-
Capital leases (3)	3,782	189	756	756	756	757	568
Operating leases	45,130	6,815	16,591	9,362	4,261	2,710	5,391
<b>Total</b>	<b>\$ 250,200</b>	<b>\$ 11,289</b>	<b>\$ 18,470</b>	<b>\$ 10,118</b>	<b>\$ 5,017</b>	<b>\$ 3,467</b>	<b>\$ 201,839</b>

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

(2) Primarily related to contingent consideration for acquisitions.

(3) Included in other liabilities in Consolidated Balance Sheets.

<b>Other Contractual Obligations</b>	<b>As of September 30, 2003</b>	<b>October 1, 2003 to December 31, 2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Thereafter</b>
Standby Letters of credit	\$ 39,180	\$ 39,180	\$ -	\$ -	\$ -	\$ -	\$ -
Executive life insurance	22,684	1,455	1,624	1,624	1,124	1,124	15,733
<b>Total</b>	<b>\$ 61,864</b>	<b>\$ 40,635</b>	<b>\$ 1,624</b>	<b>\$ 1,624</b>	<b>\$ 1,124</b>	<b>\$ 1,124</b>	<b>\$ 15,733</b>

### Seasonality

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

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

In the normal course of our business, we are exposed to market risk, primarily from changes in foreign currency exchange rates and changes in interest rates, that could impact our results of operations and financial position. We manage our exposure to these market risks through our regular operating and financial activities, and when deemed appropriate, through the use of derivative financial instruments, such as interest rate swaps, to hedge certain of these exposures. We do not use derivative financial instruments for speculative or trading purposes. We do not anticipate any significant changes in our objectives and strategies with respect to managing such exposures.

### Foreign Currency Exchange Rate Risk

A substantial majority of our revenue, expense and capital expenditure activities are transacted in U.S. dollars. However, we do transact business in other currencies, primarily the Brazilian real and Canadian dollar. We are required to translate, or express in U.S. dollars, the assets and liabilities of our foreign subsidiaries that are denominated or measured in foreign currencies at the applicable period-end rate of exchange on our consolidated balance sheet, and income statement items of our foreign subsidiaries at the average rates prevailing during the period. We record the resulting translation adjustment, and gains and losses resulting from the translation of intercompany balances of a long-term investment nature, as components of our shareholders' equity. Other immaterial foreign currency translation gains and losses are recorded in our consolidated statements of income. We do not, as a matter of policy, hedge translational foreign currency exposure.

### Interest Rate Risk

Our exposure to market risk for changes in interest rates primarily relates to our variable rate credit facility. As such, we are exposed to earnings risk due to changes in rates. As of September 30, 2003, we had no borrowings under our variable rate credit facility.

## ITEM 4. CONTROLS AND PROCEDURES

- a. *Evaluation of disclosure controls and procedures.* Our chief executive officer and chief financial officer are responsible for establishing and maintaining "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) for MasTec. Our disclosure controls and procedures include "internal controls," as that term is used in Section 302 of the Sarbanes-Oxley Act of 2002 and described in the Securities

and Exchange Commission's Release No. 34-46427 (August 29, 2002). Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures as of September 30, 2003, have concluded that our disclosure controls and procedures were effective in timely alerting them to material information relating to MasTec (including its consolidated subsidiaries) required to be included in our periodic SEC filings. We have undertaken software upgrades at our numerous back office locations to improve the speed of our information gathering.

- b. *Changes in internal controls.* There were no significant changes in our internal controls or in other factors that could significantly affect those internal controls undertaken in connection with such evaluation, and no corrective actions were taken. As described above, we are effecting software upgrades as part of our ongoing program to improve our internal controls.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

See Note 8 to the Notes to Consolidated Financial Statements.

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

#### **(a) Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
--------------------	--------------------

- |      |  |
|------|--|
| 10.1 | Amendment No.5 to Revolving Credit and Security Agreement.   |
| 31   | Certifications Required by Section 302(a) of Sarbanes - Oxley Act of 2002.   |
| 32   | Certifications of the Chief Executive Officer and the Chief Financial Officer of MasTec, Inc. required by Section 906 of the Sarbanes-Oxley Act of 2002. |

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

On August 12, 2003, MasTec filed a Current Report on Form 8-K dated August 12, 2003, with the Securities and Exchange Commission reporting information under Item 12, Disclosure of Results of Operations and Financial Condition, to report its press release dated August 12, 2003 announcing its results of operations for the quarter ended June 30, 2003.

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### **SIGNATURE**

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

**MASTEC, INC.**

Date: November 14, 2003

/s/ Donald P. Weinstein

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



**AMENDMENT NO. 5**  
**TO REVOLVING CREDIT AND SECURITY AGREEMENT**

THIS AMENDMENT NO. 5 TO REVOLVING CREDIT AND SECURITY AGREEMENT (this "Amendment") is made and entered into as of September 18, 2003, between MasTec, Inc., a Florida corporation ("MasTec"), the Subsidiaries of MasTec identified on the signature pages hereto (together with MasTec, hereinafter collectively referred to as the "Borrowers"), the financial institutions party from time to time to the Loan Agreement (as hereinafter defined) (the "Lenders") and Fleet Capital Corporation, a Rhode Island corporation, as administrative agent (the "Administrative Agent") for the Lenders.

**Recitals:**

The Borrowers, the Lenders and the Administrative Agent are parties to a Revolving Credit and Security Agreement dated as of January 22, 2002, as amended by an Assumption and Amendment Agreement dated as of February 7, 2002, an Amendment No. 2 dated as of October 25, 2002, an Amendment No. 3 and Consent dated as of November 1, 2002, an Amendment No. 4 dated as of March 6, 2003, and by a Joinder Agreement and Consent dated as of March 28, 2003 (as amended and in effect, the "Loan Agreement"), pursuant to which the Lenders have made certain revolving credit loans and letter of credit accommodations to or for the benefit of the Borrowers.

The Borrowers have requested that the Lenders amend the Loan Agreement in certain respects to, among other things, permit the Borrowers to sell during Fiscal Year 2003 certain excess or obsolete Equipment no longer used or useful in the business of the Borrowers and to increase the concentration limits for certain of the Borrowers' Account Debtors. To induce the Lenders to do so, the Borrowers have agreed to execute and deliver and to perform its obligations under this Amendment.

Upon the terms and subject to the conditions hereinafter set forth, the Lenders have agreed so to amend the Loan Agreement and to provide such confirmation.

NOW, THEREFORE, for TEN DOLLARS (\$10.00) in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby severally acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. **Definitions.** All capitalized terms used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the Loan Agreement.
2. **Amendments to Loan Agreement.** Subject to the provisions of Section 4 of this Amendment, the Loan Agreement is hereby amended as follows:
  - (a) By adding the following new definitions to Section 1.1 in proper alphabetical order:

"**Amendment No. 5 Effective Date**" means the date on which Amendment No. 5 to this Agreement dated as of September 18, 2003, between the Borrowers, the Lenders and the Administrative Agent shall have become effective in accordance with its terms.

"**Comcast**" means, collectively, Comcast Corporation and its Affiliates and Subsidiaries.

"**Comcast Concentration Percentage**" means (a) during the period from the Amendment No. 5 Effective Date through March 31, 2005, 30%, and at all times thereafter, 25%; **provided**, that if Comcast at any time ceases to be an Investment Grade Account Debtor, the then applicable percentage shall immediately be reduced to 15%, or (b) at any time, such lesser percentage as the Administrative Agent may in its reasonable credit judgment determine from time to time.

"**DirecTV**" means, collectively, DirecTV, Inc. and its Affiliates and Subsidiaries.

"**DirecTV Concentration Percentage**" means (a) at any time DirecTV is an Investment Grade Account Debtor, 20%, (b) at any time DirecTV is not an Investment Grade Account Debtor, 15%, or (c) irrespective of whether DirecTV is an Investment Grade Account Debtor, such lesser percentage as the Administrative Agent may in its reasonable credit judgment determine from time to time.

"**Investment Grade Account Debtor**" means an Account Debtor whose corporate credit rating or senior debt rating (secured or unsecured), or any of them, by Moody's and S&P is investment grade.
  - (b) By deleting clause (k) of the definition of "Eligible Accounts" and by substituting the following new clause (k) in lieu thereof:
    - (k) such Account is not owing by an Account Debtor or a group of affiliated Account Debtors whose then-existing Accounts owing to the Loan Parties exceed in face amount 7.5% (or (i) as to any Approved Account Debtor (other than DirecTV and Comcast), 15%, (ii) as to DirecTV, the DirecTV Concentration Percentage, and (iii) as to Comcast, the Comcast Concentration Percentage) of the aggregate Eligible Accounts, but only to the extent of the excess over 7.5% (or 15%, the DirecTV Concentration Percentage or the Comcast Concentration Percentage, as the case may be);
  - (c) By amending Section 4.7(c) by deleting the phrase "up to \$5,000,000 of Collateral in any Fiscal Year" appearing therein.
  - (d) By deleting clause (iii) of Section 8.7(a) and by substituting the following new clause (iii) in lieu thereof:
    - (iii) sales of Inventory other than in the ordinary course of business and of Equipment and other capital assets (other than the Real Estate described in **clause (ii)** above) having an aggregate value (determined at the higher of net book value and fair market value) not to exceed \$5,000,000 (or 100% of the capital stock of a Subsidiary, the value of all assets of which (determined at the higher of net book value and fair market value) does not exceed \$5,000,000) in any Fiscal Year,

(e) By redesignating clause (iv) of Section 8.7(a) as clause (v) and by inserting the following new clause (iv):

(iv) sales during the period commencing on the Amendment No. 5 Effective Date and ending on June 30, 2004, of excess or obsolete Equipment no longer used or useful in the business of the Borrowers having an aggregate net book value not to exceed \$7,000,000, **provided, however**, that the Borrowers may not sell any such Equipment during the period commencing on January 1, 2004 and ending on June 30, 2004 if a Default or Event of Default has occurred and is continuing on the date of any proposed sale, and

3. **Partial Release of Borrowing Base Reserve.** Subject to the provisions of Section 4 of this Amendment, the Administrative Agent and the Lenders hereby release the reserve in the amount of \$1,000,000 established against the Borrowing Base pursuant to the terms of that certain consent letter dated July 9, 2003, among the Borrowers, the Lenders and the Administrative Agent.

4. **Conditions to Effectiveness.** The provisions of Sections 2 and 3 of this Amendment shall become effective as of the date hereof on the date (the "Amendment No. 5 Effective Date") on which the Administrative Agent shall have received (a) an amendment fee in the amount of \$25,000 for the Ratable account of the Lenders, which fee is earned on such date and is not subject to refund or rebate of any kind whatsoever, and (b) the following documents, each of which shall be satisfactory in form and substance to the Administrative Agent and in sufficient copies for each Lender:

(i) this Amendment duly executed and delivered by the Borrowers, the Lenders and the Administrative Agent;

(ii) a certificate of the secretary or assistant secretary of each Borrower having attached thereto the articles or certificate of incorporation or other constituent documents of such Borrower (or containing the certification of such secretary or assistant secretary that no amendment or modification of such documents has become effective since the last date on which such documents were last delivered to the Lenders), all corporate or company action, including shareholders' or members' approval, if necessary, has been taken by such Borrower and/or its shareholders or members to authorize the execution, delivery and performance of this Amendment and to the further effect that the incumbency certificate most recently delivered to the Lenders remains in effect, unchanged;

(iii) a certificate of the president or chief financial officer of MasTec stating that, to the best of his or her knowledge and based on an examination sufficient to enable him or her to make an informed statement, both before and after giving effect to the Amendment,

(A) all of the representations and warranties made or deemed to be made under the Loan Agreement are true and correct on and as of the Amendment No. 5 Effective Date, and

(B) no Default or Event of Default exists; and the Administrative Agent shall be satisfied as to the truth and accuracy thereof; and

(iv) such other documents and instruments as any Lender through the Administrative Agent may reasonably request.

5. **Representations and Warranties.** To induce the Administrative Agent and the Lenders to enter into this Amendment, each Borrower hereby makes the following representations and warranties to the Administrative Agent and the Lenders, which representations and warranties shall survive the delivery of this Amendment and the making of additional Loans under the Loan Agreement as amended hereby:

(a) **Authorization of Agreements.** Each Borrower has the right and power, and has taken all necessary action to authorize it, to execute, deliver and perform this Amendment and each other agreement contemplated hereby to which it is a party in accordance with their respective terms. This Amendment and each other such agreement contemplated hereby to which it is a party has been duly executed and delivered by the duly authorized officers of such Borrower and each is, or each when executed and delivered in accordance with this Amendment will be, a legal, valid and binding obligation of such Borrower, enforceable in accordance with its terms.

(b) **Compliance of Agreements with Laws.** The execution, delivery and performance of this Amendment in accordance with their respective terms do not and will not, by the passage of time, the giving of notice or otherwise,

(i) require any Governmental Approval that has not been obtained or violate any Applicable Law relating to such Borrower or any of its Subsidiaries,

(ii) conflict with, result in a breach of or constitute a default under the articles or certificate of incorporation or by-laws or other constituent documents or any shareholders' or members' agreement of such Borrower or any of its Subsidiaries, any material provisions of any indenture, agreement or other instrument to which such Borrower, any of its Subsidiaries or any of such Borrower's or such Subsidiaries' property may be bound or any Governmental Approval relating to such Borrower or any of its Subsidiaries, or

(iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Borrower other than the Security Interest.

6. **Effect of Amendment.** From and after the Amendment No. 5 Effective Date, all references in the Loan Agreement and in any other Loan Document to "this Agreement," "the Loan Agreement," "hereunder," "hereof" and words of like import referring to the Loan Agreement, shall mean and at any time of determination be references to the Loan Agreement as amended by this Amendment. Except as expressly amended hereby, the Loan Agreement and all terms, conditions and provisions thereof remain in full force and effect and are hereby ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

7. **Breach of Amendment.** Any breach by the Borrowers of any representation, warranty or covenant contained herein shall constitute an Event of Default.

8. **Counterpart Execution; Facsimile Signatures.** This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one

and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

9. **Governing Law.** This Amendment shall be governed by and construed in accordance with the laws of the State of Georgia without giving effect to conflicts of law principles thereof.

10. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

11. **Further Assurances.** The Borrowers agree to take such further actions as any Lender through the Administrative Agent shall reasonably request from time to time in connection herewith to evidence or give effect to the amendments set forth herein or any of the transactions contemplated hereby.

12. **Section Titles.** Section titles and references used in this Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement among the parties hereto.

13. **Waiver of Jury Trial.** To the fullest extent permitted by applicable law, each of the parties hereto hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Amendment.

14. **Release of Claims.** To induce the Administrative Agent and the Lenders to enter into this Amendment, each Borrower hereby releases, acquits and forever discharges the Administrative Agent and the Lenders, and all officers, directors, agents, employees, successors and assigns of the Administrative Agent and the Lenders, from any and all liabilities, claims, demands, actions or causes of action of any kind or nature (if there be any), whether absolute or contingent, disputed or undisputed, at law or in equity, or known or unknown, that such Borrower now has or ever had against Agent or any Lender arising under or in connection with any of the Loan Documents or otherwise. Each Borrower represents and warrants to the Administrative Agent and the Lenders that such Borrower has not transferred or assigned to any Person any claim that such Borrower ever had or claimed to have against the Administrative Agent or any Lender.

15. **Expenses of Administrative Agent.** Borrowers agree to pay, on demand, all costs and expenses incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and any other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of the Administrative Agent's legal counsel and any taxes or expenses associated with or incurred in connection with any instrument or agreement referred to herein or contemplated hereby.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers as of the date first written above.

**FLEET CAPITAL CORPORATION,**  
as the Administrative Agent and as a Lender

By: /s/ Dennis S. Losin  
Name: Dennis S. Losin  
Title: Senior Vice President

**WACHOVIA BANK, NATIONAL  
ASSOCIATION,** as a Lender

By: /s/ Dan Denton  
Name: Dan Denton  
Title: Vice President

**LaSALLE BUSINESS CREDIT, LLC,  
successor in interest to LaSALLE  
BUSINESS CREDIT, INC.,** as a Lender

By: /s/ Douglas Colletti  
Name: Douglas Colletti  
Title: Senior Vice President

**JPMORGAN CHASE BANK,** as a Lender

By: /s/ Maryann Lewis  
Name: Maryann Lewis  
Title: Vice President

**PNC BANK, NATIONAL  
ASSOCIATION,** as a Lender

By: /s/ Alex M. Council  
Name: Alex M. Council  
Title: Vice President

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

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**BORROWERS:**

**MASTEC, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**CHURCH & TOWER, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**CHURCH & TOWER,  
ENVIRONMENTAL, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**CRUZ-CELL, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**DRESSER/AREIA CONSTRUCTION,  
INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**FLAIRE INCORPORATED**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

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**GMR TELCOM, L.L.C.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC INTEGRATION SYSTEMS,  
INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC NETWORK SERVICES, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC NORTH AMERICA, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC TELCOM & ELECTRICAL  
SERVICES, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**PHASECOM AMERICA, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**PROTEL IND., INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**RENEGADE OF IDAHO, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**S.S.S. CONSTRUCTION, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**UPPER VALLEY UTILITIES CORP.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**WILDE HOLDING CO., INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**WILDE ACQUISITION CO., INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

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**NORTHLAND CONTRACTING, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**WILDE OPTICAL SERVICE, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC REAL ESTATE HOLDINGS,  
INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC OF TEXAS, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC CONTRACTING COMPANY,  
INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC MINNESOTA, S.W., LLC**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC SERVICES COMPANY, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC ASSET MANAGEMENT  
COMPANY, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC TC, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**MASTEC FC, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**STACKHOUSE REAL ESTATE  
HOLDINGS, INC.**

By: /s/ Donald P. Weinstein  
Donald P. Weinstein  
Executive Vice President and CFO

**Certifications Required by Section 302(a)  
of Sarbanes-Oxley Act of 2002**

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

1. I have reviewed this quarterly report on Form 10-Q of MasTec Inc. for the quarter ended September 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

/s/ Austin J. Shanfelter  
Austin J. Shanfelter, President  
and Chief Executive Officer

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**Certifications Required by Section 302(a)  
of Sarbanes-Oxley Act of 2002**

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

1. I have reviewed this quarterly report on Form 10-Q of MasTec Inc. for the quarter ended September 30, 2003;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;



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

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

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

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

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

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

Date: November 14, 2003

/s/ Donald P. Weinstein

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

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

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

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

Date: November 14, 2003

/s/ Austin J. Shanfelter

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

Title: President and Chief Executive Officer

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

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

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

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

Date: November 14, 2003

/s/ Donald P. Weinstein

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

Title: Executive Vice President — Chief  
Financial Officer

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